Sharing smiles

2017

Fromageries Bel

REGISTRATION DOCUMENT

including the Annual Financial Report

SUMMARY

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Fromageries Bel

A French limited company (société anonyme)
with share capital of €10,308,502.50
Head office: 2 allée de Longchamp, 92150 Suresnes
SIREN No. 542 088 067 – Nanterre Trade and Companies Register

2017

REGISTRATION DOCUMENT

including the Annual Financial Report

The original French version of this translated Registration Document was filed with the *Autorité des marchés financiers* (AMF) on March 29, 2017, in accordance with Article 212-13 of the AMF General Regulations. It may be used in support of a financial transaction provided that it is accompanied by an Information Memorandum approved by the *Autorité des marché financiers*. This Registration Document was prepared by the issuer and its signatories are liable for its content.

It may be used in support of a financial transaction provided that it is accompanied by an Information Memorandum approved by the Autorité des marchés financiers.

This Registration Document was prepared by the issuer and its signatories are liable for its content.

This report serves as the Registration Document of the company Fromageries Bel, filed thereunder with the Autorité des marchés financiers pursuant to Article 212-13 of the AMF General Regulations, including:

- the Annual Financial Report issued pursuant to Article L. 451-1-2-1 I and II of the French Monetary and Financial Code;
- Fromageries Bel's Management Report approved by the Board of Directors pursuant to Articles L. 225-100 et seq. and Articles L. 225-102-1 et seq. of the French Commercial Code (according to the "Grenelle II" law of July 2010, as amended by the "Warsmann" law of March 2012); and
- the Chairman's Report prepared in accordance with Article L. 225-37 of the French Commercial Code.

The cross-reference tables between the paragraphs of the Registration Document (Annex I to EU Regulation No. 804/2004) and those of the Financial Report provided for in article L. 451-1-2 of the French Monetary and Financial Code, as well as those of the Management Report provided for in Articles L. 225-100 et seq. and Articles L. 225-102-1 et seq. of the French Commercial Code (according to the "Grenelle II" law of July 2010, as amended by the "Warsmann" law of March 2012) are contained in chapter 8.

For the purposes of this report (hereinafter the "Registration Document"), unless otherwise stated, the terms "Fromageries Bel" or "the Company" refer to the Fromageries Bel company and the terms "Group" or "Bel Group" refer to the Fromageries Bel company and its consolidated subsidiaries.

A GLOBAL PLAYER
IN HEALTHY DAIRY AND FRUIT SNACKING

KEY FIGURES

18
BILLION PORTIONS SOLD

over 30
INTERNATIONAL AND LOCAL BRANDS

12,700
EMPLOYEES

over 30
ENTITIES

3 values
DARE, CARE, COMMIT

€3,346 bn
IN SALES

€180 m
IN NET PROFIT - GROUP SHARE

€215 M
IN OPERATING PROFITS

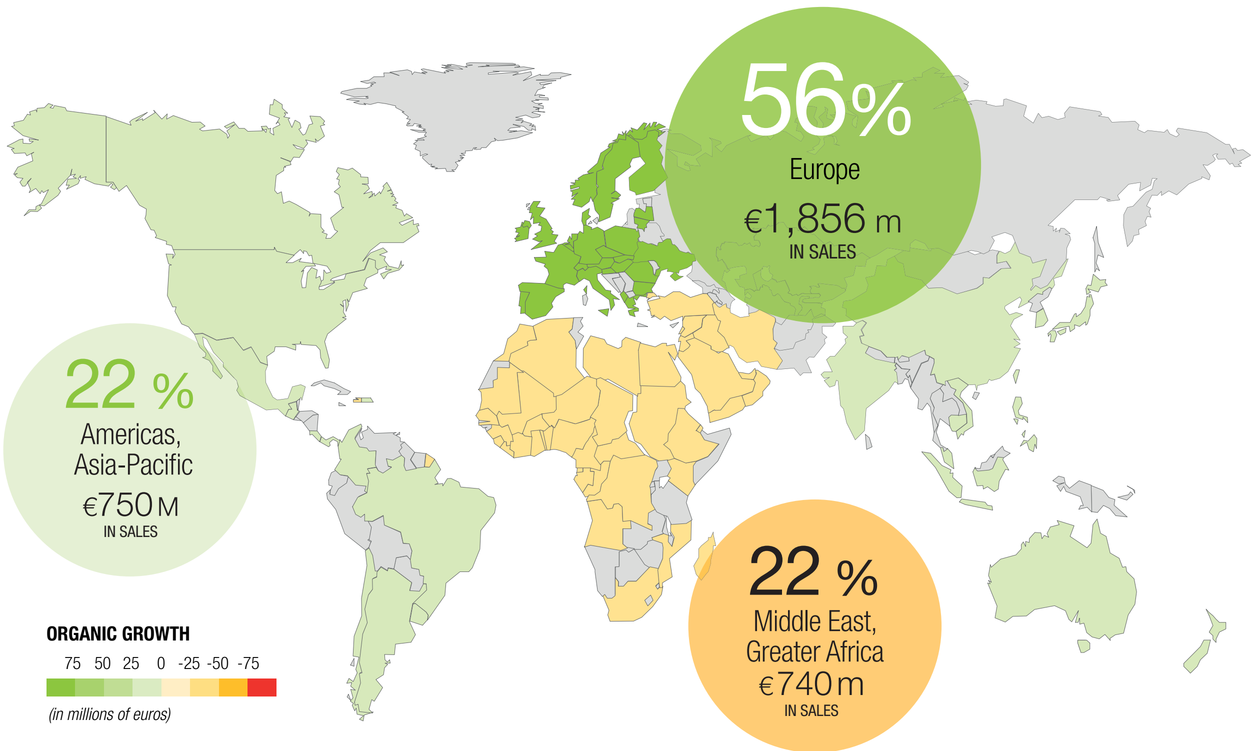
6.4%(2)
OPERATING MARGIN

+ €168 m
CHANGE IN CASH FLOW

€2,347 m
TOTAL CAPITAL INVESTED

(1) Other financial and accounting information, as well as the detailed financial statements, can be found in chapter 5 and in the table on the following page.
(2) Operating margin corresponds to operating income divided by net sales.

BREAKDOWN OF 2017 SALES



A GROUP COMMITTED TO A SUSTAINABLE BUSINESS MODEL

Our "We care in every portion" CSR program embodies the positive innovation dynamic to offer consumers increasingly responsible products creating shared value.

4 PILLARS structure our constant improvement approach and guide Group employees as they support the development of Bel's sustainable growth model.

SUSTAINABLE FARMING

2,650
FARMER PARTNERS

Taking action for a sustainable upstream dairy leading the way for our farmer partners today and defining standards of excellence for tomorrow

CARING NUTRITION

400 millions
CONSUMERS

Enhancing the nutritional value of our products and promoting healthier eating habits and lifestyles

ENVIRONMENTAL FOOTPRINT

32
PRODUCTION SITES

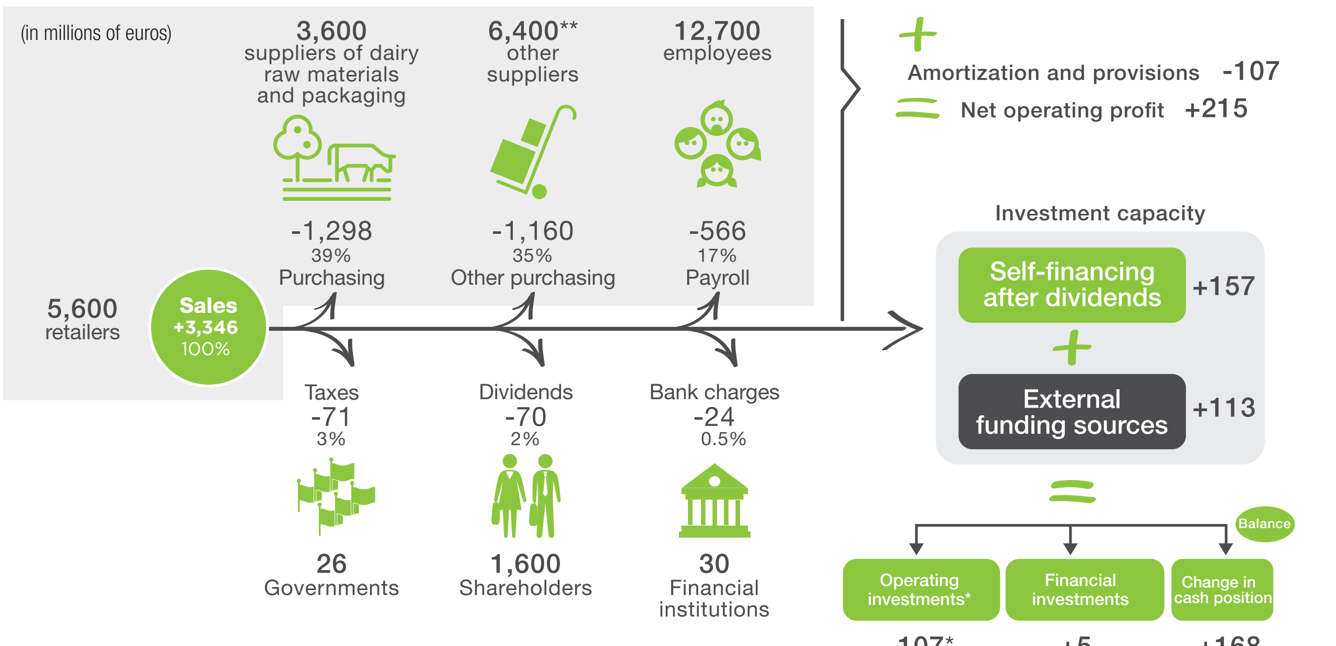
Reducing the environmental impact of producing and consuming our products

PEOPLE WELL-BEING

12,700
EMPLOYEES AND 10,000 SUPPLIERS

Care about people – our own people and all the people we work with every day

CREATING SHARED VALUE



* Industrial investments, IT systems and business growth (change in working capital requirement).
** With annual sales exceeding €10,000.

SELECTED FINANCIAL INFORMATION [(1)]

(in millions of euros)	2017	2016	Change
SALES	**3,346**	**2,936**	**14.0%**
Gross margin	1,020	1,053	-3.2%
Gross margin (as a % of sales)	30.5%	35.9%	
OPERATING INCOME	**215**	**298**	**-27.9%**
Of which: current operating income	226	327	-31.0%
other non-recurring income and expenses	-11	-29	-63.2%
OPERATING MARGIN [(2)]	**6.4%**	**10.2%**	
NET PROFIT	**181**	**217**	**-14.3%**
Of which: Group share	180	213	-15.6%
Non controlling interests	6	4	-47.0%
Diluted per share (in euros)	26.50	31.41	-15.6%
TOTAL EQUITY INVESTED	**2,347**	**2,355**	**-0.4%**
Of which: equity, Group share	1,629	1.577	3.3%
non-controlling interests	85	90	
net financial debt	632	688	
Cash flow			
From operating activities	281	289	
From investing activities	(130)	(906)	
From financing activities	17	257	
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**168**	**(360)**	

(1) Other financial and accounting information, as well as the detailed financial statements, can be found in chapter 5.
(2) Operating margin corresponds to operating income divided by net sales.

1

PRESENTATION OF ACTIVITIES

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1.1 GROUP PRESENTATION

1.1.1 Group profile

Bel is an international family-owned business currently led by the fifth generation of family managers. At over 150 years old, the Bel Group is a historical player on the cheese market and world leader in portioned cheese. It established itself as a major player in healthy snacks by acquiring Mont-Blanc Materne (MOM) in 2016 and integrating the Pom'Potes, GogoSqueeZ, Materne and Mont-Blanc brands into its portfolio.

Its economic model is based on geographical distribution of its activities, and on the development of strong and innovative brands. These include international cheese brands like The Laughing Cow, Kiri, Mini Babybel, Leerdammer and Boursin; local market-leading brands; and recently purchased ones that are strong in the healthy snacks segment.

Bel is committed to a sustainable growth strategy. Backed by the commitment of its 12,700 employees, its "We care in every portion" CSR program embodies the positive innovation that the Group applies to boost growth and create shared value with its ecosystem.

The Group's portfolio features over 30 brands sold in more than 130 countries.

1.1.2 A sustainable growth model

Since its beginnings, Bel has remained committed to combining quality and food safety with pleasure for consumers around the world, so that they can experience unique moments with the goodness of dairy products, and now healthy dairy and fruit snack products.

This commitment and optimism – and the desire to share it – are echoed in the Group's slogan, "Sharing smiles", which reflects Bel's employee culture, sustainable model, and the personality of its brands.

For Bel, competitiveness and sustainability go hand in hand. The Group is a signatory of the United Nations Global Compact, and has been committed to a sustainable development approach since 2003. It reports on its progress in applying the Compact's ten principles each year. To go even further, the Group structured its sustainable growth approach in 2016, putting corporate social responsibility at the heart of its model.

In this way, the Group declares its desire to leverage shared value creation to accelerate growth. It has defined positive innovation as an open model based on dialogue and partnership with stakeholders to create a positive impact on its entire value chain and ecosystem.

In 2017, the Group formally launched a sustainable growth program it calls "We care in every portion". It thus shares a continuous progress approach with its employees and stakeholders. The program structures action around four strategic pillars, reflected in indicators to be met by 2025 (see section 3.1 "A policy with a central place in the Group's strategy"):

- sustainable farming;
- caring nutrition;
- environmental footprint;
- people well-being.

In this way, the Group aims to develop by offering increasingly responsible products that meet consumers' growing expectations for environmentally-friendly, natural foods.

It has also developed company-specific tools to guide employee action:

- the Code of Business Practices was designed to guide employees facing ethical issues in the workplace (see section 3.2.1 "Ethics at the heart of the Group's activities");
- the upstream international dairy charter co-signed by WWF France frames the Group's commitments to improve the sustainability of dairy production in all its milk supply regions by 2025;
- the "Nutri+" nutritional profile system defines the Group's ambitions to continuously improve the nutritional value of Bel products;
- the responsible communications charter lists principles to be followed in all types of communication (advertising, packaging, digital), especially when they directly target children under 12 years old;
- the sustainable purchasing charter presents Bel's commitments to its suppliers. It also defines what the Group expects from them in return, in terms of major social issues such as business conduct, respect for human rights and children's rights, and the fight against corruption (see section 3.2.3 "Promoting good social and environmental practices with partners");
- sixteen indicators guide Group employee actions that further Bel's sustainable growth model (CSR scorecard).

1.1.3 History and significant events of 2017

Origins in the heart of the Jura region

In 1865, Jules Bel set up his Comté cheese ripening and trading business in Orgelet, in France's Jura region. Following his death in 1904, his son Léon Bel took over the business.

The emerging cheese industry took off after World War I, and Léon Bel saw the potential of cheese spread, which is tasty, affordable, easy to carry and easy to store. He set out on an industrial adventure, creating "Fromageries Bel" as a limited company in 1922.

More than just a cheese brand

In 1921, he registered the "The Laughing Cow" brand, a product that was totally new in France at the time due to its original recipe, creamy texture, triangular shape and single-serving format.

From the outset Léon Bel also had the idea of giving this product a personality, that of a red cow mimicking human behavior and laughing. He commissioned famous animal illustrator Benjamin Rabier to draw this character. Ever since that time, The Laughing Cow's original and endearing personality has helped it maintain a close relationship with consumers, both young and old, throughout the world.

Cheese maker and advertiser

Léon Bel was not just a cheese maker. He was a pioneer in the art of communication. In 1923, at a time when publicity alone seemed enough to promote a product, The Laughing Cow took to the streets with funny advertising posters, developing an affectionate relationship with consumers through its original association with everyday objects. In 1950, The Laughing Cow entered consumers' homes through films and advertisements on television, radio and in the cinema, later amassing an on-line community of fans who keep asking why The Laughing Cow… is laughing.

Since its inception in 1921, The Laughing Cow, its image, packaging and advertising have been constantly modernized to satisfy consumers' new aspirations.

For over 90 years, it has not only been a part of the food landscape, but has entered the culture as well.

Development of Fromageries Bel

The Laughing Cow was launched industrially and commercially in 1924 when Léon Bel installed the first cast iron kneading machine and portion machines in the Lons-le-Saunier plant. Two years later, he built a new modern plant in Lons-le-Saunier.

In 1929, Léon Bel branched out into foreign markets, setting up his first foreign factories in the UK and Belgium. At the same time, he broadened the range of products with, in particular, Bonbel and Babybel. He also launched the first fat-free cheese "Forbon", a dietary product ahead of its time.

In 1937, Léon Bel's son-in-law, Robert Fiévet, was appointed Chief Executive Officer of Fromageries Bel. He went on to become Chairman following Léon Bel's death in 1957, and was responsible for Bel's national and international growth, shaping the Group's history until 1996.

International expansion

Processed cheese had all the necessary qualities to become an internationally distributed, daily food, particularly in terms of homogenization and conservation.

Starting in 1929, following the creation of Fromageries Bel's first foreign subsidiary (Bel Cheese in the United Kingdom), nothing could stop the growth of Bel products in Europe, North America, Africa, the Near and Middle East and Asia-Pacific.

This success was driven by the innovation so dear to Bel. After The Laughing Cow, other brands were launched, such as Bonbel (1932), Babybel (1952), Apéricube (1960), Kiri (1966), Mini Babybel (1977) and Cheez Dippers (1995).

The Group's international expansion is based on three growth drivers:

- product development, using the Group's historical international brands and specific national brands;
- regional expansion, by creating distribution subsidiaries worldwide and setting up plants located as closely as possible to areas of consumption. In 2014, Bel inaugurated its new Mini Babybel plant in the United States, the brand's top global market, to support its US growth. In 2015, Bel opened its first plant in sub-Saharan Africa in Abidjan. This innovative plant produces The Laughing Cow for the Ivorian market. Bel now operates in 30 countries and has 32 production sites;
- acquisition-led international growth. Examples include the acquisitions of Dutch group Leerdammer in 2002, the Boursin brand in January 2008, and the MOM Group in 2016, as well as a controlling interest in Moroccan dairy producer Safilait in 2015.

Healthy snacking, fertile soil for growth

The Group is a market leader in cheese snacks, with its iconic, bold brands and portion format. Bel products not only meet a strong consumer trend for tasty, healthy and convenient snacks, but they create new habits as well. For example, Mini Babybel stands out in Europe and the United States as an alternative to sugary snacks. Cheez Dippers ("Pik & Croq" in French) diversify the snack offer by combining cheese and breadsticks. Apéricubes make cheese a highlight of get-togethers in Europe and Asia.

Building on these successful experiences and its ability to diversify products to meet new consumer expectations, Bel chose to go beyond cheese in 2015. It acquired a majority stake in Safilait, a Moroccan firm that processes, packages and markets dairy products under the Jibal brand, in addition to fresh and UHT milk.

The Group confirmed this strategic positioning in 2016 when it took over Mont Blanc Materne (MOM) with the aim of creating a major global player in healthy snacks. MOM saw extraordinary growth in France and the United States anchored in its traditional brands, Materne and Mont Blanc sold in France. It also created the new category of fruit compote in squeezable pouches, with strong leadership positions for its Pom'Potes and GogoSqueeZ brands. The MOM acquisition provides a unique opportunity to accelerate growth by building on Bel's international presence. Bel and MOM share an identity rooted in strong, innovative brands, and plan to build on their complementary products and industrial know-how to solidify their international leadership.

Significant events of 2017

- On April 4, 2017, the Group issued a €500 million bond with a 1.50% coupon maturing in April 2024.
- On December 21, 2017, it also signed a rider extending the maturity of its €520 million multi-currency revolving credit facility and adding environmental and social impact criteria.
- The Group is backing the transformation of its brands and model with its "We care in every portion" sustainable growth model for all employees. The model includes 16 performance indicators that structure a continuous progress approach until 2025.
- In late 2017, Bel announced an unprecedented agreement with the Association des Producteurs de lait Bel Ouest (APBO). The professional body represents some 850 producers – almost all of the milk collected in France. The agreement offers producers economic visibility, securing their income for 2018 while promoting sustainable agricultural practices for the long term, in line with changing consumer expectations.
- The Group began integrating Mont Blanc Materne (MOM), the acquisition of which was finalized in December 2016. The late 2017 launch of GogoSqueeZ (fruit compotes in squeezable pouches) in Portugal is a first example of how the two groups' product ranges and regions complement each other to build a global healthy snacks player.
- MOM launched the Pom'Potes Brassés brand in France and GogoSqueeZ YogurtZ in the United States. The innovative fruit and dairy product can be stored at room temperature.
- The Group continued to innovate, with the launch in France of Mini Roulés in the Babybel range.
- The Group kept up programs to support change management. For digital change, it started the "Digital Academy" on-line training program. For innovation, it experimented with new methods such as open innovation and design thinking. It also modified its management model.
- The Group is committed to gender diversity and aims to hire women in 40% of top management roles by 2025. Executive awareness programs and female employee assistance programs have been rolled out in the Group.
- The Group transferred its under-used industrial site in Cléry-le-Petit (France) and the associated Bar-le-Duc (France) and Maredsous (Belgium) sites to the American group Schreiber Foods. The Schreiber deal brings in significant investment to develop the plant's activity, especially on categories other than cheese. A subcontracting agreement has been signed to ensure that Bel products continue to be manufactured on the Cléry-le-Petit site.

1.1.4 Strategy

Bel Group's growth is based on a business model that has seen it rise to third place in the global branded cheese market[1], making it an international healthy snacks player today.

In 2015, the Group devised its "Big Bel" strategic plan that aims to accelerate growth and transformation in the next ten years by investing in the promising healthy snacks segment. This ambition is reflected in accelerated research and development, launches outside of traditional markets, and stronger regional development in burgeoning markets. The Group is combining organic and external growth to achieve this objective. The acquisitions of Safilait in 2015 and MOM in 2016 are early achievements of Big Bel.

"Big Bel" should enable the Group to effect far-reaching transformation. Its goal of doubling sales between 2015 and 2025 depends on this success.

Developping strong brands

The Group's development model draws heavily on its brands. They convey Bel's values, always in sync with consumer expectations for food, namely healthy indulgence and fun with a dash of cheekiness.

The portion format is praised for being fun, convenient and easy to store. It also addresses societal issues such as food safety, balanced nutrition and the fight against food waste. As a suggested serving, it encourages portion control. Protected by their individual packaging, our portions can be found all over the world. Together, the strengths of the portion format make it a driver of international growth.

(1) Sources: Zenith International Report, 2015.

Additionally, to meet consumer expectations and contribute to its responsible business model, the Group has initiated the sustainable transformation of its brands to offer even more responsible products by working on four key stakes of its in its value chain: sustainable farming, caring nutrition, environmental footprint and people well-being.

The strength of the Group's brands, their distinctive product formats, and the constant improvement to quality and naturalness continue to offer substantial geographical growth prospects for the future.

Supporting growth through innovation

"Dare" is one of the Group's three values. Innovation is in Bel's very DNA and central to the growth of its brands. Bel constantly strives to ensure that innovation is a permanent mindset among all of its employees. Its "We care in every portion" CSR approach makes positive innovation a beacon for actions of Group employees.

In addition to this enterprising culture, new programs are developed to stimulate employee agility and aptitude for innovation. These factors increase the accountability of the Group's teams at every hierarchical level and encourage forward thinking, creativity, experimentation, cooperation and calculated risk-taking to meet the challenges of sustainable growth.

Part of this innovation also includes increased digitalization in all company divisions.

The Group's major brands and star products, such as The Laughing Cow, Apéricube, Babybel and Kiri, arose from this ability to innovate. The development of the Leerdammer and Boursin lines also reflects this mindset. MOM teams share this culture, making employee initiative and innovation key factors of development.

Innovation can take various forms. For the Group, product innovation is characterized by:

- **revitalizing existing product ranges.**
  - Regular product launches add to Bel's offer and match existing dining trends or occasions to better meet consumer needs. The new flavors of Leerdammer, Boursin and Apéricube illustrate this,
- **reinventing products:**
  - the "We care in every portion" sustainable growth program provides a framework for continuous improvement so the brands are increasingly responsible. Their objectives for 2025 cover the entire value chain, from upstream dairy to packaging,
  - recipes are improved with enhanced nutritional value. Fat and salt are reduced and essential nutrients such as calcium, vitamins and minerals are added. The Bel Group is committed to providing consumers with high-quality, healthy products that provide the nutritional value expected by public health authorities in the countries where its brands are sold,
  - Bel works with public authorities and submits new versions of its products to independent nutritionists for approval,
  - packaging is modified to improve its features while reducing environmental impact;
- **expanding product ranges.**

  The Bel Group is constantly developing new products to create new culinary traditions and meal ideas, such as Boursin Aperitif and Babybel Mini Roulés to offer new brand experiences.

  Product innovation is overseen primarily by three departments:
  - marketing: focuses on understanding and anticipating the changing needs and habits of consumers and customers. Excellence in this area is key to success and relies on innovative tools to identify future trends. This expertise is developed by observing consumer behavior, actively canvassing people's views on social media and the Internet, conducting social studies, or through sensory analysis,
  - research and innovation: the teams have expertise in cheese-making technologies and fundamental and applied science (*e.g.* food engineering, microbiology, physical chemistry, etc.),
  - manufacturing: industrial know-how, a core Bel trait for 150 years, is harnessed to create the right conditions for innovation at all production sites;
- **expanding into new categories beyond cheese.**

  The Group offers consumers unique brands that provide quality and pleasure, and offer solutions for various lifestyles and nutritional issues. As a leading maker of portioned cheese, Bel has shown its ability to meet growing consumer demand for healthy snacking products. To accelerate growth, the Group has entered new market segments aside from cheese with the aim of becoming a major global player in single-portion healthy snacks. The buyouts of Safilait in 2015 and MOM in 2016 illustrate this strategic turn toward healthy fruit and dairy snacking. In 2017, Pom'Potes innovated with the launch of a fruit-flavored dairy product in a squeezable pouch that can be stored at room temperature.

The Group's dynamic growth is driven by its 12,700 employees in some 30 countries. Their commitment is at the heart of its human resources policy, which promotes corporate social responsibility, enthusiasm, employee initiative and skills development.

The "People First" social responsibility charter unites all Group employees behind four priorities for the development of Bel and its teams: Enjoy our workplace – Empower everyone – Grow further – Share success. The charter also stresses employee ownership and accountability as keys to the Group's development.

Care, Dare and Commit are the three values reflecting the Group's history, ambitions and commitments, bringing teams together around a common corporate and working culture.

Harmonizing human resource policies and sharing a common approach to managing performance and developing talent within all Group entities also encourage employee commitment worldwide.

Keeping pace with global population growth

The potential for growth springing from the Group's strong brands, recognized product quality, and convenient formats, allow it to capture new markets worldwide.

This growth is two-pronged:

1. rolling out brands in territories where Bel is already present, notably through:
   - innovative solutions (design, manufacturing processes, recipes, packaging),
   - an in-depth understanding of markets,
   - a bold approach to marketing and distribution,
   - industrial expertise that guarantees food safety and quality combined with production facility control;
2. expanding into new markets:
   - this requires an understanding of market attractiveness and the Group's ability to swiftly and solidly establish itself, particularly in areas with high population growth.
   - capturing these new markets requires a more active approach to make the Group's products accessible to a greater number of customers.

1.1.5 Bel and its business ecosystem

Bel's company ecosystem comprises all of its stakeholders: consumers, employees, suppliers, customers, shareholders, governments, institutions, and the communities in which Bel operates.

The Group strives to be open and attentive to this ecosystem in order to fast-track development and plan a sustainable future. Bel seeks independent, third-party expertise and advice to help it develop.

In 2017, the Group affirmed its sustainable growth model based on positive innovation, creating shared value with its stakeholders.

Consumers

Bel's brands entice over millions of consumers worldwide each year. Bel has the responsibility of creating products that meet their expectations for food that is delicious, safe, healthy, and affordable.

The Group aims to help consumers who put their trust in its brands choose more responsibly. It provides clear, transparent information on ingredients and nutritional value.

Our increasingly digitized world is creating a new generation of more informed, discerning consumers. They want to interact with the Company and its brands, and access information instantly. The Group leverages the many customer contact points established by its brands, such as websites and social media, to listen more, understand their needs, and provide them with the information they need.

Employees

Bel has an inclusive employment model that balances the bottom line with staff development. Bel is particularly mindful of health and safety at every Group entity.

Bel is also convinced that healthy social dialogue improves the workplace experience.

Bel's human resource policies and practices are harmonized at the Group level on topics such as payroll management, internal mobility, talent development, safety, and social dialogue. As an international Group, Bel pays particular attention to respecting the unique culture of each of its sites when drafting its human resources policies.

Bel is an ambitious company with high standards. It values and trusts its teams, encouraging employee initiative.

Dairy producers and other suppliers

Bel is eager to build lasting partnerships with all its suppliers, particularly dairy producers, and is committed to continuous improvement accordingly. Bel deals fairly and transparently with suppliers, and requires them to further the Group's commitments for progress.

The Group's purchasing for production purposes chiefly comprises:

1. raw food ingredients (*e.g.* milk, cheese, milk powder, butter, cream, fruit, etc.).

   In 2017, Bel collected over two billion liters of milk from more than 2,650 producers located near its production sites. It sources milk from producers and co-operatives based in countries where the Group manufactures its cheese from liquid milk (*e.g.* France, the Netherlands, Portugal, Slovakia, Ukraine, the United States, etc.).

   As a result, dairy producers are essential partners for the Group to provide consumers the high-quality, sustainable products they expect.

Bel has built lasting relationships with its producers over many years. In 2017, the Group formalized a global charter of commitments co-signed by WWF France for sustainable upstream dairy production. This charter includes economic, social and environmental aspects and is structured around six strategic pillars: a sustainable production model; animal welfare; access to pasture; sustainable and local animal feed; environmental footprint; and feed quality and safety. The charter also incorporates commitments for other dairy ingredients purchased by the Group, such as cream, butter and milk powder.

Bel closely monitors changes in the dairy sector, particularly since quotas were abolished in Europe in early 2015. The Group has been particularly attentive to proposing balanced agreements to producers and their organizations. In late 2017, Bel announced an unprecedented agreement with the APBO, "Association des Producteurs de lait Bel Ouest" (Bel West Producers' Association). The professional body represents some 850 producers – almost all of the milk collected by Bel in France. The agreement offers producers economic visibility, securing their income for 2018 while promoting sustainable agricultural practices for the long term, in line with changing consumer expectations. Dairy production concerns differ from country to country. However, this innovative French initiative for a better milk valuation will inspire the Group's co-constructed, value-creating approach shared by all of its dairy sources worldwide, and help create a more sustainable upstream dairy.

European plants source their cheese, milk powder, butter and cream from the European Union, US plants from the United States, and other plants internationally ;

As for fruit, and more specifically apples, which are the main ingredient in its applesauce, MOM collected close to 100,000 metric tons in France and the United States from producers, cooperatives and private fruit growers in 2017.

In France, all of MOM's apple suppliers use integrated fruit production (IFP) methods in line with Global Gap and/or Vergers Écoresponsables recommendations. All are Global Gap and/or Vergers Écoresponsables certified.

In the USA, all apple producers are required to obtain USDA GAP (Good Agricultural Practices) certification.

In order to minimize its environmental footprint, MOM works with apple producers located close to its production sites whenever possible;

2. packaging materials for finished products (cardboard, aluminum, plastic and paper).

Purchases are centralized or, for certain types of packaging, made locally and coordinated at Group level.

To reduce the environmental impact of its packaging, the Group rolls out action plans for cradle-to-grave improvements at every stage of the product lifecycle. Bel adopts a dual approach to green design, choosing the right materials and reducing quantities used from the outset.

One of the Group's commitments is to be part of the circular economy. Whenever technically possible, the Group uses recyclable materials and recycled materials in its packaging.

Bel has also identified environmental issues concerning the supply of two materials that account for 85% of its packaging volume: cardboard and aluminum. Under its "Zero Deforestation" commitment, Bel aims to ensure that 100% of cardboard it uses is of certified origin by 2025 (see section 3.5.4 "Working to avoid contributing to deforestation"). Bel has joined the Aluminium Stewardship Initiative, a global initiative seeking to establish new standards for responsible aluminum procurement that will launch its certification program in 2018. In this way, the Group hopes to encourage the emergence of responsible aluminum certification and will draft a road map to gradually certify its plants that use aluminum packaging.

Packaging design and manufacture must also minimize environmental impact upon disposal, allowing and encouraging recycling and reuse (see section 3.5.6 "Being part of the circular economy").

Customers and retailers

In all countries where it does business, the Bel Group aims to achieve optimal product circulation, presence and visibility through all local distribution networks. Retail business in a given region may be developed via Group subsidiaries or through importers or retailers.

Group marketing strategy is coordinated at the international level, taking into account the worldwide scale of the largest global distributors. The policy is adapted to each country and network to meet the needs of each market effectively and to adapt to the market position of competitors.

In Europe and North America, distribution centers on big name chains, companies in retail or wholesale groups or even independents. They have central purchasing bodies with which Bel negotiates agreements, generally every year, in compliance with local regulations.

In emerging or developing markets, Bel signs agreements to sell its products to importers and distributors who sell them through conventional channels (*e.g.* wholesalers, grocery stores, resale by portion, etc.). The Group generally signs long-term framework agreements that are reviewed annually. They also include provisions for sales and marketing tailored to local channels.

Bel's entities dedicated to managing, training and monitoring importers and/or retailers enable the Group to maintain close contact with retailers, even when it does not have a subsidiary in a country.

Some Bel products are also distributed to municipalities, restaurants, service stations and catering sites served by food service wholesalers. These customers are managed by a specific sales entity that has built long-term partnerships to provide the Group's brands with a strong presence outside the home setting.

E-commerce includes both Internet-only stores and on-line shops of our distributor clients. It holds great growth potential for the Group's brands, and we are investing to become a key player of the on-line channel.

Communities in which Bel is active

The Group is mindful of the need to contribute to the vitality of the communities in which it is based. They benefit through direct and indirect job creation, since Bel sources its supplies locally where specifications allow.

Bel encourages site management teams to listen to local stakeholders. It also seeks to forge partnerships with local organizations (see section 3.2.5 "Contributing to the vitality of host regions").

1.1.6 Industrial protection

The products manufactured by Bel are sold worldwide. They are often highly differentiated and are the fruit of innovation and new technologies for which the Group owns industrial property rights in numerous countries.

The territorial coverage of the rights depends on the importance of the products and the markets in question.

The Bel Group owns patents and has developed significant know-how and technologies relating to its products, production processes, product packaging, design, and proprietary processes vital to its activities.

1.1.7 Competitive position

The Bel Group's core business is the production and distribution of cheese (primarily portioned) and of cheese and fruit snacks. The Group applies its strategy in two ways:

- in niche markets, the Group aims for a leadership position in its segments, generally representing a small share of the snacks market. These include markets in Western Europe, Northern and Eastern Europe, and North America;
- in mass markets, where the offering is more concentrated, the segments in which the Group operates represent the core market. These include Africa and the Middle East.

Traditional industry players are the "cheese" divisions of large international food companies, international dairy specialists and major dairy co-operatives. Additionally new, often regional, players are joining the fray and can hold strong local positions due to their size in their markets.

The overall trend in 2017 was still towards the consolidation and international expansion of market players.

1.2 MARKET TRENDS

In general, the healthy snacks market has continued to grow steadily worldwide, drawing on fundamental trends:

- **pleasure:** experiences involving all the senses, creative or sophisticated foods, and ethnic or fusion cuisine;
- **health and fitness** are becoming a major issue for both consumers and governments. The trend covers a wide range of benefits from alternative nutrition to specific health perks. Health and fitness benefits have been addressed in response to long-term societal changes such as increased obesity, interest in fitness, and malnutrition. Against this backdrop of mindful consumption, the Group strives to offer consumers healthy snacking solutions;
- **corporate responsibility** is now a key element in consumer choices. Beyond the basic expectation of food quality and safety, consumers now want brands that are produced “responsibly”. They scrutinize product contents, with a growing demand for natural ingredients. Supply channels and packaging are also measured against the CSR yardstick. All around the world, consumers want locally produced foods and a responsible approach for the entire product value chain, from farmer to consumer;
- **convenience:** easy-to-use portion or pouch formats for the on-the-go lifestyle;
- **product safety and traceability** are major concerns. Although experts agree that food is increasingly safe, a growing number of consumers consider food risks to be very high. Bel adheres to the same quality and food safety standards for all of its products, implementing quality control processes throughout the production chain. In 2017, the 28 Bel and four MOM production sites were certified according to GFSI standards (Global Food Safety Initiative).

Bel is committed to ensuring that its product ranges meet the above four expectations while ensuring consumer satisfaction in each market. It is important to note that these trends vary in importance in each country.

Still, the Group believes that an underlying trend exists: balancing taste with health, guilt-free indulgence. This is no longer considered contradictory, but rather expected of products. In the future, healthy eating to reach the “state of complete physical, mental and social well-being” enshrined in the World Health Organization’s constitution will become increasingly important. The identity and personality of the Group’s brands reflect this desire to simultaneously deliver the taste, nutritional and emotional benefits that consumers seek. The Laughing Cow, for example, brings fundamental dairy nutrition to families in a fun and cheerful way. Mini Babybel, with its cheeky and playful personality, is a tasty and healthy snack for everyone. Kiri provides children and their parents all the simple deliciousness of milk and cream. Leerdammer offers all the goodness of hard cheese and is simply “irresistible”. The MOM Group created the pouch applesauce category with a wide offer including organic and unsweetened products.

Trends affecting production, revenue and inventories in 2017

The beginning of 2017 was marked by very tense tariff negotiations in Europe and the Americas. A price war between major distributors and hikes from rising commodity prices occasionally interrupted supplies temporarily to some chains early in the year. In troubled areas of the Middle East, Greater Africa, buying power eroded even further, and the Group’s business in these regions declined yet again in 2017.

The Group’s production sites are located very close to consumption areas, giving them the flexibility to adapt production levels to different markets.

Having anticipated the slowdown, the Group kept inventory levels under control.

1.3 MARKETS AND ACTIVITIES IN 2017

The Group's total revenue was up 14.0% in 2017, amounting to €3,346 million compared with €2,936 million in 2016. Excluding the negative impact of foreign exchange fluctuations (-2.1%) and the MOM acquisition representing 13.8% of sales growth, consolidated sales increased 2.3% organically for the full year.

Europe

European sales stood at €1,856 million in 2017 versus €1,560 million in 2016. The 19% sales growth was shored up by the integration of MOM for 14.5%, and the slightly negative effect of the exchange rate at -0.6%. So, organic growth in sales for the region was up 5.1% for the year.

The offer enhancement strategy sales, offsetting stagnating cheese volumes in the region.

The Group managed to maintain its market share on strategic segments in an economic context that continues to be tense in Europe despite initial signs of recovery, and on a cheese market that grew 2.2% in value but declined 0.4% in volume.

On the snacks segment, all brands saw increased sales with remarkable performance by Leerdammer slices, The Laughing Cow, Pik et Croq and Apéricube. Mini Babybel continued to grow slightly after several years of strong growth. Pom'Potes continued to assert its leadership on the pouched applesauce market, recording 8.9% sales growth in 2017. This is a remarkable performance for a brand that will celebrate its twentieth anniversary in 2018, thanks to growing consumer demand (4.9% growth in the fruit compote market and 2% increase in volumes produced), the dynamic development of drive-thru and convenience marketing channels and the expansion of the offer with the introduction of Pom'Potes Brassés.

The development of a differentiated offer meeting criteria of Bel's sustainable growth program was a hit with European consumers and stimulated sales. Some examples were Leerdammer, with its emphasis on pasture grazing; Terra Nostra milk in Portugal; and additive-free The Laughing Cow in the Czech Republic. Innovation is also helping boost sales with successful roll-outs on the various European markets: Babybel Mini-roulés in France; Combis Mini Babybel "cheese & crackers" in Italy, Spain, Greece and Portugal; the extension of sales of Leerdammer "Finesse" slices in Belgium and on Central European markets; and the Pom'Potes launch in Portugal late in 2017.

At MOM, the Mont Blanc brand enjoyed an upswing due to renewed promotional efforts, although production for distributor brands was down sharply.

Globally, European markets continue to see very strong competition between distributors which once more led to strong pressure on retail prices. In some cases, the price war hindered product promotions or led stores to offer fewer products than usual, even withdrawing some items from sale.

The year was also marked by soaring commodity prices and negative exchange rates weighing on operating margins. Despite this, our teams were able to optimize marketing costs and apply strict savings plans, supported by price increases on most markets when conditions permitted.

Operating profit for the region stood at €145 million in 2017, versus the historic high of €152 million in 2016.

Middle East, Greater Africa

The geopolitical and economic context deteriorated on many markets, with shrinking cheese markets in the Near and Middle East and falling consumption in Algeria. Against this backdrop, sales for the Middle East, Greater Africa shrank 8.5%, to €740 million in 2017 compared with €809 million in 2016.

The Moroccan market remained promising once again, with a remarkable performance in a highly competitive market in 2017. Algeria saw sales shrink in a market context of declining consumption and stronger competition.

Our positions in the region were strengthened in many markets, with particularly strong growth in Morocco (+4.6% at like-for-like exchange rates), Turkey (+27%) and South Africa (+13%), and market share gains in the Gulf countries and Egypt.

Business development in the region continued to be bolstered by the strong match between consumer needs and Bel products such as The Laughing Cow and Kiri, in portions or with breadsticks. Local brands supported this growth trend with Les Enfants in Morocco and the Gulf states (+7%).

Bel's determined and ambitious innovation policy boosted sales with new and promising offers like The Laughing Cow in a new tray format in the Middle East, Egypt and Algeria; "Extra creamy" The Laughing Cow in Morocco; the launch of "Extra creamy" The Laughing Cow in triangular portions in the Middle East; and Regal Picon in small tray format in Iraq.

At like-for-like exchange rates, the area saw a 4.0% organic drop in sales in a year marked by instability and on-going unrest in Libya and Yemen, a poor economic environment in Iraq and in some sub-Saharan African countries whose economies are linked to oil exports.

Currency effects were negative in the Middle East, Greater Africa, in particular because of the strong devaluation of the Egyptian pound in the last quarter of 2016. In countries dependent on oil exports, purchasing power has eroded overall and the prices of largely-imported dairy raw materials have risen, making it less attractive to offer cheese products. The markets shrank accordingly (with the exception of Morocco and Turkey), and price hikes to offset increased costs for dairy raw materials were only moderate (with the exception of Egypt, Turkey and Iran). In addition, distribution channels are still affected by political instability in many regions.

Bel continued to deploy several commercial development programs, allowing it to strengthen its positions on most markets.

In 2017, Bel confirmed the strength of its model in the region. It also innovated to boost sales in a context of shrinking cheese markets in some countries, and political and civil unrest in others. Bel also rolled out a "beyond cheese" offer in the region, winning over consumers with a liquid milk and yogurt offer following the purchase of Safilait in Morocco and Rouzaneh in Iran.

Operating profit for the period stood at €42 million in 2017 versus €127 million in 2016.

Americas, Asia-Pacific

The growth dynamic that began in 2016 was confirmed in 2017, with a 32.4% organic growth in sales, totaling €750 million in 2017 compared with €567 million in 2016. This was primarily due to the acquisition of Mont Blanc - Materne. Organic growth was up 3.5% for all of 2017.

Bel saw sales grow in Americas thanks to the thriving Canadian and Latin American markets and the strong development of GogoSqueeZ in the United States. However this remarkable performance was penalized by a shrinking cheese market, down 1.5% in the USA. There, increased competition and strained trade relations result in a 1% decrease in volume for cheese products, yet strong growth in volumes of pouch products.

Boursin continued to grow strongly in every country in the zone (up 5% over 2016) while cheese Mini Babybel and The Laughing Cow in portion were down slightly. Local American cheese brands continue to contribute to Group growth in the zone.

GogoSqueeZ's pouch offer is a perfect match for American consumers' demand for healthy dairy and fruit-based snacks. Sales of the brand grew over 20% with GogosqueeZ now positioned as a true growth lever in the blended fruit category.

Innovation continued to be a key lever for boosting sales, with the 2017 American launch of a new GogosqueeZ fruit and dairy offer, new recipes and formats, and proof of the potential of The Laughing Cow Cheese Dippers' on the American market with growth of 50%.

In Asia-Pacific, sales rose 5% on a developing dairy and cheese market in all zone countries. The Chinese, Vietnamese and Australian markets posted remarkable performance with double-digit growth in volume. Other zone markets (Japan, Korea, Philippines) were hurt by supply disruptions or overstocking with certain distributors.

Kiri continued to be the growth lever in the zone, with a variety of innovative recipes and formats suited to local customs. After becoming a well-loved baking ingredient in Japan, Kiri Blocs also became a favorite on the rapidly growing Chinese market. The frozen format was also popular in Korea and Japan.

Portioned and tray formats were launched in Australia and New Zealand.

The Laughing Cow continues to be a strong brand in Vietnam with a sales increase of 10% and the Dips format was successfully launched in 2017. The Laughing Cow sales also grew 16% in Korea. Despite this, growth in the region was hurt by distribution problems in the Philippines.

Operating profit was €28 million in 2017 compared with €19 million in 2016, backed by strong advertising support to shore up brand development throughout the entire zone.

Non-recurring events that impacted the Group's main businesses and markets in 2017

Excluding the elements described in the previous paragraphs, no non-recurring events impacted the Group's main businesses and markets in 2017.

1.4 TRENDS LIKELY TO AFFECT PRODUCTION, SALES AND INVENTORIES IN 2018

In 2018, uncertainty remains significant in certain areas where the Group holds important positions, such as the Near and Middle East. The economic situation in war-torn areas continues to be very difficult, and will remain unclear over the coming months.

With regard to its mature markets, particularly in Europe, the year 2018 began with tense trade negotiations once again and a price increase that was insufficient to cover the Group's investment in dairy sector improvements, despite the commitments undertaken in line with the French National Food Conference held in the second half of 2017.

Bel signed an unprecedented agreement with its main French producers, aiming to provide longer-term prospects and contractual visibility, as well as significant improvements to dairy production, in exchange for concrete commitments to the development of a more sustainable sector. The Group is convinced of the need to create a model that fosters a sense of ownership for every player in its value chain, from producer to consumer.

The Group will continue its efforts regarding industrial productivity and careful resource management in order to ensure financing for its growth. It intends to pursue growth and win market share in all regions, especially in areas where the snacks segment is expanding. It will maintain its offensive strategy in order to develop global positions, relying on the vitality of its brands and the talent of its employees.

1.5 PROPERTY, PLANT AND EQUIPMENT

1.5.1 Industrial plant

Bel operates production sites in most of the regions in which it has a commercial presence.

Its production system revolves around plants serving both local and export markets. It has large regional and international facilities (ten plants represent close to 80% of total production) and smaller units serving local markets.

The Group's policy is to own its own production plants while sometimes calling on subcontractors (in Canada, the United States, Germany, Australia and Japan).

At December 31, 2017, Bel's 28 active* production sites were located as follows:

Areas	Number of sites	Country	Main sites
Western Europe	10	France	Dole
			Lons-le-Saunier
			Croisy-sur-Eure
			Sablé-sur-Sarthe
			Évron
			Mayenne
			Vendôme
		Spain	Ulzama
		Portugal	Ribeira Grande
			Vale de Cambra
Northern and Eastern Europe	7	Netherlands	Wageningen
			Dalfsen
			Schoonrewoerd
		Poland	Chorzele
		Slovakia	Michalovce
		Ukraine	Shostka
		Czech Republic	Zeletava
Middle East, Greater Africa	8 (o/w 7 are active)	Egypt	10th of Ramadan City (Cairo)
		Iran	Gazvin
		Syria	Damascus (*activity suspended)
		Turkey	Corlu
		Morocco	Tangier
			Fqih Ben Salah
		Algeria	Koléa
		Ivory Coast	Abidjan/Yopougon
Americas, Asia-Pacific	4	United States	Leitchfield (KY)
			Little Chute (WI)
			Brookings (SD)
		Vietnam	Song Than 3 - Binh Duong Vietnam Province

The 4 MOM production sites were located as follows:

Areas	Number of sites	Country	Main sites
France	2	France	Boué Chef-du-Pont
United States	2	United States	Nampa (ID) Traverse City (MI)

1.5.2 Investments

Main Group investments in the past three years

Bel's investment budget chiefly meets five requirements:

- growth: production capacity and new products;
- productivity: savings plans;
- continuous improvement: reducing natural resource use, protecting the environment and lowering emissions;
- continuity: maintaining industrial equipment and safety requirements;
- developing IT solutions tailored to operational requirements.

The budget is drawn up within a framework of spending control. Gross investment expenditure, excluding R&D expenses, was €152 million in 2017 compared with €134 million in 2016.

The Group's investment budget is drawn up in line with its CSR strategy. All investment projects exceeding €500,000, regardless of how they are financed (*e.g.* equity, debt, finance lease, subcontracting, etc.), are subject to both financial and social ratings. Below a certain social rating, the Investment Committee demands a corrective improvement plan and may reject the project.

In 2015, the Group merged Safilait's manufacturing operations with a site in Morocco (Fquih Ben Salah). It also opened a small mobile production unit in Côte d'Ivoire.

The Group's Industrial and Technical Department updates a steering plan for all plants at least once a year, taking into account planned changes in activity (existing products and new products), technological developments and productivity improvements, and environmental and safety requirements.

As in previous years, no provisions for warranties or environmental risks were recognized at December 31, 2017. No damages were paid during 2017 under court rulings regarding the environment, and no suits were brought for damage caused to the environment.

Main investments in progress

The Group continued work relating to investments undertaken in previous years.

In 2017, the main projects undertaken involved:

- developing production capacity (new factory in Iran, new "white cheese" unit in Egypt);
- developing new products (Mini Babybel Roulés, Boursin Billes, Materne Pom'Potes Brassés);
- adapting, maintaining and restructuring industrial equipment;
- respecting and protecting the environment.

2

RISK FACTORS AND INSURANCE

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2.1 GENERAL RISK MANAGEMENT POLICY

General risk management policy

Bel pursues an active general risk management policy that aims to safeguard as effectively as possible its assets and objectives, as well as its employees, suppliers, consumers and shareholders.

This policy is based on Enterprise Risk Management (ERM) that is structured, steered and led by the Internal Audit and Risk Division.

The division reports to the Deputy General Manager responsible for financial and legal affairs and information systems.

Risk management is an arrangement dedicated to controlling operations in order to:

- protect people and assets and secure our capital;
- take safer decisions;
- ensure that prevention measures and responses are suitable and effective, in the event a crisis does occur.

More specifically, ERM aims to:

- identify, analyze and assess risks that would result in major losses for the Group, prevent it from achieving its objectives, or threaten its assets or values if they occurred;
- ensure these risks are dealt with within accepted risk limits;
- provide a comprehensive vision of major risks to management, Group General Management and to the Audit Committee;
- contribute to structural Group decisions by shedding light on operational risk;
- guide Group crisis management.

The ERM approach is based on a shared methodology and a common language deployed across the entire Group. This single approach makes it possible to consolidate risks and to provide an overall view of them at the Group level. Risk management covers all kinds of risks, including operational, financial, strategic, human and legal risks, or those related to the Group's image. This approach also allows us to adapt to the changing regulatory environment. It was supplemented in 2017 by a risk mapping exercise dedicated to fighting corruption and to respecting human rights and the environment (see section 3.2.2 "Greater vigilance in the fight against corruption, respect for human rights and the environment").

The Group does not believe there are any significant risks other than those described below.

However, there may be other risks that the Group is currently not aware of or considers immaterial at this time.

The Group's risk management system is described in sections 4.3.2 "The Company's internal control environment", 4.3.3 "Managing major risks" .

Crisis management

The Group may be required to deal with crisis situations. Bel has therefore drawn up a crisis management and communication procedure that sets out the general principles, preliminary measures and roles of various parties in the event of a crisis.

This procedure is deployed and applied by Group entities.

The system's effectiveness is tested during crisis management simulation exercises.

2.2 RISKS RELATED TO THE EXTERNAL ENVIRONMENT

2.2.1 Risks related to the geopolitical and environmental context

Risks related to the geopolitical environment and regional distribution of the Group's business

Description of the risk	Treatment of the risk
The Group's worldwide industrial and commercial presence exposes it to certain risks that could impact its business, reputation, employees, financial position, results and assets.	The Group's regional diversification strategy is intended to cushion the impacts of these risks by limiting the effects of complex local situations and maintaining the possibility of offsetting them with more favorable situations in other markets. Nevertheless, geopolitical events in parts of the Maghreb and the Middle East continue to have an impact on commercial activities and results in the countries where the Group operates. The marked deterioration in the political, social and security situation forced the Group to reduce or slow its business in one or more of these countries, potentially affecting its growth in the region. Protecting Group employees working in these countries is our main concern. The Group provides them with the means, procedures and services to ensure their safety. Having signed the United Nations Global Compact, Bel is committed to protecting the basic rights of its employees in the workplace in all countries where it operates and is particularly vigilant in countries where there is a significant risk of human rights abuses (see section 3.2.2 "Corporate social responsibility at the heart of governance").

Risks related to global warming

Description of the risk	Treatment of the risk
As a food manufacturer, the Group is highly exposed to the consequences of global warming in general and to the growing scarcity of fresh water worldwide in particular. The growing frequency of extreme weather events such as heat waves, drought and flooding compounds underlying trends such as rising temperatures and changing rainfall patterns. These phenomena have severe consequences for the agricultural sector and food security at the global level. The dairy sector's entire value chain is impacted, from crops grown for cattle feed to milk yields (which depend on climate conditions), as well as consumers who are increasingly concerned about the impact of their eating habits on the environment.	Because of the danger of water scarcity, the Group conducts an annual risk analysis (according to the criteria of the Food and Agriculture Organization and the Water Risk Filter) to assess the level of water stress in the areas where it is based. In 2017, more than half of its production sites were located in regions where the water resource was identified as being at risk. The Group is developing ways of reducing its water consumption to address this problem. Priority action plans are implemented for any production site exposed to periodic drought exceeding a warning threshold (see section 3.5.3 "Sustainable use of water").

2.2.2 Risks related to markets

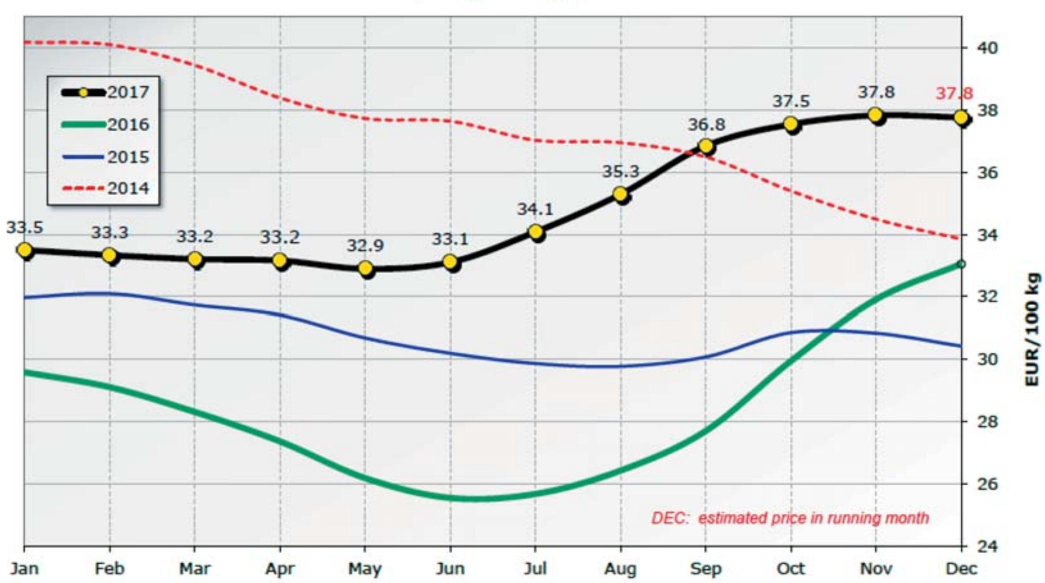
Risks related to the economic environment in the Group's core markets

Description of the risk	Treatment of the risk
Bel is a food manufacturer and its sales are influenced by the global economic climate in its core markets. In periods when the economy slows substantially, consumption may decrease, with a negative effect on sales growth.	The Group operates in diverse regions and markets in order to spread risk and limit its effects.

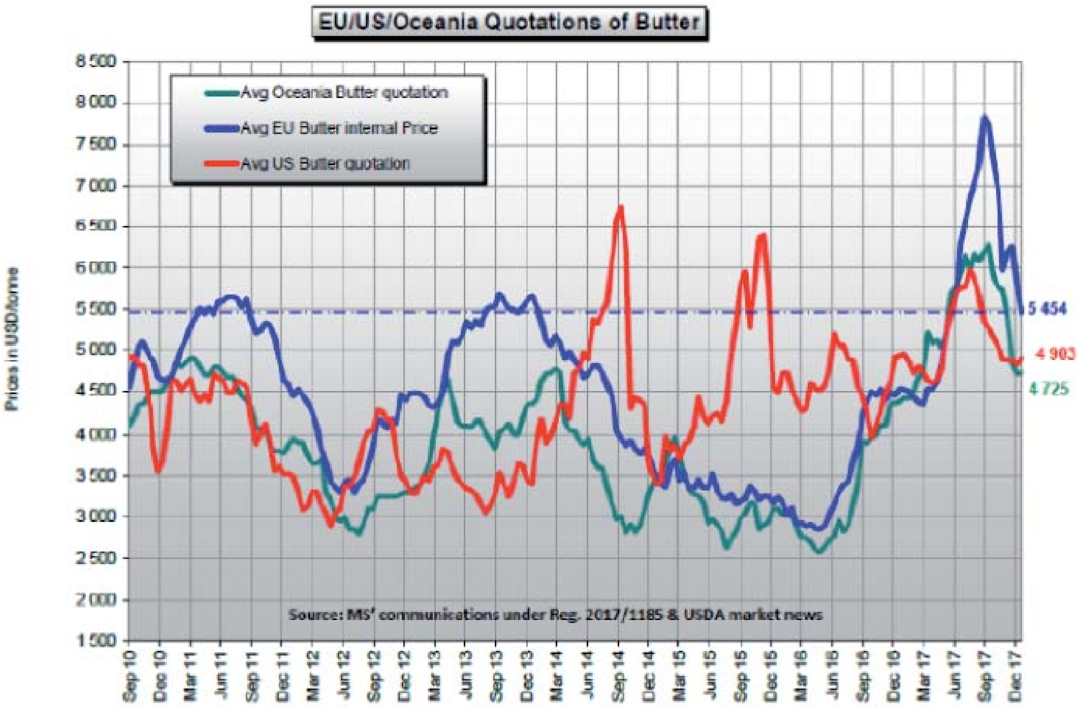
Risks related to commodity price volatility

Description of the risk	Treatment of the risk
Price volatility in the raw ingredients Bel uses to make its products is likely to have a material impact on its results. The influence of milk prices on volumes produced, as well as weather and global and regional demand fluctuations, all affect the price of the raw ingredients (milk, powder, butter and cream). In 2017, we experienced a very marked imbalance between the very insufficient supply of milk fat and the excessive supply of protein. Average prices for butter and skimmed milk powder (SMP) in Europe, the United States and Oceania are shown below.	The Group very regularly conducts market reviews in order to best estimate the impact of expected price volatility for the year and to learn from them for company management. Aside from the agreements reached with customers and retailers, the Group's ability to pass on changes in the prices of raw ingredients is dependent on economic conditions and on local political and regulatory conditions for certain markets. In some countries, price increases are subject to approval by the authorities. Now that the Group has launched on the healthy snacking sector, supply is diversifying into non-dairy raw materials (see sections 3.3.2 "Using vegetable fat within strict limits").

PRICE OF SKIMMED MILK POWDER (SMP) IN USD PER TONNE



PRICE OF BUTTER IN OCEANIA, EUROPE AND THE UNITED STATES IN USD PER TONNE



Risks related to competition

Description of the risk	Treatment of the risk
Bel conducts its business in intensely competitive markets where large international cheese groups and many local producers operate. In Western Europe, the Group is present in relatively mature and highly competitive markets. In the rest of the world, a few international dairy and/or cheese groups with front rank positions in some product ranges are looking to strengthen their positions and penetrate new markets where Bel is present. Local cheese producers are also very active. In addition, a number of retail chains have developed their own brands that compete with Bel products.	The Group's stated goal of becoming a major healthy snacking player aims to reduce our exposure to competition from dairy groups alone. The healthy snacking category is very important and is growing more than 5% worldwide. Competition is also very strong, but Bel's has many strengths to gain a stronger position in these business lines. The MOM acquisition makes a significant contribution.

Reputational risk

Description of the risk	Treatment of the risk
The reputation of Bel and its brands is considered a strategic asset in its expansion and value. The mind share of Bel brands is based on quality, food safety and connecting with consumers. The brands' international communication policies, which include digital media, increase their reputational risk. The Group's reputation could be weakened at any time by risk situations such as an unfavorable event affecting one of its products or sites, an inappropriate communication and promotion strategy, or even uncontrolled public dissemination of harmful information. The success of Bel's brands depends in part on their positive image with consumers. Any damage to the image of the Group and its brands could adversely affect sales, business or growth.	Bel closely monitors its brand communication. The Group's brands bolster their communication on topics that can help consumers make informed decisions. They seek to capitalize on the trust they have forged with consumers to guide them towards balanced and more environmentally-friendly choices. The Group also takes care to ensure that its messages accurately reflect its practices (see section 3.2.4 "Providing fair and useful information to consumers"). Furthermore, the Group's risk management system was strengthened in 2014 with the introduction of digital and local press monitoring and media training for its spokespeople in crisis situations. A responsible public relations policy has also been shared with the Group's spokespeople to ensure a coordinated and managed approach, based on listening and respect, is applied when engaging with external stakeholders. Bel joined the European Union transparency register in 2014. (www.ec.europa.eu/transparencyregister).

2.2.3 Risk of corruption and human rights violations

Description of the risk	Treatment of the risk
The location of its production, export and distribution activities naturally exposes the Group to external risks of corruption or human rights violations, despite its constant concern and longstanding commitments on these subjects (see section 3.2.2).	The Group thoroughly mapped its related risks in 2017 in accordance with the provisions laid down by French anti-corruption and due diligence law (known as "Sapin II"). It focused on its own activities and those of its suppliers, to identify these risks and formally define appropriate action plans.

2.3 RISKS RELATED TO THE EXTERNAL ENVIRONMENT

2.3.1 Risks related to products

Quality, food safety and product regulation risks

Description of the risk	Treatment of the risk
Food safety is of utmost importance for Bel. Any alleged or proven food safety risk for the Group's products could harm its reputation, business and results. The risk of contamination depends on the type of product concerned, but it exists at every stage of the production cycle, from raw ingredient purchases to retailers and consumers. Upstream risks are mainly chemical and physical in origin (foreign bodies) or related to fraud (origin/composition), and could affect the Group's raw ingredients, inputs and packaging among other things. Downstream risks are mainly bacteriological for the most fragile products (dairy cheeses). Furthermore, like all agri-food products, Bel products could be exposed to contamination by tampering. Any crisis affecting the dairy industry and the natural qualities of milk could also adversely impact Bel's business through negative media coverage, even if the crisis is not directly linked to its activities.	The Group has a monitoring structure in place to identify any emerging risks that directly or indirectly affect its production, as far upstream as possible. After weighing potential risks, it applies the most suitable, efficient measures to date, depending on the seriousness of the risk. The Group's Quality, Regulations and Technical Coordination Department (DQRCTG) reports to the Group's Industrial and Technical Department, and is responsible for leading, coordinating and ensuring the effectiveness of all the processes and systems dealing with: • food safety and product regulations; • quality; • certifications, management systems and health crisis management; • technological coordination. It recommends policies to be implemented, guarantees the coherence of the systems and reporting at various levels, assists Group structures, and audits the organizations to assess the systems' effectiveness. Its role is to warn the Chief Executive Officer and the Executive Committee of any major situation relating to its three fields of activity.

Quality, food safety and product regulation risks (suite)

	Treatment of the risk
	Food safety and product regulations In terms of food safety and product regulations, through the regulation network at the corporate/regional and country levels, the Quality, Regulations and Technical Coordination Department is responsible for: • the Group's food safety policies and preventive strategy, and the coordination of related actions; • the processes for anticipating food safety risks and preventing crises as well as managing alerts and crises; • creating a monitoring system based on reporting by the subsidiaries; • participating in professional associations or government groups dedicated to food safety. It also ensures regulations applying to products are followed, particularly in relation to composition, labeling, packaging, advertising, consumer information including nutrition information, and customs procedures. It defines: • the monitoring plans implemented by the industrial entities; • the quality of the traceability system (upstream, downstream, and components/constituents). It is responsible for: • implementing policies, in particular in terms of the food safety risk analysis process during production (*e.g.* HACCP and hygiene standards) at Group, supplier and subcontractor sites; • implementing the food defense policy integrating processes for: – preventing risks of intrusion, – the risk of tampering; • implementing the food defense policy integrating processes for: – preventing risks related to raw materials, – monitoring plans implemented by production sites; • creating and steering a reporting system that continually assesses control of food safety processes. **Quality** The Group Quality and Regulations Department (DQRCTG) is also responsible for defining the Group's quality policy and checking its implementation at every stage, from product design to final consumption. Its main roles through the quality network at the corporate/regional and production site level are: • defining the Group's quality policy and ensuring its implementation after validation; • defining the rules and best practices as well as the quality regulations to be applied, and guaranteeing their implementation; • defining and enforcing process and product risk analysis; • determining and deploying product conformity control measures (detection of foreign bodies, etc.); • assisting with the implementation of certification standards; • determining the means for qualifying products and processes; • auditing the quality of organizations, whether internal (production sites) or external (subcontractors, suppliers and service providers); • managing complaints and customer quality perception assessment tools (retailers or consumers) using the salesforce tool (We Care project); • analyzing performance, conducting quality reporting and implementing continuous improvement processes, using the SAP quality management module (Quartz project) to guarantee consistency of information, consolidated control and optimal integration of information required for product traceability; • training and assisting group teams and production sites in obtaining suitable training materials, including statistical and problem-solving tools

Quality, food safety and product regulation risks (suite)

	Treatment of the risk
	Regulatory framework The Group's health, safety and traceability approach is governed by a very strict regulatory framework. A "Bel reference guide" is drawn up following a detailed analysis of all the food quality/safety and hygiene regulations in all countries where the Group makes or imports products. The so-called Hygiene Package of regulations issued by the European Commission took effect in the European Union on January 1, 2006. The Package contains several legislative texts and establishes a single and transparent policy for food hygiene and safety in all European Union countries, and concerns all operators throughout the food chain "from farm to store". To the greatest extent possible, the Group applies the strictest rules – mostly European Regulations – to all its stakeholders, from the production of raw ingredients to the consumer. Bel adheres to even stricter standards in certain cases: for example, it monitors 23 allergens instead of the 14 required by European Regulations. In its quest for harmonization, food safety and excellence, Bel shares its reference guides with all its production sites worldwide as well as with its suppliers and retailers. Bel and MOM's Quality and Regulations teams analyze any gaps in their respective Quality and Regulations measures, and progressively implement actions necessary to guarantee their alignment.

Risks related to innovation and consumer expectations

Description of the risk	Treatment of the risk
Bel's products are subject to consumer tastes and expectations. The Group's sales and results could be adversely affected were it to fail to anticipate, identify and understand changes in consumers' tastes and eating habits.	The Group is developing a diversified portfolio of products to cater to various tastes and meet consumers' needs and expectations. Bel listens to its consumers so that it can adapt to their eating habits (see section 3.1 "Approach at the heart of the strategy").

2.3.2 Risks related to strategy and organization

Risks related to the Group's growth strategy

Description of the risk	Treatment of the risk
The Group's strategy is to strengthen its position through acquisitions and organic growth. Any growth project taking place in a changing environment exposes Bel to consolidation risks and market changes. The expected goals may prove difficult to reach and force the Group to adjust its strategies. The investments that the Group makes as part of external growth bring about a goodwill entry on the assets side of the balance sheet (goodwill assets). If the assumptions on which the investments were based did not materialize, and the value of goodwill assets fell, the Group would be forced to record impairment losses which can be significant.	Prior to any major investments, analyses are carried out to assess the quality of the growth opportunities and to measure expected growth and cost synergies. A risk appraisal is always performed. If the acquisition is made, integration matters are overseen by the Group's General Management. Thus, in 2016, the MOM acquisition was overseen by a Monitoring Committee meeting monthly.

Risks related to dependence on suppliers

Description of the risk	Treatment of the risk
The Group's production requirements are met by external suppliers (mainly dairy raw ingredients and packaging). These supplies are provided by a limited number of operators in the market (see section 1.1.5 "Bel and its business ecosystem"). Bel could encounter difficulties in finding alternative sources if some of its suppliers were to fail to meet their obligations, which might affect its results and business.	The Group's Purchasing Department has developed a policy aimed at limiting the risk of supply disruption by securing a large share of the Group's needs in goods and volumes through annual and multi-year framework agreements with a limited number of strategic suppliers. The Group has launched a risk management policy for packaging by establishing contingency plans.

Risks related to dependence on customers

Description of the risk	Treatment of the risk
The Group markets its products in some areas (Europe, North America, etc.) to a limited number of major customers that tend to group together in local or international buying alliances.	Our diversified portfolios of brands, marketed in areas or countries that also have diversified distribution circuits, mitigates the observed risk of concentration on Europe and North America.

Risks related to the health and safety of Group employees

Description of the risk	Treatment of the risk
The Group faces the risk of accidents, actual or near, at the workplace, during commutes and on business trips.	The Group's Health & Safety Department leads, coordinates and ensures the effectiveness of all procedures designed to protect employee health and safety. The director of each plant is responsible for implementing operating measures to protect the health and safety of all persons on site. In most cases, the director is assisted by a health and safety manager. On tertiary sites, this responsibility lies with human resources teams. Some employees are required to travel to markets with natural and/or geopolitical risks. Bel provides them with measures to keep them safe. Procedures are also implemented to this end, and reinforced with the support of an internationally recognized service provider. There is a proportionate link between the number of dangerous situations and behaviors, near-accidents, incidents and first aid on the one hand, and the occurrence of serious accidents on the other hand. Based on this logic, Bel prioritizes prevention, focusing on behaviors, near-accidents and minor incidents in particular. Observing employees at the workplace is a simple and efficient way to identify healthy and harmful situations and habits. During safety behavior visits (SBVs), employees are observed at work, and then the findings are discussed with them. Sites involved in this initiative are required to increase the number of SBVs carried out per employee per year. In 2017, 18,000 SBVs were conducted within the Group. As a sign of the importance they attach to safety, the members of the Executive Committee took part in a one-day on-site practical training course. Employees who are on the road as part of their job (*e.g.* milk collectors and sales representatives, etc.) receive regular road safety training. The Group is committed to a certification procedure (OHSAS 18001 – Occupational Health and Safety Assessment Series) for its production sites and facilities. In 2017, 18 Group production sites were OHSAS 18001-certified.

Risks related to information systems

Description of the risk	Treatment of the risk
The Group relies on data from integrated IT systems to make decisions concerning operational management and traceability. Although these applications are monitored and constantly upgraded, any failure of the applications or communication networks could penalize the profitability of operations as well as some decision-making. Bel is also exposed to cyberattacks and hacking that can lead to data loss, theft or leaks.	To mitigate these risks, the Group makes use of specialist operators to manage its critical infrastructure (IT systems and telecommunication networks). The contracts governing the Group's relationship with these firms were established to ensure a high level of availability and security commensurate with maintaining centralized applications in operational condition. These contracts and their associated services are reviewed on a regular basis, and the business recovery procedures to be implemented in the event of a major incident at the Group's processing center are tested periodically. At the same time, the Group has systems and procedures in place to control and manage fraud risks, hacking attempts and the spread of computer viruses. Procedures and tools are updated constantly to mitigate threats that arise from changes in technology. Various measures aim at reducing the Group's exposure to the risk of cyberattack. There is an increased focus on IT system security with priority given to cybersecurity projects. Strategy is rolled out more quickly at the management level, and there are also changes in governance. These security measures are audited and tested, and awareness campaigns are held. Additional information is provided in section 4.3.5 "Procedures for preparing and processing the Company's accounting and financial information".

2.3.3 Industrial and environmental risks

Risk of total or partial destruction of a strategic production site

Description of the risk	Treatment of the risk
The Group has 32 operational production sites. Any incident – particularly if caused by the more frequent occurrence of extreme weather events, in some cases related to global warming – could lead to a total or partial site shutdown and affect the production and marketing of the products made there.	To protect its production facilities, Bel regularly optimizes them and puts prevention and business continuity plans in place. To cover these risks, the Group has also taken out damage and operating loss insurance policies to cover risks that are presented in section 3.1 "General risk management policy".

2.3.4 Legal risks

Risks related to trademarks and intellectual property

Description of the risk	Treatment of the risk
Bel owns trademarks, designs and models, domain names and copyrights around the world. The Group makes considerable efforts to protect and defend its portfolio of trademarks worldwide. Given the reputation of its brands, Bel is objectively exposed to the risk of counterfeiting and unfair competition.	Trademark registrations worldwide are updated every year. The Group also conducts global monitoring of its major brands to ensure that no similar or infringing trademarks are registered by third parties. If products or trademarks that are counterfeit or that harm its rights are discovered, all of the Group's legal resources in the country or countries concerned are put into action to halt the counterfeiting or unfair competition. Furthermore, the unequal legal protection of intellectual property and unequal treatment of unfair competition in the legal systems of some countries may lead to a more limited recognition of and respect for the Group's rights. In these cases, the legal resources it can call upon may not be effective enough to combat counterfeiting and unfair competition. The Group has introduced an Intellectual Property Policy to raise employee awareness of intellectual property issues and the dangers of counterfeiting. The Group Legal Department is tasked with ensuring the protection and effective defense of its trademarks and domain names. It centralizes the entire portfolio of trademarks, models, domain names and legal disputes and implements a coherent global protection and defense strategy. The defense of Bel's intellectual property rights is not confined to word marks and domain names but also extends to figurative marks (*e.g.* packaging, decoration, shapes), advertising, websites, etc. Any difficulties encountered in protecting and defending its intellectual property rights – mainly its trademarks – and combating counterfeiting, could affect the Group's business and results.

Legal and litigation risks

Description of the risk	Treatment of the risk
The Group faces legal risks and/or administrative procedures in all of its businesses and in its international markets. These risks can arise from legal and regulatory frameworks, business operations or contracts with suppliers and customers.	At December 31, 2017, and up to the date of this Registration Document, the Group reviewed the main legal and/or administrative proceedings in progress or planned in the normal course of its business. Provisions were made for probable and quantifiable costs that could arise from these proceedings. The main legal and administrative proceedings are described in Note 7 to the consolidated financial statements in section 5.5.1 "Consolidated financial statements at December 31, 2017". There are no other governmental, legal or arbitration proceedings in progress, including any proceedings of which the Group is aware, whether pending or threatened, that are likely to have, or have had, material impacts on the financial position or profitability of the Company and/or the Group in the past 12 months.

Risks related to regulations

Description of the risk	Treatment of the risk
Because it is present in many countries, Bel is subject to regulations established by governments or international organizations that apply to its food manufacturing, sale and import/export activities. In particular, it is subject to health, safety and environmental standards, customs systems and quality controls. The Group must comply with a host of mutating laws and regulations that are becoming increasingly restrictive. Any changes to these laws and regulations and any administrative decision can have a material impact on the Group's business and financial results. Numerous regulations may also indirectly limit the sale of its products. Regulatory pressure is also intensifying, particularly as regards competition law in the food sector. As a result, the Group could be subject to investigations and proceedings with regard to anti-competitive practices.	The Group takes the measures it deems appropriate to ensure compliance with regulations, particularly as regards competition law. It develops awareness initiatives for the employees concerned and plans to pursue training in this area. These measures are set out in the Code of Best Business Practices provided to all Group employees (see section 2.2.3 "Ethical business conduct"). Bel operates in many markets and may hold substantial market share in some countries. It cannot therefore completely rule out having to respond to investigations relating to competitive positioning.

2.4 FINANCIAL RISKS

In the course of its business the Group is exposed to various financial risks relating to liquidity, exchange rates, interest rates, counterparties and commodities.

The Group Treasury Department, which reports to the Deputy General Manager responsible for financial affairs, has the necessary skills and tools to manage the reduction of market risks. It reports monthly to the Deputy General Manager and regular presentations are given to the Audit Committee.

Additional quantified information, particularly in relation to the Group's exposure to these various risks after they have been managed, is presented in Note 4.15 to the consolidated financial statements, "Financial instruments", in section 5.5.1 of this Registration Document.

Liquidity risk

The Group has established a policy to limit liquidity risk. It regularly conducts a specific review of its liquidity risk and considers itself capable of meeting its future due dates. Pursuant to this policy, a large proportion of the Group's resources are medium-term resources. Thus, the Group takes out confirmed credit lines and medium-term interest-only loans with its banks and investors. In 2017, the Group increased its liquidity through a seven-year bond of €500 million and negotiated a €520 million extension of its credit line. Maturity was extended from 2021 to 2022, with the possibility of extending the maturity to 2023, after agreement of the banks at the end of the first year, and 2024 at the end of the second year. The additional €300 million line of credit maturing in 2021 was extended to 2022 with the possibility of extending it to 2023. None of these credit lines, totaling €820 million, had been drawn down as of December 31, 2017. The Group still has a strong liquidity position since Fromageries Bel, the centralizing entity for the Group's surpluses, has a substantial amount of excess cash (€408 million) at December 31, 2017.

Fromageries Bel's financing contracts, with the exception of the €500 million bond issue in 2017, are required to respect certain covenants, including a net debt/EBITDA ratio less than or equal to 3.5. Net debt is defined in Note 4.14 to the consolidated financial statements. To calculate this leverage ratio, EBITDA is defined as the current operating income plus provisions and reversals of provisions and depreciation charged to the current operating income.

If these covenants are not met, the lenders can declare a payment default and demand early repayment of a significant portion of the Group's debt.

Neither Fromageries Bel nor its subsidiaries are subject to a rating published by a credit ratings agency.

The Group has established a cash pooling policy 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 financing local needs.

In countries where the pooling of surpluses and financing needs is not allowed, subsidiaries invest their surpluses in money market funds denominated in their local currency and, if needed, finance themselves primarily in local currency. The policy of systematically paying dividends also aims to limit recurring surpluses at subsidiaries. Available cash in North Africa and the Middle East countries amounted to €38 million at December 31, 2017 and represented the majority of the available non-centralized cash.

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

Surplus liquidity is invested in the form of money-market UCITS or deposits, either short-term or with almost immediate liquidity.

Exchange risk

Fromageries Bel and its subsidiaries are exposed to transactional exchange rate risks due mainly to sale and purchase undertakings in currencies other than their functional currencies. Fromageries Bel also holds assets, earns income, and incurs expenses and obligations, either directly or via its subsidiaries, in a wide basket of currencies. Because the consolidated financial statements are presented in euros, the value of assets, liabilities, income and expenses will be impacted by fluctuations in the euro.

Management policy is to hedge very probable risk in foreign currency transactions using firm or optional derivative financial instruments to reduce sensitivity to unfavorable currency fluctuations. 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 French, European, North American and Japanese entities. The Group Treasury Department provides these entities with the necessary currency hedges. The dollar, sterling and zloty are the main currencies exposed to transaction risk. Hedges do not exceed a horizon of 18 months.

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.

Rate risk

Most of the Group's financing is arranged by Fromageries Bel, which also handles interest rate risk management centrally. The policy governing interest rate derivatives is designed to protect against an unfavorable rise in interest rates while partially taking advantage of any interest rate declines. At December 31, 2017, most investments were at floating or adjustable rates. Most of the rates for gross debt are now fixed.

Counterparty risk

All cash investments and financial instruments are set up with major counterparties in accordance with safety, diversification and liquidity rules. Most of the counterparties are banks from the bank financing pool and are mostly French or foreign but operating chiefly in Paris. Counterparty risk is monitored regularly and is reported monthly. The Group's counterparty risk management could nevertheless fail to protect it from the material impact of systemic failure.

Risk related to commodity markets

Although it is exposed to volatility in commodity prices, the Group, and the dairy industry in general, does not make use of a hedging market offering sufficient liquidity. Only the US market has a hedging market, although it is limited to local production and consumption. The US subsidiaries make use of this market as part of budgetary hedging through the use of firm or optional derivatives.

Risks related to currency volatility

Given its international presence, Bel is exposed to currency volatility in its commercial and financial activities.

For more details on the Group's currency risk management policy, see section 3.4 "Financial risks".

2.5 INSURANCE AND RISK COVERAGE POLICIES

Insurance and risk coverage

Bel follows a centralized risk coverage approach encompassing all of its subsidiaries. Certain local legal constraints or specific regional exclusions may mean that policies have to be arranged locally.

An international insurance program is underwritten by leading insurers. The Group exercises operational control in terms of negotiating policies, monitoring capital and covering risks.

Bel maintains strict control and centralized management of industrial risks under the authority of the Industrial Technical Division controlled by the Industrial Environment Security Division, in liaison with the Risks Division and the Insurance Division placed under the authority of the Financial Division.

Following a comparative analysis phase in 2017, MOM's policies will be gradually integrated in the Group's master insurance program in 2018.

Damage to assets, operating losses and transport

Coverage of major hazards, particularly the risk of fire, explosion and natural events likely to generate a consequent operating loss, is negotiated for the entire Group with first-tier insurers. Coverage is renewed annually on January 1, except in the case of multi-year contracts (preferred for major risks via a partnership policy with the Group's insurers).

Coverage amounts are determined by assessing risks (*e.g.* vulnerability, protection, partitioning) and maximum possible loss (MPL), taking into account the replacement value of assets and an appropriate indemnification period for each site. The insurers set various liability sub-limits, particularly for the risk of natural events.

Preventive audits of the industrial sites are regularly performed by experts within and outside the Group.

Automatic fire sprinkler systems will continue to be installed, and will eventually cover all strategic production sites.

Civil liability

The main contracts covering liability (particularly the Group's civil liability, business liability and product liability) and environmental damage are arranged as part of a general insurance program, taking account of the specific features of frontline contracts entered into locally, mainly in the United States and Canada.

Additional policies

Some risks, such as corporate officers' liability and customer credit risk, are also managed centrally. In the case of customer credit risk, subsidiaries are invited to endorse a master policy to cover their local customer risks.

3

CORPORATE SOCIAL RESPONSIBILITY

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To address climate change and demographics issues, and to help feed more than nine billion people in a responsible way, the Group needs to grow without increasing pressure on our planet's resources or the environment, by building long-lasting relationships with its partners.

The Group believes that its responsibility is not limited to its direct impacts, but extends along its entire value chain, from farming upstream to the recycling of its packaging, *via* the manufacturing and consumption of its products.

It is this conviction that has led the Group to renew its commitments to lastingly transform its growth model and product range, through its "We care in every portion" program.

3.1 A POLICY WITH A CENTRAL PLACE IN THE GROUP'S STRATEGY

For nearly 15 years, Bel has been committed to corporate social responsibility (CSR), starting with its signing of the United Nations Global Compact in 2003. Since this time, Bel has constantly worked to carry out its activities ethically, reducing their environmental footprint and developing an increasingly responsible product range, while building long-lasting and honest relationships with its stakeholders.

The Group structured its policy in 2016, in order to make still further progress, placing sustainable development at the heart of its business model. Bel has reviewed its growth model, while continuing to work on areas identified through a materiality analysis in 2014, including business ethics. This clearly expresses Bel's desire to create value for the Company, its stakeholders and its ecosystem over the long term.

Creating shared value with its ecosystem

In practical terms, for Bel this means incorporating a determination to have a positive impact throughout its value chain, not only for its activity, but also for its entire ecosystem: its consumers, employees, suppliers, and other partners.

For this approach to bear fruit in the coming years, Bel believes that every brand, every production site and every employee must take this dimension on board in the decisions guiding the Company's operations.

Ambitious targets for 2025

Bel believes that competitiveness and sustainability go hand in hand. This is why the Group is committed to making a positive contribution to its environment and has given positive innovation a central place in its business model.

Bel's view is that everyone must play their part in lastingly improving our children's and grandchildren's futures. The Group has therefore aligned its business strategy and commitments with the Sustainable Development Goals (SDG) defined by the United Nations (UN) (see Appendix 1).

This "We care in every portion" model for sustainable growth is based on four pillars:

- people well-being;
- sustainable farming;
- caring nutrition;
- environmental footprint.

The Group has defined quantifiable objectives for each of these areas to guide its actions until 2025.

These four pillars also form the foundation for the in-depth transformation of the Group's brands begun in 2017. By changing its business model in this way, Bel can offer its consumers products that are increasingly responsible throughout their life cycle, from the farm to the plate.

In order to simply and transparently share its entire approach with its internal and external stakeholders, Bel has developed a scorecard to monitor the progress made with its objectives year after year. This scorecard is presented in each of the following chapters.

Taking ownership of CSR issues at every company level

The Group's structure facilitates consideration of CSR challenges from management body to employee level.

The Board of Directors as the commitment watchdog

Bel's Board of Directors makes all the decisions on the Group's strategic, economic, social, environmental, financial and industrial objectives, and ensures that they are implemented by Senior Management.

The Executive Committee as the promoter of strategic CSR priorities

The Executive Committee, chaired by the Chairman and CEO and comprising all the key corporate functions, promotes the Group's sustainable growth model.

To support the roll-out of this ambitious plan, the Group has also introduced a new CSR governance structure with at least two additional Executive Committee meetings devoted to CSR held each year. The purpose of these meetings is to validate the issues to be explored by employees, decide on necessary investments, and set priorities for teams and adjust them in light of changes in the Group's business environment.

The Investment Committee as the guarantor of sustainable growth

The Investment Committee reports to the Chairman and Chief Executive Officer. Its role is to manage and sign off on the Group's overall investment budget and on all projects totaling more than €0.5 million. It meets six to eight times a year.

The Committee ensures that Bel's new investments comply with its CSR commitments. It evaluates projects according to economic and financial performance criteria, as well as non-financial criteria corresponding to the major challenges facing the Group, whether employee-related, environmental or social. This non-financial evaluation is validated by the CSR Department.

Specific committees to guide priority issues

The CSR Executive Committee is supplemented by specific steering committees dedicated to priority issues for the Group's sustainable growth model, such as the Compliance & Progress Committee (see paragraph 3.2.1 "Ethics at the heart of the Group's activities"). Their purpose is to assist Bel with fulfilling its commitments and with their operational deployment in the Group's activities.

Hacker and activist networks as guarantors of their operational deployment

Two complementary networks have been added to the structure. Their role is both to support the deployment of the Group's commitments at every level of the company, and to initiate new approaches to enhance the positive innovation policy.

- a network of "hacker" employees representing various Group functions help co-construct CSR policies and support their implementation in their areas of expertise.
- a network of "activist" employees within all of the Group's subsidiaries apply the Group's commitments locally to provide responsible and innovative products to consumers and share good practices between countries.

A vision shared with all employees

In 2017, the Group held its first "Sustainable development week" at its headquarters to illustrate and explain these issues in practical terms to employees. A plan for deployment to all employees is planned for 2018.

Highlights of **2017**

- Defining of the "We care in every portion" program guiding the Group's positive innovation approach.
- Introduction of a scorecard consolidating all of the Group's objectives to 2025 and to monitor their progress completely transparently.
- Setting up of international networks of "hackers" and "activists" to deploy and enhance the overall strategy with local actions.
- The first "Sustainable development week" at the head office.

Priorities for **2018**

- Rolling out the "We care in every portion" program to all Group stakeholders.
- Accelerating the roll-out of CSR initiatives to brands.
- Extending the "Sustainable development week" to Group subsidiaries.
- Optimizing the integration of CSR commitments within Group investment projects.

3.2 WORKING FOR THE PEOPLE WELL-BEING

Bel has a wide range of stakeholders due primarily to the international sale of its brands and the location of its production sites. The various departments listen to, hold discussions with and consult their own stakeholders locally. This decentralized approach means that these exchanges can be taken into account at very operational levels.

In order to work for the people well-being and have a positive impact along its entire value chain, Bel has chosen to implement a model which creates shared value for its internal and external stakeholders, focused specifically on:

- consumers;
- employees;
- partners;
- the regions where it operates.

This approach is fully in line with the Sustainable Development Goals, and particularly SDG 3, "Ensure healthy lives and well-being for all".

3.2.1 Ethics at the heart of the Group's activities

Bel has always placed ethics at the heart of its business methods. The Group's 2014 materiality matrix analysis revealed that all stakeholders, both internal and external, had high expectations regarding ethical business conduct. Moreover, with its adoption of the "Sapin II" and "Due Diligence" laws, the French government has further increased the need to give business ethics a central place in the Group's activities.

Rather than approaching it as a specific issue, the Group must establish an everyday ethics culture and practice at all levels. Bel expects its managers to have a positive influence on the attitudes, behavior and choices of all their teams. All employees, at all levels, are responsible for properly applying the principles set out in the Code of Best Business Practices, and the policies and charters supplementing it.

Ethics governance at Bel

An Ethics Committee and ethics officers

The Group's Ethics Committee is supported by a network of ethics officers who are appointed within the subsidiaries' HR departments to oversee the implementation of the various commitments and their operational applications.

The ethics officers are responsible for taking the necessary actions to raise awareness and for training local employees in the Code of Best Business Practices and the related policies. They are the indispensable local liaisons for all the business ethics initiatives introduced at Group level. They are required to report on their deployment and monitoring actions to the Ethics Committee.

So that they can train Bel subsidiary employees locally, Group ethics officers are specially trained in the Code of Best Business Practices to guarantee effective deployment of the Code of Best Business Practices within all the subsidiaries and to ensure that employees are fully aware of its existence and are familiar with its content.

Given the increasingly strict rules on ethical conduct, and at the request of Senior Management, discussions are underway on the redefining and strengthening of the Ethics Committee's role.

Since 2015, Bel's employees have had access to an early alert system that they can use to report any infringements of the principles enshrined in the Code of Best Business Practices. They can trigger an alert from any country via a toll-free number that connects them to an operator who can communicate with them in the language of the call's country of origin. The procedure for dealing with problems is handled by the region's ethics officer, who notifies the Ethics Committee and reports on the follow-up actions. In some cases, the Ethics Committee may be required to deal with an alert itself.

A Compliance & Progress Committee

A committee consisting of representatives of the Group support functions (legal, CSR, procurement, finance, HR, risks, etc.) has worked as the Steering Committee for the implementation of the "Sapin II" and "Due Diligence" laws.

The Code of Best Business Practices as the foundation for Group ethics

Seven key principles…

With the adoption of its Code of Best Business Practices in 2012, Bel wished to share with its employees and its suppliers the principles that it would like them to adhere to everywhere and in all circumstances.

The Code of Best Business Practices establishes the general framework for the professional conduct of every Bel employee. The seven principles that it establishes do not stand in place of national laws and regulations. The teams are still required to comply with these, and in cases where a country's regulations are stricter than an ethical rule stipulated in the Code, the national regulations prevail. The Code has been translated into 18 languages so that the principles can be better appropriated by all employees. It is available in French and English on the Group's website at www.groupe-bel.com.

A practical guide makes the Code of Best Business Practices easier to understand, providing examples of how to apply it day to day. The guide is available to employees on the Group's intranet, and regular awareness-raising sessions are also organized at both Group and local levels.

… shared with all employees…

In 2017, the Group stepped up the deployment of its business ethics training program, targeting employees based on their manager status, geographic location and business line. Ethics officers received specific training.

A communications campaign was also deployed at Group level in 2017 to remind employees of the existence of the Code of Best Business Practices and the alert system through a film (translated into 20 languages and widely disseminated) and posters dedicated to the alert system in all Group subsidiaries.

… supplemented by specific policies

In order to adapt and clarify certain principles, the Code of Best Business Practices has been supplemented by policies dedicated to fighting corruption and to Group rules regarding gifts. These policies were revised in 2017 in light of the provisions of the "Sapin II" law and were added to the internal regulations of French sites. These two policies are currently being incorporated within the equivalent of the foreign sites' internal regulations.

Finally, "business" policies or charters systematically include the principles of the Code of Best Business Practices and translate them for specific areas of activity. These are shared with the relevant stakeholders.

Such is the case for the Sustainable Purchasing Charter (see paragraph 3.2.3 "Promoting good social and environmental practices with partners") and the responsible lobbying policy. Bel shares precise rules for carrying out its lobbying actions responsibly with all the internal and external representatives who act on behalf of the Group and its entities.

Voluntary ethics commitments since 2003

Bel had already signed the United Nations Global Compact well before it adopted its Code of Best Business Practices.

Since 2003, the Group has regularly reaffirmed its commitments and reported on its progress regarding four fundamental principles: respect for human rights, respect for labor standards, the fight against all forms of corruption, and respect for the environment.

Bel pays particular attention to respect for children's rights when it comes to the positioning of most of its brands. The Children's Rights and Business Principles, drafted jointly by the UN Global Compact, UNICEF and Save the Children, are Bel's reference framework and are fully incorporated within its Code of Best Business Practices.

3.2.2 Stronger monitoring in the fight against corruption and to ensure respect for human rights and the environment

The recent adoption of the anti-corruption aspect of the "Sapin II" law and of the law on the due diligence of parent companies and contracting companies has led the Group to strengthen its monitoring in the fight against corruption, to ensure respect for human rights, and in the fight against environmental damage related to its activity.

The Group's longstanding commitment to the ethical conduct of its activities allows it to effectively draw on all of the policies and checklists already in place to construct the vigilance plans required by these two laws.

Given that the two texts are similar in spirit, the Group has decided to work on the plans simultaneously using a single methodology.

A system based on risk mapping

In order to identify and prioritize gross corruption, human rights and environmental risks, the Group has evaluated its risks according to three criteria (see paragraph 2.2.3 "Risk of corruption and human rights violations"):

- the location of its activities;
- the nature of its activities (production, marketing, services);
- the scale of its activities.

The mapping exercise was completed for all Group subsidiaries and covers all of its export regions, in accordance with legal requirements.

This first study phase was supplemented by a thorough analysis of the Group's current policies and checklists that limit these risks, in order to adopt appropriate action plans.

To ensure that all Group subsidiaries are covered, this methodology has been adapted locally based on self-assessment questionnaires on the risks of corruption, human rights abuses and environmental damage. These were analyzed to measure the actual risk in light of the policies and checklists in force within our subsidiaries.

Furthermore, Bel has always been particularly vigilant regarding risks related to its supply chain. The Group therefore also mapped its risks by purchasing category in late 2017, in addition to the evaluations conducted by EcoVadis since 2009 (see paragraph 3.2.3 "Promoting good social and environmental practices with partners"), to fine tune its vigilance plans.

The Group also systematically reminds its suppliers of their own duty of vigilance with respect to their own supply chains. This point is specifically evaluated by EcoVadis (see paragraph 3.2.3 "Promoting good social and environmental practices with partners").

Fighting corruption

The Group supplemented its Code of Best Business Practices with a gifts policy and an anti-corruption policy in 2016. These policies were reviewed and added to in 2017 in light of the provisions of the "Sapin II" law. They were then incorporated within the French sites' internal regulations following consultation of the staff representative bodies.

The types of corruption risks to which the Group and its subsidiaries are exposed were also identified during the risk mapping process.

For each type of risk, the Committee identified the most exposed employees and the corrective actions to be taken.

Since 2014, Bel has been party to the Supply Chain Initiative in 16 European countries[(1)] accounting for more than 40% of its revenue. This voluntary, self-regulatory code establishes ten principles to be followed in commercial relations and covers corruption in particular. Most of these principles are also laid out in its Code of Best Business Practices.

Respecting human rights

In 2012, the Group launched a proactive human rights program with the adoption of its Code of Best Business Practices. Respect for human rights is one of the seven principles set out and refers specifically to the Universal Declaration of Human Rights and International Labor Organization conventions. The Group strives to ensure that these principles are followed. The network of ethics offers under the authority of the subsidiary Directors is responsible for implementation and compliance at each of the sites.

As part of its risk mapping in 2017, the Group ran a project aimed at detecting and measuring the risks of human rights violations, focusing particularly on the risks of modern slavery, forced labor, child labor, and violations of freedom of association or collective bargaining. Local Management Committees were made more aware of these issues when this work was carried out and the corresponding action plans are being deployed and incorporated within the internal auditors' checklists.

(1) In 2017, Bel signed the Supply Chain Initiative in the following countries: Austria, Belgium, Czech Republic, Denmark, Finland, France, Germany, Greece, Ireland, Italy, the Netherlands, Portugal, Slovakia, Spain, Sweden and the United Kingdom.

Protecting employees' essential rights

Protecting employees' essential rights has always been a constant concern. The Group has introduced very strict human resources policies on compliance with labor standards, especially for employees based in countries with a high risk of human rights violations.

When mapping risks, the Group was particularly committed to ensuring that its employees' fundamental rights were respected in all of the Group's subsidiaries, and particularly rights relating to working hours, remuneration, the fight against discrimination and freedom of association.

Respecting children's rights as a direct or indirect employer

Because of the positioning of most of its brands, Bel considers protecting children's rights to be a major priority. Its reference framework is the ten Children's Rights and Business Principles jointly developed by UNICEF, Save the Children and the UN Global Compact (for more information, visit: www.unicef.org/csr).

Bel refers to International Labor Organization (ILO) Conventions 138 and 182 for its Best Business Practices and its Sustainable Purchasing Charter.

It was therefore natural that the Group focused on the risk of child labor during its risk mapping process, ensuring that recruitment and site access processes were sufficiently robust to limit any risk of child labor at Group subsidiaries.

Respecting the environment

Bel is aware that its environmental responsibilities extend from upstream agricultural activities to the consumption of its products by the end consumer and packaging waste recycling.

Bel is also conscious that the sustainable use of natural resources and the fight against climate change are major issues for the sustainability of the dairy sector and are therefore a major threat to the sustainability of its business (see paragraph 2.2 "Risks related to the external environment").

To address these issues, the Group implements continuous improvement plans or encourages its partners to do so when it does not have a direct influence. This approach is described in paragraph 3.5 "Reducing the environmental footprint".

Environmental policy

The scope of Bel's environmental responsibility extends from milk production right to the end consumer. The Group implements continuous improvement plans and encourages its partners to do so if it does not a have direct influence.

The Wasabel (Water Saving at Bel) and Esabel (Energy Saving at Bel) programs allow each site to monitor its consumption and develop action plans to reduce it. To amplify these progressive efforts, Bel organizes dedicated training and best practice sharing sessions between sites.

The Group endeavors to contribute to sustainable upstream dairy (its upstream value chain) and to encourage consumers (its downstream value chain) to adopt habits that are less damaging to the environment by consuming the appropriate quantities for their needs and reducing all forms of food waste.

Bel has robust data with which it is able to report on the major impacts of its direct activities worldwide, particularly in terms of water, energy and greenhouse gas (GHG) emissions.

3.2.3 Promoting good social and environmental practices with partners

The Group has always placed discussion with its stakeholders at the heart of its sustainable growth model (see paragraph 3.1 "A policy with a central place in the Group's strategy").

With producers, suppliers, subcontractors and distributors

For a procurement policy to be regarded as responsible, it has to include not only cost, quality and lead time requirements, but ethical, social and environmental considerations as well. It must make a positive contribution to all the parties in the supply chain.

In France, the sustainable upstream dairy model desired by the Group led to an agreement with the APBO (see section 3.2.2 "Stronger monitoring in the fight against corruption and to ensure respect for human rights and the environment"). This unique agreement is a very tangible illustration of the created shared value that Bel has put at the heart of its sustainable growth model. The agreement offers producers economic visibility, securing their income for 2018, while sustainably promoting responsible agricultural practices in line with changing consumer expectations.

The Sustainable Purchasing Charter

The Sustainable Purchasing Charter is a reflection of the Group's strong commitment to promoting ethical business conduct with and by its suppliers. In addition to the commitments that Bel makes to its suppliers, the Charter presents what the Group expects from them in return in terms of major social issues such as commercial ethics, respect for human rights and children's rights, the fight against corruption, and respect for the environment.

This Charter is intended for all of Bel's suppliers (both existing and new). New Bel suppliers must promise to uphold it as soon they start tendering for the Group's contracts. Bel inserts a special clause into its contracts with suppliers to ensure their compliance with the Charter.

Supplier assessment

Bel prefers to deal with suppliers whose practices appear to be consistent with its sustainable growth objectives.

Since 2009, the Group has been assessing the performance of the suppliers and subcontractors that it considers to be key given their business volume, the potential risk associated with the products/services supplied, or their location. This assessment, carried out in cooperation with EcoVadis, a sustainable purchasing specialist, is based on 21 criteria grouped into four themes: Environment, Employees, Ethics and Suppliers/Supply chain. Following the assessment, suppliers are given a score for each theme and an overall score out of 100 (the highest score being 100).

The suppliers assessed during the past three years represent 67.3% of the Group's purchases by value, excluding milk producers.

The average score obtained by Bel's portfolio of suppliers is rising constantly and is consistently above the average score for the panel assessed by EcoVadis. This demonstrates their commitment to continuous improvement, aided by the purchasing teams who work alongside them.

	2015	2016	2017
Number of Bel suppliers assessed	437 (b)	487 (c)	505 (d)
Average score of Bel suppliers assessed	46/100 (b)	49/100 (c)	49.8/100 (d)
Average score of companies assessed by EcoVadis over the year	42.0/100	43.3/100	43.2/100
Rate of coverage of purchases by value (excluding collected milk)	60.2%	64.5%	67.3%

(a) Suppliers assessed between 2011 and 2014.
(b) Suppliers assessed between 2012 and 2015.
(c) Suppliers assessed between 2013 and 2016.
(d) Suppliers assessed between 2014 and 2017.

In order to ensure that its purchasing teams use the same tools and practices, MOM began using the EcoVadis solution in 2017 to assess its suppliers' CSR performance and has adopted the same assessment score management rules as Bel's purchasing teams.

In 2016, Bel became a member of AIM-Progress, a group of leading companies in the mass retail sector that aims to positively influence people's lives through the combined effect of robust responsible purchasing practices applied to all of their supply chains.

In 2017, AIM-PROGRESS and EcoVadis launched a sector initiative providing AIM-PROGRESS member companies with visibility over the suppliers assessed by EcoVadis, in order to reduce the number of duplicated assessment requests and to encourage transparency in value chains[1].

This initiative has two components:

- Bel and five other AIM-PROGRESS members using the EcoVadis platform share their supplier assessments on the platform;
- AIM-PROGRESS members not using EcoVadis regularly receive a list of suppliers assessed by these six companies, giving them the opportunity to ask the suppliers to share these assessments.

Supplier risk mapping

As part of its risk mapping project (see paragraph 3.2.2 "Stronger monitoring in the fight against corruption and to ensure respect for human rights and the environment"), the Group mapped its supplier CSR risks at the end of 2017, providing an up-to-date overview of the purchasing categories that require special monitoring.

Subcontracting

Subcontractors allow brands to develop their presence in new regions. They produce around 5% of the total volume sold by the Group. In 2017, six major Group subcontractors (producing more than 1,000 metric tons per year) accounted for nearly 90% of the subcontracted volume. Bel requires that all these suppliers be assessed by EcoVadis with the same management rules as other suppliers. So far, no subcontractors have been assessed as high-risk (EcoVadis score of less than 25/100).

The Cléry-le-Petit site and the affiliated Bar-le-Duc and Maredsous sites were sold by the Group during the course of the year. Group products continue to be manufactured there, however, and the volumes produced in these plants have been classed as subcontracted products since July 1.

Buyer training

Since 2014, Bel has offered its central and local buyers an e-learning course on CSR and sustainable purchasing. Most of the Group's buyers (91%) had completed this training by the end of 2017.

MOM's purchasing teams attended a CSR and sustainable purchasing training seminar prior to the first supplier CSR assessment campaign in 2017.

Distributors

In line with the provisions of the "Sapin II" and "Due Diligence" laws (see paragraph 3.2.2 "Stronger monitoring in the fight against corruption and to ensure respect for human rights and the environment"), the Group has taken measures to ensure that it is informed if any of its distributors, customers or agents, of which there are nearly 500, is convicted, politically exposed or added to an embargo blacklist.

(1) For more information about the EcoVadis AIM-PROGRESS initiative: www.aim-progress.com or www.ecovadis.com.

In accordance with the "Sapin II" law, the Group is also rolling out a KYC (Know your Customer) questionnaire to all of its distributors.

With other partners

Bel believes that sustainable growth depends on co-construction with external partners specializing in issues that are key for the Group.

Associations and non-governmental organizations (NGOs)

Bel has relied on recognized environmental NGO WWF France since 2012 to support its commitment to sustainable farming. This long-term partnership has allowed the Group to introduce very practical actions with its partner producers to foster a sustainable upstream dairy (see paragraph 3.3.1 "Taking action for a sustainable upstream dairy").

It has also highlighted the importance of working on soy meal and PKE (Palm Kernel Expeller, a by-product of palm oil extraction) in order to limit their environmental impact. This is why Bel joined the RTRS (Round Table on Responsible Soy) in 2014 and the RSPO (Roundtable on Sustainable Palm Oil) in 2015 to support the creation of sustainable supply channels for these two raw materials.

The Group also supports various nutritional education programs, such as the FLVS, which coordinates the VIF - Vivons en Forme program in France, to help educate consumers about healthy living.

Bel has joined the Scaling Up Nutrition movement (see paragraph 3.4.3 "Fostering better eating habits and healthier lifestyles") in Senegal and the Ivory Coast.

Professional organizations

In France, Bel actively participated in preparing the Anti-Waste Charter proposed by the ANIA (Association Nationale des Industries Alimentaires).

The Group is also a member of the CELAA (*Club du recyclage de l'Emballage Léger en Aluminium et en Acier*) and the AREME (*Association pour le Recyclage des Emballages légers en MEtal*), which are initiatives that encourage the sorting and recycling of small aluminum and steel packaging in France and Belgium (see paragraph 3.5.6 "Being part of the circular economy").

The Group is also involved in the voluntary European movement EU Pledge, looking at advertising aimed at children (see paragraph 3.2.4 "Providing fair and helpful information to consumers").

Public authorities and institutions: a responsible lobbying policy

The Group has established precise rules for its actions targeting public authorities (see paragraph 3.2.1 "Ethics at the heart of the Group's activities").

The Group prefers to participate in the work of the professional organizations to which it belongs. However, it also takes direct steps with the public authorities if it considers this to be legitimate and useful; legitimate if the interests at stake affect the many employees or consumers who put their trust in Bel, and useful because Bel believes that, in a democracy, it is best if all of the stakeholders affected get to express their views when public decisions are made.

Bel shares precise rules for carrying out its lobbying actions responsibly with all the internal and external representatives who act on behalf of the Group and its entities.

Bel also joined the European Union Transparency Register in 2014 (www.ec.europa.eu/transparencyregister) and the Office of the Commissioner of Lobbying of Canada's Registry of Lobbyists in 2015. It also requested registration in France's *Répertoire de la Haute Autorité pour la Transparence de la Vie Publique* in 2017.

Banks and financial institutions

In 2017, the Group signed a new partnership with the International Finance Corporation, a member institution of the World Bank Group (see paragraph 3.2.5 "Contributing to the vitality of host regions") as part of its "Sharing Cities" program.

When it renewed its main line of credit in 2017, the Group chose to factor in environmental and social impact criteria, based on achieving three goals from its Sustainable Development Strategy by 2025. This agreement makes Bel one of the first groups to voluntarily index a line of credit to its sustainable development performance.

This commitment is a virtuous performance obligation as the Group undertakes, should it fail to achieve its objectives, to implement corrective measures by directly investing in, or financing, associations or non-governmental organizations.

3.2.4 Providing fair and helpful information to consumers

Responsible communication

Bel believes that each of its brands is qualified to speak on matters of responsibility. The Group's brands are strengthening their communication on issues that may help consumers make informed decisions. They seek to capitalize on the trust that they have forged with consumers to guide them towards balanced and more environmentally-friendly choices. The Group also takes care to ensure that what they say faithfully reflects these practices.

Bel adopted a Responsible Communication Charter in 2009, encouraging the Group to promote healthy eating habits (*e.g.* suitable portion sizes and active lifestyles) across all of its communication channels. This Charter covers advertising in all its forms, public relations, packaging, websites, and other channels. All of the Group's marketing teams receive training on nutrition to make them aware of these commitments.

In 2016, the Group put in place a tool to improve its communications validation process for all of its marketing teams. This new tool is called "Validcom" and is already used for 100% of the new packaging and television commercials for cheeses and is being rolled out to other media.

Bel also joined the voluntary European movement EU Pledge in 2016, to bolster its responsible approach to communication aimed at children. Under this initiative, Bell pledges not to advertise any of its products that do not meet specific nutritional criteria to children under the age of 12 *via* television, the press or the Internet.

Providing consumers with the information they want…

Nutritional and food safety information

In order to give its consumers what they want, Bel provides clear and relevant nutritional information on all of its products regarding their nutritional content, the origin of the ingredients used in its recipes, their traceability, and the health and safety standards met by finished products (see paragraph 3.4.1 "Guaranteeing optimal food quality and safety").

Social and societal impact of products

Consumers are also increasingly concerned about the social impact of their eating habits on the working conditions of food producers and on animal welfare.

The Group is committed to a transparent approach in order to explain its sustainable development actions along its entire value chain to its consumers. In Portugal, for example, the key information relating to the *Leite de vacas felizes* program is described on product packaging and detailed information about the program is provided on its website.

Environmental information

The Group is currently communicating about packaging waste management: waste sorting instructions are provided in countries where recycling channels are in place and anti-littering advice is given in other countries.

The Group believes that new clear and simple environmental indicators will develop consumers' interest and influence their buying behavior. This is why Bel is an active participant in the European Product Environmental Footprint Category Rules (PEFCR) pilot project, which aims to harmonize the methods used to calculate and communicate on the environmental impacts of products, throughout Europe.

… on varied and complementary media

Easier-to-read packaging

Product information can be found on packaging at the time of purchase. The Group is gradually rolling out a simple and uniform visual marking system on all of its packaging to make it easier to read. This provides all the key information, including nutritional information, packaging disposal instructions and consumer service contact details.

All products sold by the Group in countries where consumer call centers already exist (in France, the UK, Germany, the USA, Canada, Vietnam and Japan) display the phone number on their packaging.

Providing additional information on other media

Given the surface area available on packaging, Bel wishes to develop simple links between packaging and other communications media used by its brands (*e.g.* websites and mobile apps). Digital tools are used to provide more in-depth and educational explanations of topics that may be complex for the layman.

The Group describes its sustainable growth model in these words: "We care in every portion" and set outs the ambitious commitments associated with it on its website. This provides consumers with transparent data so that they can monitor the Group's attainment of its objectives year after year.

Protecting consumers' private data

- The Group Procedure for processing consumers' personal data establishes the principles to be followed to protect private data collected from children. It will be reinforced in 2018 to meet the requirements of the general data protection regulation.

3.2.5 Contributing to the vitality of host regions

Production sites close to consumers

Better understanding what consumers want…

The Group has chosen to locate its production sites close to its consumers. This strategy has many positive impacts, as it helps Bel to better understand consumers' expectations by being as close as possible to them and to participate in the development of the regions where it sells its products, while reducing shipping and therefore its environmental impact.

To go even further, the Group has designed a mobile plant made of shipping containers that can be installed and disassembled in just a few weeks. This allows Bel to produce locally in markets that are new for the Group, before replacing it with a larger site if the results are satisfactory. The first plant of this type was installed in Abidjan (Ivory Coast) in 2016.

… while preserving the environment around sites(1)

In line with its environmental policy and in consultation with local authorities, the Group implements action plans to protect the environment around its plants and to reduce the nuisances that may be caused by its activities.

Currently, all of the land owned, leased or managed by the Group is situated outside of protected areas. Whenever an operating permit is requested, each site's position is analyzed with respect to the sensitivity of the natural environment and the potential impact of its activities.

The Group's production facilities are also designed to reduce their noise levels, especially if they are located close to residential areas. Measurements are regularly taken by a service provider to monitor and control the compliance of the sound level at the property's boundaries and the emergence level for the most at-risk residents. Action is taken to reduce noise levels if the noise emergence level exceeds local standards or the noise is perceived as a nuisance.

The Group has also developed a project to acquire the know-how to produce products virtually without water in order to limit its impact on its ecosystem (see paragraph 3.5.3 "Using water sustainably").

Contributing to the socio-economic development of host regions

In 2017, Bel conducted a pilot study to measure the direct, indirect and induced impacts of the Évron production site in France on the surrounding area and the value created for its stakeholders.

This study was conducted with a partner specializing in the calculation of the socio-economic footprint of organizations, and assesses the direct, indirect and induced contribution that this industrial site makes to the surrounding area. It showed that every Bel job on the Évron site created or maintained 4.5 induced or indirect jobs in France.

Developing innovative and inclusive distribution models

Bel launched its "Sharing cities" program in 2013 to supplement the traditional marketing channels used for Bel products with alternative distribution networks rooted in local buying practices. For example, the Group uses existing networks of street vendors to sell its products in several major cities in the emerging countries in which Bel is already present. In this way, the Group helps street vendors develop their activity and sales, while facilitating their access to health coverage, banking services and professional training.

The Group signed a partnership in 2017 with the International Finance Corporation, a member institution of the World Bank Group, in order to increase the impact of the program, particularly in the field of health.

At December 31, 2017, the "Sharing Cities" program was active in six cities(2) and 6,700 street vendors had partnered with Bel; 2,300 had received health coverage, more than 900 had received professional training and over 1,000 had opened bank accounts.

Helping children in all of the Group's host regions

Because of the positioning of most of its brands, Bel views helping children as a major priority.

Through sponsorship by the Bel Foundation

The Bel corporate foundation was created in 2008 to combat childhood malnutrition. The initiatives that it supports are proposed by Bel Group employees or charities. Each project benefits one of the countries in which the Bel Group operates. Since its creation, the Foundation has donated more than €2.2 million to 230 projects. The Foundation reports on its activities in its Annual Report available at http://www.fondation-bel.org/en/publications.html.

Through nutritional education programs

Moreover, the Group provides nutritional education programs for children worldwide as part of its Educanut project and its involvement in the Scaling Up Nutrition movement (see paragraph 3.4.3 "Fostering better eating habits and healthier lifestyles").

(1) Land use was not identified as a key issue for the Group, given that the space occupied by its plants is very small.

(2) In 2016, the "Sharing Cities" program was active in the following cities: Ho Chi Minh City (Vietnam), Hanoi (Vietnam), Abidjan (Ivory Coast), Kinshasa (Democratic Republic of the Congo), Dakar (Senegal) and Antananarivo (Madagascar).

Through collective agreements

In recent years, the Group has signed several collective agreements aimed specifically at improving the daily lives of children:

- local agreements give parents time off for their young or sick children;
- in 2015, Bel signed an agreement in France to introduce:
  - the donating of leave to another employee whose child is seriously ill or is the victim of a serious accident,
  - the philanthropic rounding up of wages (micro-donations from volunteer employees' wages matched by the company) in particular for the "Un enfant par la main" association, designed to finance the purchase of bicycles to allow students to get to college in Senegal,
  - philanthropic leave to allow employees to participate in short-term humanitarian projects abroad related to children and/or food.

3.2.6 Building an inclusive employment model for our employees

Human resources policy

Bel has an inclusive employment model that reconciles its economic and financial performance with the development of its staff. Particular attention is paid to employees' health and safety, as well as to preparing for the future by proposing a business model that attracts the talented people the company needs for its development.

Bel's human resources policies and practices are harmonized at Group level in areas such as payroll management, internal job transfers, talent development, security and labor relations.

Because the company is international, a subsidiarity principle is applied to many issues related to human resources. All human resources policies are therefore harmonized while respecting the specific aspects of local cultures.

Workforce

At December 31, 2017, the Group employed 12,743 people in over 30 countries. On a like-for-like basis, Bel's workforce (permanent and fixed-term employment contracts present at December 31, 2017) shrank by 92 people, a 0.7% reduction compared to December 31, 2016. Moreover, the sale of the Cléry-le-Petit and the affiliated Bar-le-Duc (France) and Maredsous (Belgium) sites to the Schreiber Foods group resulted in the departure of 258 employees from Bel's workforce.

Workforce by operational region* (a)	2015	2016 (b)	2017
Europe	6,131	6,749	6,538
Of which France	*3,278*	*3,966*	*3,803*
Americas, Asia-Pacific	1,078	1,660	1,652
Middle East, Greater Africa	3,637	4,684	4,553
GROUP TOTAL	**10,846**	**13,093**	**12,743**
Of which Safilait (Morocco)		1,198	1,140
Of which MOM		1,210	1,216

** Indicator audited by the Statutory Auditors with a reasonable level of assurance.*
(a) Active permanent contracts and fixed-term contracts at December 31.
(b) The 2016 workforce figures have been updated with respect to the data published in the 2016 Registration Document to reflect changes after the end of the period.

Workforce by status (a)	2015	2016 (c)	2017 (d)
Managers (b)	1,929	2,023	2,414
Non-managers	8,917	8,662	9,189

(a) Active permanent contracts and fixed-term contracts at December 31.
(b) The definition of "manager" is based on a standardized grading system applied to all subsidiaries: grades 1 to 7 as well as Management Committee members are considered to be managers whether they manage a team or not.
(c) The 2016 workforce figures have been updated with respect to the data published in the 2016 Registration Document to reflect changes after the end of the period.
(d) Excluding Safilait and including MOM.

New hires and departures (excluding changes in the consolidation scope)

To maintain its competitiveness and fuel its growth, Bel is constantly adapting its business lines and its human resources to match its needs. The Group therefore hired 1,326 people in 2017. On a like-for-like basis, most departures were voluntary (resignations and retirements).

In 2017, the Group sold its under-used industrial site in Cléry-le-Petit (France) and the affiliated Bar-le-Duc (France) and Maredsous (Belgium) sites to the American group Schreiber Foods. The agreement protected all the employment contracts and staff seniority and ensured that working conditions and benefits would stay the same. Schreiber Foods also committed to continuing to produce cheeses under the Bel brand under a subcontracting agreement, and to developing the production of cheeses, yogurts and fresh dairy products under a private brand for its own account.

New hires and departures excluding SAFILAIT and MOM at this stage	2015	2016 [(a)]	2017 [(b)]
Number of new hires	1,119	1,317	1,607
Number of departures	1,227	1,506	1,960
Of which Cléry, Bar-Le-Duc and Maredsous transfer			*258*
Of which redundancies/dismissals	*209*	*186*	*265*

Redundancies/dismissals by operational region	2015	2016 [(a)]	2017 [(b)]
Europe	78	63	63
Of which France	*50*	*37*	41
Americas, Asia-Pacific	79	77	162
Middle East, Greater Africa	52	46	40
GROUP TOTAL	**209**	**186**	**265**

(a) Excluding MOM and Safilait.
(b) Including MOM and Safilait.

The Group's average rate of job insecurity (excluding MOM and Safilait) is 11% (calculated excluding temporary staff). This rate represents the number of fixed-term positions compared to the total number of staff (fixed-term + permanent + temporary staff).

This average masks significant local differences. For example, in Iran (part of the Middle East, Greater Africa region), where Bel employs 377 people, a fixed-term contract is standard legal practice and is not a sign of job insecurity.

Rate of job insecurity(a)	2015	2016	2017
Europe	3.8%	3.9%	4.9%
Of which France	*2.9%*	*2.1%*	2.2%
Americas, Asia-Pacific	0.0% [(b)]	11.8% [(b)]	13.3%
Middle East, Greater Africa	21.1%	20.0%	20.2%
GROUP	**9.9%**	**10.2%**	11.0%

(a) Proportion of fixed-term contracts to all contracts (in full-time equivalent jobs).
(b) Layoffs in the United States are not included in this figure.

3.2.7 Guaranteeing health, safety and well-being at work

Several years ago, Bel put continuous improvement processes in place tailored to the diversity and complexity of the situations encountered.

Making safety the top priority

Health and safety are an absolute priority for Bel, for both its employees and any other person working within the company. Bel has therefore introduced a health and safety policy that aims to achieve "zero accidents", by preventing and controlling risk and through a continuous improvement process.

Since 2012, the Group has monitored the frequency rate of all accidents leading to medical treatment involving not only its employees but also any other people on its sites (*e.g.* visitors, subcontractors and temporary staff), regardless of whether or not they led to lost time. This indicator exceeds French regulatory requirements for mandatory monitoring of the accident frequency rate, which covers accidents involving lost time suffered by Bel employees. This more stringent monitoring reflects the Group's commitment to health and safety.

As a result, Bel's accident frequency rate has been in constant decline since 2014. The Group's goal is to reach a frequency of "3" by 2025, with the ambition of achieving a zero-accident rate.

	2015	2016	2017
Bel accident frequency rate[a] Bel AFR Accidents with and without lost time for all persons present on Bel sites	10.7	8.2	6.7 [c]
Accident frequency rate [a] AFR1 Accidents with lost time for Bel employees	4.8	4.3	5.0 [d]
Accident severity rate [b] for Bel employees	0.1	0.1	0.2 [d]

(a) Number of accidents per million hours worked.
(b) Number of days not worked due to accidents suffered by Bel employees per 1,000 hours worked
(c) Including Safilait (industrial site) but excluding MOM.
(d) Including Safilait (industrial site) and MOM.

The Group is taking many measures to achieve this, including investments to improve the safety of workstations at its sites.

People's behavior remains a major factor in preventing accidents and occupational illnesses, however. This is why the Group has set up a Behaviour Safety Visits (BSV) program on all of its sites. During these inspections, employees or subcontractors are observed at their workstations by two people, followed by a constructive discussion between the inspectors and the "person inspected". The goal is to change behaviors and improve communication on safety and trust between employees and managers. Over 18,000 BSVs were conducted in 2017 (see paragraph 2.3.2 "Risks related to the strategy and organization").

To go even further, in 2017 the Group partnered with a specialized external service provider to survey all of its employees and external personnel on its sites to evaluate their perception of the safety culture at Bel. Related action plans will be launched in 2018.

Bel also set up a Group Safety Steering Committee in 2017, with coordinators in each geographic area. The Group has also introduced a procedure that aims to ensure that all accidents are reported to the other sites' management within 48 hours in order to prevent similar accidents.

Reducing discomfort and preventing occupational illnesses

Bel is taking action to prevent musculoskeletal diseases by reducing load lifting and uncomfortable postures. The Group has also identified at least three sources of discomfort that may affect employees working in its plants: noise, night work and repetitive tasks.

Plants are gradually introducing action plans to reduce these sources of discomfort and offer a healthy working environment for all employees. Improving workstation ergonomics is included as a criterion when assessing all Group investment projects.

Bel also created an e-learning program for employees at its headquarters in 2017 to raise awareness of psycho-social risks.

Providing an organization conducive to well-being at work

In a socio-economic environment leading to a constant quest for higher productivity, Bel takes into consideration factors that directly affect its employees' well-being at work, including the organization of working and relaxation areas, the organization of working and commuting time and changes in working methods.

The Group also believes that a work/life balance is an important prerequisite for its employees' development and the company's success.

Most of the Group's subsidiaries therefore grant more paid leave than the minimum imposed by national laws and regulations.

	2015	2016	2017
% of employees receiving at least three weeks of leave per year	95%	94%	97%

The Group is also looking at new ways of organizing working hours. In 2015, it signed an agreement to introduce telecommuting for all employees working at the head office in order to promote their well-being by reducing their home/office commute. All employees are therefore entitled to work from home once a week, or twice a week if they are over the age of 55, unless the nature of their job prevents this.

While there are many causes of absenteeism, it may in some cases be directly correlated with unhappiness at work. This is why the Group hopes to lastingly reduce unhappiness through its various actions.

Illness absenteeism rate	2015	2016	2017
Hours of absence due to illness/theoretical working hours	2.45%	2.21%	2.00%

3.2.8 Promoting equal opportunity and diversity within the Group

Bel fights all forms of discrimination and promotes equal opportunities when hiring employees and throughout their careers.

Gender

For non-managers, the proportion of women can be explained by the cultural contexts of the Group's sites, the organization of shifts, or even local regulations (*e.g.* night shifts). The Group nevertheless still believes that the average breakdown of men/women non-managers, all regions combined, could be improved.

Breakdown by gender	2015	2016 [(a)]	2017 [(b)]
Total employees	68%: 32%	68%: 32%	67%: 33%
Non-managers	70%: 30%	70%: 30%	70%: 30%
Managers	59%: 41%	59%: 41%	58%: 42%

(a) Excluding Safilait and MOM
(b) Excluding Safilait but including MOM

Breakdown of new hires by gender	2015	2016 [(a)]	2017 [(b)]
Men	698	918	1,041
Women	421	399	566
TOTAL NEW HIRES	**1,119**	**1,317**	**1,607**

(a) Excluding MOM and Safilait.
(b) Including MOM and Safilait.

Although women represent more than one-third of managers on average, the proportion is lower (18%) in the higher grades (1, 2 and the Executive Committee).

The Group therefore rolled out a "Diversity & Inclusion" program in 2016 to improve this proportion. One of its objectives is to have 30% of these positions occupied by women by 2020 and 40% by 2025. In addition to a comprehensive approach, specific objectives have been set for each type of profession and individual action plans have been defined to achieve them.

Bel launched the first practical actions related to this program in 2017. These sought to identify the areas for improvement, set objectives, raise employee awareness, adapt HR processes and launch a new leadership training program for female employees.

Gender breakdown by grade	2015	2016	2017
Board of Directors(a)	5/2	5/2	5/2
Executive Committee(a)	9/0	7/0	7/0
Grade 1 [(a)]	15/2	22/4	24/5
Grade 2	78%/22%	74%/26%	79%/21%
Grade 3	68%/32%	68%/32%	68%/32%
Grade 4	60%/40%	60%/40%	58%/42%
Grade 5	60%/40%	61%/39%	58%/42%
Grade 6	57%/43%	56%/44%	54%/46%
Grade 7	50%/50%	52%/48%	52%/48%

(a) Absolute values.

Bel takes care to avoid creating wage distortions between men and women; in 2015, in France, it signed a three-year agreement on gender parity based on four main goals: encouraging equal access to work by guaranteeing non-discrimination during hiring and by developing more diversity in so-called gender-specific jobs, guaranteeing equal pay for equal work, guaranteeing equal access to training for men and women, and promoting a better work/life balance (including making more room for parenthood).

Bel also classes a wage gap of 5% or more in the same country for equivalent grades as a wage discrimination problem.

This gap is currently 3% for managers in France. After taking into account the age difference between men and women, this gap is considered to be explainable, since women are on average five years younger than their male counterparts.

	2015	2016	2017
Average ratio of women's salaries to men's salaries [(a)]	0.97	0.97	0.97

(a) Managers of an equivalent grade in France. Data from other countries are considered to be non-representative due to the number of men and women of equivalent grades.

Multiculturalism

Bel sells products in more than 130 countries and pays close attention to the diversity of the world in which it operates. The Group's ambition is to better understand its consumers by putting together teams that reflect every type of difference.

Bel believes in the creative momentum and new combinations of knowledge driven by diversity. The Group sees diversity as an engine for innovation and for creating agile teams. This makes it a source of wealth creation that is inseparable from the Group's ambitious goals.

Bel has therefore set itself a target of achieving 45% non-French managers in the highest grades (1 and 2) by 2025, as part of its "Diversity & Inclusion" program.

Generational diversity

Ten percent of Bel employees are aged 55 or above. Bel is keen to offer them security as their careers reach an end, paying special attention to their working conditions, and to capitalize on the knowledge they have acquired.

In France, the three-year strategic workforce plan was renewed in 2014 and is currently being renegotiated. This supplements the intergenerational agreements – which plan ahead for changes in the workforce through departures for retirement – and disability agreements. It aims to roll out the necessary tools to address changes in jobs and qualifications.

	2015		2016 [(a)]		2017	
Employee breakdown by age	%	Total	%	Total	%	Total
55 years and over	11%	1,172	11%	1,198	10%	1,303
45 to 54 years	26%	2,811	27%	2,866	26%	3,346
35 to 44 years	35%	3,837	35%	3,735	34%	4,312
26 to 34 years	25%	2,699	24%	2,591	27%	3,417
25 years and under	3%	327	3%	309	3%	365
TOTAL	**100%**	**10,846**	**100%**	**10,699**	**100%**	**12,743**
Mean age		42 years		42 years		4 years

(a) Excluding MOM and Safilait.

Disability

Bel encourages the inclusion of people with disabilities in its teams. In 2011, the Group signed a partnership agreement with AGEFIPH(1) in France, and a first Disability Agreement in 2014.

With the signing of a second Disability Agreement in 2017 by the management and employee representatives in France, the Group reaffirmed its wish to be a committed player in the employment and inclusion of people with disabilities. This agreement seeks to maintain the rate of employment of disabled people at the Group's production sites in France while raising it at non-production sites.

Bel also works with numerous institutions in France that provide work to people with disabilities (protected and adapted sectors).

Rate of employment of people with disabilities	2015	2016	2017
France [a]	6.57%	7.86%	7.18%

(a) This rate includes interns and collaboration with the protected and adapted sector.

3.2.9 Developing our employees' talents

Bel wants to help its employees develop and to retain them. At the same time, Bel must allow for fluctuations in activity and its production sites' changing needs. The Group is also careful to foster interdepartmental versatility that helps make its employees more employable – especially non-managers – while enhancing their professional experience.

Bel provides training programs targeted at and tailored to all its employees – managers and non-managers alike.

Development plans adapted to each employee category

Bel strives to help its employees develop through individual development plans, accessible year-round, which allow them to continuously develop their skills through training, mentoring and work placements.

Group training courses are organized in four areas:

- knowledge of the Group, its history and its business and the implementation of its transformation;
- development of business line technical skills;
- development of managerial and leadership skills;
- development of personal skills. The Group provides literacy classes on certain sites, for example.

The Group has to constantly renew the content of its training programs or create new ones to keep up with technological and organizational changes and the competitive environment. The training formats differ according to their objective, content and target recipients, and include digital training (virtual classes and e-learning), tutoring, internal or external group learning and inter-firm training. More than 1,500 employees were trained digitally in 2017, representing a total of over 7,000 hours.

Training plans for the coming year and internal job transfer opportunities are naturally discussed during individual performance reviews conducted annually for managers (managers, technicians and supervisors) and biannually for non-managers (clerical and manual workers).

Individual performance reviews	2015	2016	2017
% of eligible managers [a] receiving an individual performance review (annual basis)	88%	86%	90%

(a) Eligible managers are those with permanent contracts who are on the payroll and worked for the Group for the whole of 2017, or joined before July 1, 2016 and left after July 1, 2017.

The Group has also developed a comprehensive mentoring program aimed at enhancing the learning process by leveraging the experience of Group employees. The pilot scheme was launched with approximately 130 mentor/mentee pairs. It is also an opportunity to strengthen the feeling of belonging to the company and the networks between functions.

The Group launched its Talent Accelerated Program in 2017. This training program is designed for around one hundred high-potential managers at all company levels. It aims to offer them unique development opportunities to allow them to help achieve the Group's growth ambitions. During this 18-month program, they receive coaching, mentoring and virtual classes, and participate in hackathons. As well as developing skills, the program aims to disseminate agile practices within the company and to accelerate the Group's transformation through a knock-on effect on all employees.

Total number of training hours

Bel met its goal of increasing the number of employees with access to training between 2016 and 2017. The Group has set itself a target of having 100% of its employees participate in at least one training course each year by 2025.

(1) An association in France providing funding and assistance to help people with disabilities into the workplace.

Employee training	2014	2016	2017 [(a)]
Percentage of employees who attended at least one training course during the year	71%	77%	79%
Average number of training hours per employee	24	26	22

(a) Excluding Safilait and MOM.

Versatility and internal job transfers

To avoid any form of discrimination and to ensure transparency for the Group's teams, vacancies are first advertised to Group employees (*e.g. via* the intranet or display boards) before being offered to external applicants – unless there are confidentiality requirements.

Bel offers its managers greater career path visibility through measures such as skills guidelines, career guides and potential job transfers.

3.2.10 Maintaining a positive company climate

Bel is persuaded that offering fair, motivating and non-discriminatory compensation is the key to combining appeal with competitiveness. The Group's wage policy is determined by the Human Resources Department and the local teams are then responsible for its implementation.

Most of the agreements signed in 2017 in various countries where Bel operates deal with compensation (fixed or variable) and employee benefits.

Information about managerial compensation is presented in chapter 4 of the Registration Document.

Employee benefits

Beyond the minimum base set by national laws and regulations, Bel wants to ensure that all of its employees worldwide receive benefits that are in line with Group standards. This is a way of awarding compensation and other benefits that exceed minimum levels.

	2015	2016 [(b)]	2017 [(c)]
% of employees [(a)] with health coverage	94%	93%	86%
% of employees [(a)] with death and disability coverage	94%	94%	88%

(a) Permanent or fixed-term employees.
(b) Excluding MOM and Safilait.
(c) Including MOM and Safilait.

Internal equality and external competitiveness

The Group always complies with the minimum levels set by local laws and strives to apply non-discriminatory wage policies. Any differences in pay for equal work must have a valid reason (*e.g.* personal background, local context, etc.). To attract and retain its employees, Bel ensures that it offers them competitive salaries and benefits. The Group's subsidiaries frequently request salary surveys to monitor market practices.

Recognition of individual and group performance

Individual performance is recognized based on merit. Variable remuneration of grade 1 to 6 managers and Vice-Presidents (*i.e.* 79% of managers) represents at least 8% of their fixed compensation. At least 10% of this variable compensation is contingent on meeting non-financial objectives linked to the Group's CSR policy.

Due to the coexistence of legally separate entities, the Group does not have a single profit-sharing and bonus system. However, the subsidiaries are gradually adopting compensation systems that include Group performance to strengthen a sense of belonging and pride.

	2015	2016 [(a)]	2017 [(b)]
% of employees who have a compensation system based on the overall performance of the subsidiary or Group	77%	100%	67%

(a) Excluding Safilait but including MOM.
(b) Including MOM and Safilait.

Employee shareholding

Since 2007, Bel has offered bonus share award plans, subject to performance conditions, to some of its employees (see paragraph 6.2.3 “Stock options – performance shares”).

Labor relations

Bel believes that good labor relations are key to improving life in the workplace. The Group therefore encourages dialog between managers and employees, and between management and staff and/or any union representatives.

Organization of labor relations

The employee representation bodies within the Company, whose members may be elected or appointed by employees, take different forms depending on the country, including works councils, staff delegates and Committees for Health, Safety and Working Conditions (CHSWC).

In its Code of Best Business Practices, Bel recognizes its employees’ right to be represented – within the framework of the laws and regulations that apply to them – by their trade union(s), or other kinds of staff representation, during collective bargaining on working conditions.

In 2017, 82% of employees had access to employee representation.

The Group has also completed discussions with its European employee representatives on establishing a European labor relations committee for all of its European subsidiaries. The related agreement will be signed in 2018.

Review of the collective agreements signed by Bel in 2017

In 2017, Bel signed 29 collective agreements worldwide, 15 of which were in France.

Theme	Country	Details
Remuneration (fixed or supplementary), employee benefits and benefits in kind	France	eight agreements on wages, profit sharing, employee savings plans, health costs and labor relations
	Egypt	one agreement to compensate for the devaluation of the local currency
	Slovakia	one agreement on working conditions, social policy and wages
	Portugal	four wage agreements
	Italy	one agreement on wages, meal allowance, work/life balance and sick leave
	Germany	one agreement on profit sharing
	Belgium	one agreement on bonuses one agreement on profit sharing
Organization and flexible working hours	France	two disability agreements and one intergenerational agreement
	Slovakia	one flexible working hours agreement
Miscellaneous agreements	France	five agreements (scope of labor negotiations, integration of Boursin in the UES, etc.)
	Germany	two agreements on performance assessment and bonuses

Highlights of 2017

- Mapping of Group risks in order to identify gross risks in the areas of corruption, human rights violations and the environment.
- Training of local ethics officers.
- Deployment of communication plans to raise awareness of ethics in all Group subsidiaries.
- Joining of the AIM Progress initiative.
- Joining of the "Sharing Cities" program by two new cities (Antananarivo and Istanbul).
- Signing of a partnership agreement with the International Finance Corporation, a member institution of the World Bank Group, in order to increase the impact of the program in the area of health.
- Inclusion of environmental and social impact criteria in the renewal of the Group's main line of credit.
- Introduction of the communications validation process for all Group marketing teams.
- Launching of the first practical actions in the Diversity & Inclusion program.
- Launching of a mentoring program aimed at enhancing the learning process by leveraging the experience of Group employees.

Priorities for 2018

- Continuing with the deployment of the vigilance plans to comply with the French "Sapin II" and "Due Diligence" laws.
- Continuing with ethics training.
- Accelerating the deployment of communication on the social, societal and environmental impact of Group products.
- Defining a position on responsible communication for children under the age of 12 at Group level for implementation in 2019.
- Setting up a social innovation committee.

BEL OBJECTIVES:	KPI	2017	2020	2025
Working toward zero accidents on our sites.	Bel AFR (Accident Frequency Rate).	6.8	5.5	3
Promoting male/female diversity.	Share of women in top management.	18%	30%	40%
Developing our employees' talents.	Employees who have received training during the year.	79%	90%	100%
Promoting best business and environmental practices to our suppliers.	Suppliers' average "Eco Vadis" score.	49.9/100	50/100	55/100
Providing fair and useful information to help consumers make choices.	Products providing specific environmental, "… - free" information.		20%	100%

3.3 COMMITTING TO SUSTAINABLE FARMING

Bel has certain responsibilities as a global healthy dairy and fruit snack food player, including the choice of raw materials that are directly and indirectly used in its products.

Bel has chosen sustainable farming because its activities and their sustainability depend on the land, the people who work the land, the people who care for herds and their future. Bel's priority is to reconcile virtuous agricultural and animal husbandry practices that demonstrate a positive impact for humans, the environment and, more globally, the entire ecosystem within which the Group operates, in order to address climate change and population issues. This approach is in line with Sustainable Development Goal 12 "Sustainable Consumption and Production".

On this basis, the Group has introduced binding actions to promote sustainable farming, starting with two key raw materials in its portfolio: milk and vegetable fat.

Furthermore, for several years, the MOM Group, which was purchased by Bel in 2016, has been applying a number of actions that are a perfect fit for Bel's ambition to commit to sustainable farming.

These actions focus primarily on the origin of apples, developing its own orchards in France, and promoting sustainable farming practices to reduce treatments on orchards.

3.3.1 Taking action for a sustainable upstream dairy

A binding world charter based on six strategic pillars

Milk is the basic ingredient for cheese making. Bel collects nearly two billion liters of milk from more than 2,650 producers in its ten dairy sourcing regions worldwide each year.

To help feed more than nine billion people responsibly in the future, the Group must develop dairy production while preserving the planet's resources and building long-lasting relationships with its partner producers.

To put this commitment into writing, Bel has defined a charter of commitments for a sustainable upstream dairy at Group level that has been co-signed by WWF France. This covers economic, social and environmental aspects and is structured around six themes:

- farmer sustainability;
- animal welfare;
- pasture grazing;
- sustainable and local animal feed;
- environmental footprint;
- nutritional quality and safety.

Each of these has been developed into actions and ambitious goals to be met by 2025 and are presented in Bel's global charter for sustainable upstream dairy. The Group has included the goals that it considers to be most significant in its CSR scorecard. All of the Charter's themes will be implemented and monitored, however. The action plans will be adapted in 2018 to each of the regions where the Group sources dairy products based on the sector's degree of maturity, the general context, climate conditions and consumer expectations.

This charter also includes commitments regarding other dairy ingredients purchased by the Group, such as cream, butter and milk powder.

Farmer sustainability

Most of the milk used in Bel products is directly collected from its partner producers every two or three days. The Group relies on this direct and regular link to develop long-lasting relations with dairy producers in a fragile economic environment. Dairy farmers' quality of life and working conditions are a major concern for Bel, for which a sustainable growth model is inconceivable without the long-lasting ties and trust of its partners (see paragraph 3.2.3 "Promoting good social and environmental practices with partners").

In 2017, Bel therefore defined three priority commitments to strengthen the sustainability of these relationships and the production model:

- continuing to develop a network of dairy farms near its production sites in order to strengthen local relations;
- helping dairy producers improve their efficiency, quality of life and yields through training programs, and by sharing good practices or supporting the development of "specific animal husbandry" technologies adapted to each country;
- exploring and encouraging financial solutions tailored to the specific circumstances of each country to help producers invest in the future.

Bel has therefore set itself a target for 2025 of ensuring that all of the dairy producers who supply it with milk have access to innovative social schemes, such as training, long-term contracts or loans.

An unprecedented agreement with the "Association des Producteurs de lait Bel Ouest" (APBO) (Bel West Producers' Association)

To illustrate this commitment, Bel has strengthened its partnership with the APBO in France through an unprecedented agreement for better milk use.

This unique agreement involves all of the 850 dairy farms that belong to the APBO and guarantees an annual average reference price for the whole of 2018, the deployment of differentiating animal husbandry practices including non-GMO feed for dairy herds, and the development of grazing (commitment of 150 days minimum per year).

Animal welfare

The Group is committed to the welfare of all, from the farm to the plate. It is particularly focused on the well-being of dairy cows, which are the starting point of its value chain and activities. Bel's primary responsibility is to offer consumers nutritious and high-quality products. High-quality milk production depends on good animal health and welfare. The Group therefore endeavors to address this sensitive issue with its partners to guarantee an environment and practices that are suited to the animals' physiological and behavioral needs.

It offers practical support to its dairy farmers:

- in France, all of Bel's dairy farmers have signed up to the Good Farming Practices Charter, which requires them to consider animal welfare, herd health, animal feed, milk quality, personal safety and environmental protection. Regular audits are conducted to check that they are meeting their commitments and encourage continuous improvements in their practices;
- in the Netherlands, 25% of the Group's dairy farmers use the Cow Compass tool to manage and improve livestock practices, especially in the areas of animal health and welfare;
- in the Azores (Portugal), all of Bel's milk producers are involved in the *Programa Leite de Vacas Felizes* initiative, which revolves around five themes: grazing, animal welfare, food safety and quality, sustainability and efficiency. In 2016, this program received the Good Dairy Commendation from Compassion in World Farming (CIWF).

The Group wants to go further, by rolling out these good practices across the board to all the dairy sourcing regions where it collects milk. A "Bel Animal Welfare Charter" is currently being defined. This aims to harmonize and promote a set of strict common standards at Group level.

The Group's ambition is for all of its milk producer partners to comply with the Charter's commitments and to ensure that this compliance is verified and certified by an independent third party by 2025.

Pasture grazing

Bel encourages grazing whenever conditions allow. The pastures used for grazing may help provide environmental goods and services such as water quality, carbon storage and biodiversity. Grazing also increases the protein autonomy of farms more than other systems. Grazing in appropriate conditions can also offer benefits for the health and well-being of dairy cows.

However, some essential criteria need to be considered in order to benefit from grazing, such as the climate of the various regions where Bel collects milk, the availability of pasture land and local grazing traditions.

The Group's commitment is therefore two-fold:

- Bel sets grazing objectives wherever this is possible and beneficial, while maintaining a necessary flexibility according to local climate conditions;
- Bel's breeder partners therefore commit to a minimum of 120 days of grazing per year in the Netherlands, 150 days in France and 365 days in the Azores, since these three sourcing regions have very different climate constraints.

If grazing is not possible due to climate, geographic or structural limitations, the Group encourages its breeder partners to create conditions that are respectful of animal welfare, such as good air quality and good building ventilation, with at least one stall per cow with enough space to lie down and rest at the same time, and so on.

Sustainable & local animal feed

Limiting the environmental impact of dairy cattle feed

Feed varies according to the geographic location of farms. However, a dairy cow's diet is usually composed of 80% fresh grass and fodder, and 20% other feed (grains, canola, soy, sunflower, and so on). More than 90% of its feed is locally sourced.

Since 2012, Bel and the WWF France have been working together to evaluate and minimize the environmental impact of dairy cow feed. A joint study of the environmental risks related to each raw material in this feed has shown that, although they account for less than 5% of a cow's diet, two ingredients have particularly high environmental impacts: imported soy meal and PKE (Palm Kernel Expeller, a by-product of palm oil extraction).

We now know that unregulated soybean and palm cultivation is a major cause of deforestation.

Supporting the establishing of responsible supply channels

Knowing this, in 2014 the Group took practical action to support the creation of responsible supply channels for soy meal and PKE:

- Bel joined the Round Table on Responsible Soy (RTRS) in 2014, and the Round Table on Sustainable Palm Oil (RSPO) in 2015;
- Since 2016, Bel has been buying certificates covering all of the volumes of soy meal (73,000 metric tons in 2017) and PKE (45,000 metric tons in 2017) used worldwide for the manufacture of its cheeses. The purchase of certificates supports the establishing of responsible supply channels and helps local producers move toward responsible production methods;
- Bel has also set up two sponsorship projects that support associations on the ground: in Mato Grosso (Brazil) to promote responsible soybean production, and in Borneo (Malaysia) to help small oil palm producers to obtain RSPO certification.

In a further step, the Group has committed to ensuring that its soy meal and PKE come from sustainable and traceable channels (RTRS and RSPO) by 2025.

Encouraging local and GMO-free animal feed

While dairy cow feed may contain a small percentage of GMOs, they are not found in the milk (see paragraph 3.4.2 "Guaranteeing the nutritional quality of products").

In 2017, a new milestone was nevertheless passed, as Bel wished to continue its efforts, with the assistance of WWF France, to conduct an exploratory study in France, the Netherlands and Slovakia to identify local alternatives to imported genetically-modified soy.

The study's encouraging results have allowed the Group to include a goal of achieving 100% GMO-free feed by 2025 in Bel's Charter for a Sustainable Upstream Dairy Sector. In France, this target should be reached by 2019, according to the agreement with the APBO.

At the same time, the Group is now exploring country-by-country solutions for 100% local feed, assessing their impact on the efficiency of farms, the local economy and the environment, and then setting an appropriate goal.

Environmental footprint

At a time when fossil fuel and water resources are increasingly scarce, the Group is working with its milk producers to encourage animal husbandry practices that reduce the impact of production on the environment, reduce greenhouse gas emissions and increase resilience to climate change and water stress.

An initial evaluation stage is essential before then introducing virtuous practices to limit the impact of dairy production on the environment and water availability.

Reducing greenhouse gas emissions

According to the United Nations Food and Agriculture Organization (FAO)[1], dairy cattle farming accounts for 2.9% of the planet's carbon emissions.

Wherever possible, the Group helps its producers in its various sourcing regions to control and reduce greenhouse gas emissions, whether through animal waste management, the quality of animal feed or crop mineral fertilization. In France, for example, Bel lent its expertise to the "Ferme Laitière Bas Carbone" (Low Carbon Dairy Farm) project run jointly by dairy industry stakeholders, which aims to reduce the greenhouse gas emissions of the entire French dairy industry.

In order to align its greenhouse gas objectives with scientific recommendations across its entire scope of responsibility, the Group also began its Science Based Targets initiative in 2017 (see paragraph 3.6.1 "Greenhouse gas emissions").

Limiting the impact of production on water resources and increasing resilience to water stress

Controlling the impacts of dairy production on water resources is a major concern for both the sector and for Bel. In the Netherlands, all of Bel's partner producers use the Annual Nutrient Cycle Assessment tool to optimize the management of minerals (carbon, nitrogen and phosphorus; the last two are water pollutants) on their farms.

Bel's main milk supply regions (the Netherlands, France and Portugal) are located in areas where there is little pressure on water resources, according to the FAO. Nevertheless, respect for water resources is a major challenge in other regions where the Group is present, such as Morocco and Iran.

The Group is therefore closely monitoring the "Climalait" project, led by French dairy stakeholders. The project's goal is to establish an inventory of water resources according to the soil, weather conditions, altitude, crops, and so on. The Group will use these results to define priority action plans to be implemented with its producers at each type of site (see paragraph 3.5.2 "Using water sustainably").

The Group's goal is for all its dairy sourcing regions to set up action plans to increase resilience to climate change and water stress by 2025.

Nutritional quality and safety

The Group ensures the strict traceability of all the ingredients in its recipes, and particularly of both liquid and solid dairy raw ingredients. These are all subject to multiple safety checks as soon as they enter production sites (see paragraph 3.4.1 "Guaranteeing optimal food quality and safety").

Because Bel is anxious to meet the growing expectations of consumers in terms of quality, nutrition and sustainability, it has partnered with a specialized consulting firm to conduct a bibliographical study of nearly fifty scientific publications in order to identify the animal husbandry practices most likely to improve the nutritional profile of milk.

This first step uncovered the positive impact of the amount of fresh grass and oilseeds in feed on the lipid profile of milk.

To go even further, the Group wants to pilot projects under real conditions to study and assess the positive impact of more sustainable farming practices on the nutritional quality of the milk used in its products.

(1) Source: FAO (Tackling Climate Change through Livestock – 2013).

3.3.2 Using vegetable fat within strict limits

The Group wishes to promote the development of sustainable and local channels not only to limit its impact on the environment, but also to support the development of the regions where the group is located, especially in emerging countries.

This is why the Group has chosen to develop new ranges of products combining dairy and non-dairy fat. Bel has therefore defined a set of commitments in order to be able to use vegetable fat from local crops while ensuring a superior standard for the consumer in terms of taste, nutritional qualities and responsible procurement.

Guaranteeing responsible procurement

The RSPO criteria form the basis for a sustainable supply of vegetable fat, particularly including:

- environmental responsibility: no deforestation of protected forests and the protection of biodiversity (see paragraph 3.5.4 “Working to avoid contributing to deforestation”);
- the responsible development of new plantations: use of sustainable agricultural practices;
- trusting relationships with local communities and consideration of induced impacts;
- fair working conditions in keeping with international labor legislation;
- transparency, the identification of collection regions and traceability along the entire chain.

In order to promote the use of sustainable and local vegetable fats, as well as short supply chains, Bel has taken a two-tier approach based on the sectors present locally:

- where RSPO-certified production exists locally and can meet Bel’s technical specifications, the Group undertakes to source products from local suppliers and to establish long-term partnerships;
- where no RSPO production is available locally, Bel undertakes to choose vegetable fat procurement with the greatest positive impact possible in order to support the development of the regions where the Group has operations. This may lead the Bel Group to work with local stakeholders to develop local and sustainable sectors that meet criteria equivalent to RSPO certification.

Guaranteeing superior standards in three areas to consumers

Our recipes’ nutritional profiles must obey the principles of innovation and internal improvements in terms of their nutritional composition and ingredients lists. New recipes developed using vegetable fat must therefore be superior for the consumer in three areas: a taste preference for the new product on the part of a majority of consumers, nutritional values that are better or equal to the leading product on the market or to Bel’s previous recipe, and a local, sustainable supply.

Highlights of **2017**

- Defining of six strategic pillars for a sustainable upstream dairy at global level
- Strengthening of the partnership between Bel and its producers in France through an unprecedented agreement for better milk use.
- Concluding of the joint study with WWF France to increase the accessibility of local, GMO-free animal feed in the Netherlands, France and Slovakia.
- Changing of the Leerdammer sliced cheese range into a range produced from milk from grass-fed cows (120 days of grazing per year).
- Formalization of Group commitments and criteria for the use of responsibly sourced vegetable fats.

Priorities for **2018**

- Defining the “Farming for the future” program aimed at identifying and sharing existing best practices for a responsible upstream dairy sector.
- Defining annual objectives and action plans for each dairy sourcing region in order to achieve the Group’s ambitions by 2025.
- Formalizing the Group’s animal welfare policy.
- Reaching the goal of 100% responsibly sourced vegetable fats.

BEL OBJECTIVES:	KPI	2017	2020	2025
Helping improve the quality of life and working conditions of partner breeders.	Breeders having access to innovative social schemes.		30 %	100%
Promoting best practices for animal welfare.	Farms certified by a third party.		30%	100%
Encouraging GMO-free feed for the dairy cows that produce our milk.	Milk from cows fed GMO-free feed.		50%	100%
Sustainable procurement of the vegetable fat used in our products.	Certified procurement or procurement that complies with the Charter commitments (where no certification exists).		100%	100%

3.4 PROMOTING CARING NUTRITION

As an agro-food group, Bel is aware of its responsibility to help feed the world's population. At the same time, public health policies in many countries are trying to tackle the poor eating habits that can lead to metabolic disorders or even chronic illness.

Knowing this, the Group has chosen to support the Sustainable Development Goal of eradicating hunger by 2030 and ensuring that everyone, including vulnerable people and infants in particular, has year-round access to a healthy, nutritious and adequate diet.

When eaten in moderation, Bel's products may contribute to a balanced diet and offer a solution to these two issues. Cheese is an important source of calcium, which is an essential nutrient for growing children, and is compatible with the nutritional needs of all.

3.4.1 Guaranteeing optimal food quality and safety

As a responsible business concerned for the health of its consumers, Bel takes the measures necessary to ensure a strict standard of food safety and to meet regulatory requirements. The Group has also begun working to obtain certification of its Integrated Management System at its structures and production sites (ISO 9001, BRC, IFS, FSCC 22000, ISO 14001, OHSAS 18001, etc.)

Following a strict food quality and safety policy

Mindful that there is no such thing as zero risk, Bel works in close collaboration with all the participants in its value chain to deliver safe and healthy products to its consumers.

Strict control and traceability of raw materials

In order to prevent food fraud and to guarantee the authenticity of its products, Bel has established a fraud prevention policy and process within its own supply chain to meet the requirements imposed by the regulations and specific certifications.

The Group also ensures the strict traceability of all the ingredients in its recipes, and particularly of both liquid and solid dairy raw ingredients. These are all subject to multiple safety checks as soon as they enter production sites. They then undergo further microbiological, physical-chemical and organoleptic testing before being used in production. All packaging, and especially packaging that comes into direct contact with products, undergoes a similar inspection upon arrival at Group plants.

Assisting dairy producers

Milk quality begins on the farm. Farmers are responsible for the safety and compliance of the milk that they produce. They must take suitable measures to guarantee quality. To prevent any upstream risk such as bacteriological risk, Bel's dairy production technicians continuously teach producers about good practices for producing quality milk. If the milk quality falls below Group standards, our technicians propose and set up targeted actions with the producers, including:

- a farm audit (sometimes in the presence of a veterinarian);
- proposed action plans to improve milk quality;
- monitoring for a period of a few months to one year to help the producer bring about improvements.

Milk: a fragile raw ingredient

Milk is a fragile, living substance that deteriorates when exposed to air, light and the ambient temperature. To preserve its qualities, Bel collects milk within 72 hours of milking and supplies refrigerated tanks to some of its producers. Milk quality is subject to stringent inspections. The milk must meet very specific composition criteria (fats and proteins) and strict safety criteria and contain no traces of antibiotics. Samples are taken during milk collection and upon arrival at the plant, enabling the implementation of a quality control plan that includes laboratory analyses. In very rare cases, the milk is not used if the quality is considered to be inadequate.

Audits of strategic partners

Quality audits are conducted of major suppliers of the most sensitive raw ingredients and of subcontractors whose products bear Bel brand names. These audits are performed by buyers in coordination with the DQRCTG Department and regional operational teams. If any minor non-compliances observed pose no food safety risk, the suppliers and subcontractors audited guarantee to the Group that corrective actions will be taken within a specific time frame.

Strict procedures at every stage of the product life cycle

Every stage of the product life cycle is subject to stringent inspections, from production of the raw ingredients to the release of the finished product. All of the records linked to these inspections, which are evidence of the results of analyses, are kept at the sites. All of these inspections are performed by the plant's analysis laboratory or by accredited independent external laboratories, where necessary. Overall compliance with the specified requirements is guaranteed by the competent health authorities and certified by the approval mark that all of the plants affix to Bel products. The frequency of these inspections is based on the Group's HACCP assessment and is tailored to the (raw) ingredient in question.

Strict procedures at production sites

Food safety and quality are prerequisites at Bel's 32 production sites. These all have the same requirements defined by the Group and meet internationally recognized standards.

The Group's food quality and safety policy includes measures and procedures that are implemented throughout the production chain to avoid any risk of contamination (see paragraph 2.3.1 "Risks related to products"). Products processed by Bel are inspected to guarantee their compliance with regulatory requirements according to many criteria, including microbiological and chemical criteria, foreign bodies and allergens.

Quality control plans concern semi-finished products (work in progress), finished products and the production environment (*e.g.* air, water, machines, manufacturing premises, staff, etc.). On production lines, Bel's semi-finished and finished products must meet requirements that exceed the regulatory minimum, especially with regard to pathogens.

As a precaution, special attention is given to product safety by strengthening controls, especially for foreign bodies, and preventing risks of malicious acts.

Bel has been deploying a global policy of malicious act risk management called "Food Defense" since 2013. This includes a comprehensive analysis of the risks and threats to all plants, the establishing and implementation of action plans dedicated to the application of the associated control measures, and their monitoring. These risk analyses are reviewed on a regular basis.

The pasteurization process used at Bel sites also ensures the proper preservation of collected milk and manufactured products, whose preservation is reinforced by the protective individual packaging of individual portions.

These standards guarantee the structure, compliance and effectiveness of the HACCP (Hazard Analysis Critical Control Point) system that Bel has put in place at all of its production sites to identify, assess and control significant food safety dangers.

Downstream of production sites

Bel audits its product distribution chain to ensure compliance with the cold chain, transport and preservation conditions for its products. For over five years, Bel has been sharing its good storage and Distribution Practices Charter with its distributors (importing customers) in various regions. This charter is tailored to each distributor following individual inspections or audits.

Similar requirements for products that are subcontracted and/or associated with partner products

The Group's product quality, safety and traceability requirements are applied without exception to all subcontracted and co-branded products. Particular attention is paid to co-branded products to ensure that the association of a Bel brand product with a different branded product always meets the expectations of the Group's consumers.

Guaranteed traceability throughout the food chain

Bel takes the steps necessary to ensure traceability, from raw material purchases to the distribution of its products to consumers. Measures are implemented at every stage of the product life cycle under the Group's supervision. Suppliers are also required to meet an optimal deadline for obtaining traceability results.

Ensuring the full traceability of products right up to consumption entails the use of mandatory labeling on consumer sales units (*e.g.* batch codes, best-before date, use-by date, etc.). All logistic units are also identified by means of labels that link each unit to the corresponding product batch code.

The methods applied make it possible to identify, at any time, product batches containing a batch of ingredients that has been reported. A single Group tool also provides information about where all of its products are stored, whether with the final customer or anywhere within its distribution network. Regular traceability testing is carried out to identify its raw materials, for its manufacturing processes and for downstream traceability.

Tracking provides knowledge about logistical flows and allows the Group to store food safety data, promptly send data in response to requests from authorities, identify risks, and isolate individual production runs if necessary. This guarantees that any withdrawals or recalls are carried out efficiently.

In order to prevent and manage risks, the Group has also developed and put in place a procedure for managing food quality and safety alerts. This includes a recall procedure to manage any potential health/quality crises triggered by serious alerts in a quick and organized way.

With this procedure in mind, traceability testing is performed on a regular basis to test the readiness of the crisis team and the efficiency of the system for contacting partners, and to check the effectiveness of the Group's performance continuity in terms of downstream traceability so that it can respond to a possible crisis.

Protecting consumer health and safety and ensuring a relationship of trust

By providing accurate and useful information to protect their health and safety

Bel always provides information on the composition of its products (presence of allergens, nutritional information and fat content). The nutritional information given on its products is produced in accordance with European regulations on nutritional information for consumers and with the help of calculation tools based on the nutritional values of each ingredient. The results of internal analyses are checked by an independent accredited laboratory according to an annual monitoring plan.

The Group also provides consumers with instructions on how to store its products (*e.g.* storage temperature and best-before date) on its packaging.

By offering a proactive consumer service

Bel has introduced an efficient quality complaint management system for the entire Group to improve both customer satisfaction and the quality of its products by analyzing causes and taking any necessary corrective and/or preventive actions. Product quality complaints consist of written, electronic or oral complaints by external customers about a product sold by the Group that does not meet the expected quality requirements (traceability, integrity, reliability, safety, and so on).

A new tool, named We Care, has also been deployed in the Group's subsidiaries to monitor and centralize consumer feedback (requests, complaints, congratulations and suggestions).

3.4.2 Guaranteeing the nutritional quality of products

Bel wants all of its products to meet the expectations both of consumers, in terms of enjoyment, and the public health authorities.

Committing to constantly improving nutritional quality and naturalness

Meeting consumers' organoleptic expectations

The Group regularly analyzes its products using sensory profiles, in order to verify the quality delivered to the consumer. Most of these analyses are conducted by panels of experts trained in detecting subtle differences, so that the stability of our products can be checked. In 2017, Bel adopted a complementary approach with employees, who are also consumers of Group products. Over the year, more than 400 employees gave their opinions of product developments and improvements as part of the "Taste & Share" program.

The Group continually refines its branded products to meet these differing expectations. In all, Bel's products are based on over 550 different cheese recipes.

For example, the consistency of The Laughing Cow and Kiri products is creamier or runnier depending on the country in which they are sold. In a further example, the Group has been extending its offering of Leerdammer brand products for the last few years, producing new ranges (*e.g.* smoked, characterful and fruity) by changing the cultures used in its recipes and the curing time.

To develop its nutrition expertise, the Group also conducts research programs in partnership with universities and academic institutes (INRA, CNRS, etc.) in order to better understand the nutritional and behavioral impact of its cheese portions on its consumers' diets.

Selecting quality ingredients

Bel takes particular care with the selection and list of ingredients used in its products' recipes, while maintaining optimal organoleptic properties.

Ahead of the recipe formulation stage, ingredients and raw materials must be chosen that make the finished product of benefit to the consumer or prevent any suspicions (see paragraph 3.4 "Committing to sustainable farming").

For example, at all of its sites, Bel only purchases GMO-free raw materials and ingredients, as defined by European Union Regulations[1].

Simplifying our recipes

The fresh and pressed cheeses sold by Bel do not contain any additives.

However, Bel sometimes uses food additives in other recipes to meet precise specifications – a long shelf life or an ability to keep without refrigeration if the integrity of the cold chain cannot be guaranteed – and consumer expectations (*e.g.* a creamy texture or attractive color).

The Group only uses ingredients and additives authorized by local regulations, and whose safety has been demonstrated by scientific studies that have provided the authorities with the necessary evidence to justify their use in food products. However, because some consumers may be wary of certain ingredients, the Group has taken a comprehensive approach to the optimization of product quality, systematically limiting their use and aiming to gradually remove them completely from certain recipes.

In 2017, for instance, the Group replaced the existing The Laughing Cow range with an additive-free offering in Slovakia and the Czech Republic.

Being attentive to public health issues

In addition to these safety issues, consumers want to take care of their health by limiting foods likely to cause chronic diseases and enjoying the benefits of the products they eat, including dairy products for optimal development.

Many years of work on three key cheese nutrients…

For several years, the Group has been focusing its efforts above all on three key cheese nutrients – fats, sodium and calcium – while controlling the content of other nutrients. The reference quantities are those effectively consumed per unit of consumption, in other words per portion:

- fat: Bel offers reduced fat versions for three of its five core brands: The Laughing Cow, Leerdammer and Mini Babybel;
- sodium: the Group is striving to reduce the amount of salt in its recipes. However, a minimal quantity is sometimes necessary to the manufacturing process and/or to ensure the safety of products;
- calcium: Bel gradually adjusts the calcium content of its products if it appears to be too low and there are proven cases of deficiency in the local population.

Sometimes, when clear deficiencies in certain vitamins and minerals are found, the Group adds more to its portions. The Laughing Cow, for example, has been fortified differently depending on the country: with iron in Morocco and Algeria, and with calcium and vitamin D in Southeast Asia, affecting more than 11 million consumers.

(1) Containing no GMOs or in tiny and technically unavoidable quantities (less than 0.9%).

… formalized by a nutritional profiling system and improvement objectives

In 2016, the Group developed a nutritional profiling system to target its products at different consumers (children/adults) on the basis of the World Health Organization's dietary recommendations.

This system, called Bel Nutri+, was launched in 2017 and is intended to guide the development and improvement of its products, in order to continue with the nutritional improvement process initiated by the Group a decade ago. It gives thresholds for nutrients that should be "limited" (such as saturated fatty acids and sodium) and thresholds for nutrients that should be "promoted" (such as calcium and protein). All the thresholds were defined in accordance with the WHO recommendations and validated by more than a dozen international experts, who are independent nutritionists recognized in the nutritional profiling field.

Bel Nutri+ allowed Bel to draw up a new road map for improving its products by 2025. The goal of ensuring that 80% of the products for children comply with the Bel Nutri+ promise is a priority.

Going further by expanding to other Group food categories

The Group will extend this nutritional profiling system to its other product categories in order to align it with changes to its product portfolio, which now includes non-cheese products. This extension will initially focus on other dairy products (yogurt, UHT milk, etc.), followed by non-dairy categories (*e.g.* apple compote).

Developing products combining nutritional quality with accessibility for emerging countries

The Group is striving to develop new markets and offer products to new consumers, particularly in emerging countries.

Some populations with less purchasing power often find themselves in complex nutritional positions of under-nutrition or malnutrition. The Group has therefore formulated specific recipes adapted to their needs. In cases like these, the challenge for the Group is to provide nutritional added value (specific nutrients studied and competitive superiority) while keeping products affordable for as many consumers as possible.

With this aim in mind, a committee of external, international scientific experts is helping Bel with its thought process and the nutritional scoping of these new products.

3.4.3 Fostering better eating habits and healthier lifestyles

Bel feels a strong sense of responsibility to help feed the world's populations. The Bel Group wants to do more and express its commitment to its stakeholders by encouraging better eating habits and healthier lifestyles in its employees, partners and consumers (see paragraph 3.2.3 "Promoting good social and environmental practices with partners").

For our employees and partners

The Group is continuing with its "Healthy Smiles" nutritional education program launched in 2016, which helped to raise the awareness of more than 3,500 employees in Africa in 2017.

This program includes several types of actions: the distribution of educational tools (booklets, posters, games, etc.), events and games on the theme of nutrition and balanced eating, the promotion of infrastructure (access to a catering service and provision of drinking water fountains), the promotion of physical activity and support for women who want to breastfeed.

The encouraging of healthy habits also extends to some of the Group's partners in Africa. In 2017, over 7,000 partners and their families learned about healthy lifestyles.

For our consumers

As nutritional habits have evolved around the world, new nutrition concerns have emerged in recent years. Malnutrition is still a problem in developing countries, while the obesity rate is constantly growing and is contributing to the rise of chronic diseases all over the world.

"Educanut" project

Bel knows that children and their families must be educated to change food habits and lifestyles toward best practices. The Group therefore actively supports nutritional education programs for children through its Educanut project.

The project includes a variety of programs (distribution of teaching tools, organization of events, etc.) designed to help children and their parents better understand the importance of nutrition and physical activity for their health. These may be led in partnership with public health associations, governmental and non-governmental organizations, universities, and so on.

In 2017, the Group supported two programs: one in France and one in Iran.

Bel has been contributing to educational projects in Iran since 2016, in partnership with UNESCO. Through this partnership, it supported a project to develop a booklet and an application on health (good nutrition and water consumption practices) for literacy learners.

Bel has set itself the goal of supporting programs in ten key Group countries by 2025.

Commitment to the Scaling Up Nutrition movement

Bel also wants to participate in the nutritional education of at least 50,000 children a year until 2025 through its involvement in the Scaling Up Nutrition Movement to combat malnutrition in developing countries. In 2017, over 80,000 children took part in nutritional education initiatives in Senegal and the Ivory Coast.

Highlights of 2017

- Deployment of the Food Fraud plan, designed to prevent fraud in the supply chain.
- Continuation of the plan to improve product safety, including through the use of X-rays and the monitoring of Food Defense action plans.
- Launching of the Bel Nutri+ nutritional profiling system for cheese products and defining of the "Nutrition and naturalness" road map for product improvements.
- Launching of the first additive-free The Laughing Cow line in Slovakia and the Czech Republic.
- Participation of over 80,000 children in nutritional education initiatives in Senegal and the Ivory Coast.
- Healthy lifestyle awareness program for more than 7,000 partners and their families in sub-Saharan Africa.

Priorities for 2018

- Continuing to work on reducing the additives in the Group's product offering.
- Extending the Bel Nutri+ nutritional profiling system to non-cheese products.
- Continuing with nutritional education programs aimed at Group consumers, employees and partners.
- Continuing to work on the nutritional scoping of products for populations with less purchasing power.

BEL OBJECTIVES:	KPI	2017	2020	2025
Constantly improving the nutritional quality of our products.	Children's product portfolio compliant with Bel Nutri+ criteria.	69%	70%	80 %
Encouraging healthy consumption habits and lifestyles.	Implementation of a consumer program by major countries (Educanut).	2	4	10
	Implementation of an employee program by major countries (Healthy Smiles)	4	20	30

3.5 REDUCING THE ENVIRONMENTAL FOOTPRINT

3.5.1 Pursuing an ambitious environmental policy

Bel is strongly committed to reducing its environmental impact along its entire value chain. The Group is therefore introducing a continuous improvement process in line with its priority issues, from the upstream agricultural sector to the consumption of products by its consumers, including issues related to its production sites and their environment, based primarily on the direct and indirect risks identified (see section 3.2.2 "Stronger monitoring in the fight against corruption and to ensure respect for human rights and the environment").

This long-standing approach contributes to the responsible production and consumption of the Group's products, and so is fully in line with UN Sustainable Development Goal 12.

On its industrial sites

Bel has robust data with which it is able to report on the major impacts of its direct activities worldwide, particularly in terms of water, energy and greenhouse gas (GHG) emissions.

The Group sets itself ambitious targets for reducing its sites' water and energy footprints. It invested over €6 million in reducing its environmental footprint at its production sites in 2017, and has invested more than €45 million since 2009.

The Wasabel (Water Saving at Bel) and Esabel (Energy Saving at Bel) programs allow each site to monitor its level of consumption and develop action plans to reduce it. To amplify these progressive efforts, Bel organizes dedicated training and best practice sharing sessions between sites.

Eighteen industrial sites representing more than 80% of the volume of cheese produced by the Group have put in place an ISO 14001-certified environmental management system to formalize their actions.

Bel is well aware of the impact that its establishments may have on their environment, so it also invests in preserving the biodiversity around its industrial sites (see paragraph 3.2.5 "Contributing to the vitality of host regions").

Along its entire value chain

The Group also introduces continuous improvement programs to mitigate impacts throughout its value chain. Bel is particularly committed to reducing greenhouse gas emissions from its upstream agricultural activities, to including its products in the circular economy and to ending its contribution to deforestation by 2025.

3.5.2 Reducing greenhouse gas emissions

Greenhouse gas emissions are continuing to rise worldwide and have more than doubled since 1990[(1)]. Taking emergency measures to fight climate change and its impacts is one of the 17 Global Goals adopted in September 2015 at the United Nations Sustainable Development Summit.

Global carbon audit

Bel has been conducting a global carbon audit since 2016 to identify significant sources of greenhouse gas emissions (direct and indirect) along its value chain. This first audit was carried out in accordance with the Greenhouse Gas Protocol's guidelines. It does not include the impacts of the processing of the Group's by-products if they are sold to third parties.

The results of this carbon audit confirmed those of the life cycle analyses previously performed by the Group and showed the significant contribution of dairy raw ingredients to its carbon footprint.

(1) Source: United Nations Sustainable Development Goals.

Distribution of Bel's greenhouse gas emissions along the entire value chain (total quantity = 4.3 million metric tons of CO_2 equivalent [a]	2016
Scopes 1 & 2	**6%**
Scope 3:	**94%**
• o/w dairy raw ingredients	82%
• o/w upstream transport [b]	6%
• o/w packaging	3%
• o/w capital equipment	2%
• o/w downstream transport [c]	1%

(a) excluding MOM
(b) from production sites to warehouses
(c) from warehouses to stores

- Scope 1 corresponds to direct emissions from burning the fossil fuels (oil, gas and coal) used in the Group's plants or generated by refrigerant leaks from facilities, and includes emissions from vehicles owned or controlled by the Group.
- Scope 2 corresponds to indirect emissions associated with the purchased production of electricity, heat and refrigeration.
- Scope 3 corresponds to other indirect emissions (dairy raw ingredients, packaging and upstream and downstream transportation).

Involvement in the Science Based Targets initiative

The Group is aware that its greenhouse gas reduction efforts cannot be limited to its direct emissions. In 2017, it therefore voluntarily joined the Science Based Targets initiative launched by the Carbon Disclosure Project (CDP), the World Resources Institute (WRI), the WWF and the United Nations Global Compact.

By joining this initiative, Bel committed to reducing its greenhouse gas emissions along its entire value chain (Scopes 1, 2 and 3). The Group now has two years to define its targets and have them validated. These must be in line with the Paris Agreement, which aims to contain global warming to within 2°C.

Site greenhouse gas emissions (Scopes 1 and 2)

Reducing our activities' energy footprint

Bel prioritizes actions to reduce its energy consumption as a way of reducing its dependency on fossil fuels and gradually limiting its greenhouse gas emissions. This approach is justified since more than 97% of the greenhouse gas emissions at its sites are from energy consumption, while the remaining 4% are attributable to refrigerant leaks.

Cheese production is a highly energy-intensive activity, especially milk pasteurization, which is necessary to ensure the impeccable quality of a raw ingredient that is sensitive to bacteriological contamination and the cold storage of finished products.

The Group performed energy audits of its French entities (plants and head office) in 2015 as required by current regulations.

Using renewable energy sources

Based on this reduced consumption, the Group is also studying the possibility of using renewable energy sources while continuing to take local factors into account (availability of energy from renewable sources, technical feasibility and economic impact).

Following the sale of the Cléry-le-Petit site and the acquisition of the MOM Group, Bel now has two biomass boilers. In 2017, these boilers represented 13.6% of the energy consumed for heat production.

The Group has also purchased electricity from renewable sources for the Vale de Cambra (Portugal) and Brookings (United States) sites, and for all of its French industrial sites (excluding the MOM Group) and Dutch sites, accounting for more than half of the Group's total electricity consumption.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Change 2008-2017
Electricity consumption (in MWh)* (a)											
Uncertified electricity from a renewable source	247,340	257,531	258,212	264,725	273,392	274,685	263,551	270,929	289,967	182,462	-26%
Certified electricity from a renewable source	-	-	-	-	-	-	6,178	10,048	9,857	150,960	
Total electricity	**247,340**	**257,531**	**258,212**	**264,725**	**273,392**	**274,685**	**269,729**	**280,976**	**299,825**	**333,422**	**+35%**
Of which renewable electricity	-	-	-	-	-	-	*2.3%*	*3.6%*	*3.3%*	*45.3%*	
Consumption of oil, gas and biomass products to generate heat and for other purposes (in MWh LHV) * (a)											
Oil and gas products	543,381	543,080	541,237	521,335	503,969	489,435	473,679	489,156	437,769	505,372	-7%
Biomass	-	-	-	-	30,307	42,687	32,146	39,911	92,016	79,681	
Stationary combustion	**543,381**	**543,080**	**541,237**	**521,335**	**534,276**	**532,122**	**505,825**	**529,067**	**529,785**	**585,053**	**+8%**
Of which biomass	-	-	-	-	5.7%	8.0%	6.4%	7.5%	17.4%	13.6%	
Energy consumption (in MWh/metric ton produced)(b)											
Electricity	0.68	0.66	0.66	0.66	0.66	0.65	0.63	0.63	0.60	0.57	-17%
Oil and gas products	1.50	1.39	1.38	1.31	1.22	1.16	1.11	1.09 (c)	0.88 (c)	0.90 (c)	-40%
Biomass	-	-	-	-	0.08	0.10	0.08	0.09 (c)	0.19 (c)	0.12 (c)	

* *Indicator audited by the Statutory Auditors with a reasonable level of assurance.*
(a) *Group total.*
(b) *Production of cheese and other products that are more concentrated than milk (excluding MOM and Safilait sites).*
(c) *Since 2015, the metric tons produced have included manufactured products to be reprocessed within the Group. Products that result from a main manufacturing process are considered to be by-products.*

Audit of greenhouse gas emissions

Numerous parameters affect the Group's emissions on a worldwide scale:

- manufacturing processes;
- the energy mix used by each site, and especially their use of renewable energy sources.

Other factors contribute to a lesser extent:

- refrigerant leaks: HCFC/R22 refrigerants, used mainly for the storage of finished products, are gradually being phased out;
- fuel consumption by the Group's vehicle fleet.

Breakdown of greenhouse gas emissions*	2015	2016	2017
Scope 1			
Associated with fossil fuel and gas consumption	56.3%	48.1%	56.4%
Associated with biomass consumption	0.3%	1.0%	0.9%
Associated with refrigerant leaks	3.5%	3.8%	2.4%
Associated with the fuel consumption of the Group's vehicle fleet	4.7%	9.3%	4.2%
Scope 2			
Associated with the generation of electricity purchased within the Group	35.2%	37.8%	36.1%

* *Indicator audited by the Statutory Auditors with a reasonable level of assurance.*

Optimizing all these factors allows the Group to gradually reduce its greenhouse gas emissions per metric ton produced and increase its production without increasing its carbon footprint. Only one site in France (Sablé-sur-Sarthe) is still a part of the greenhouse gas quota system, but the goal is at least to not have to buy quotas even though the site's activity is growing.

GREENHOUSE GAS EMISSIONS – SCOPES 1 AND 2

Emissions	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	Change 2008-2017
kg CO_2 eq./metric ton produced [a]	694	624	615	579	541	520	490	487(a)	431(a)	382(a)	-45%
Metric tons CO_2 eq. [c]	251,048	243,414	241,287	230,437	222,556	219,769	209,941	218,880	234,454	226,734	-10%

* *Indicator audited by the Statutory Auditors with a reasonable level of assurance.*
(a) *Production of cheese and other products that are more concentrated than milk (excluding MOM and Safilait sites).*
(b) *Since 2015, the metric tons produced have included manufactured products to be reprocessed within the Group. Products that result from a main manufacturing process are considered to be by-products.*
(c) *Group total.*

As required by current regulations, the carbon audits of the French production sites are available at: http://www.bilans-ges.ademe.fr/.

Working toward carbon neutrality by 2025

In a further step forward, in 2017 the Group set a target of moving toward the carbon neutrality of its operations (Scopes 1 & 2) by 2025.

Non-site greenhouse gas emissions (Scope 3)

Agricultural raw ingredients

Aware of its responsibility and dairy production's impact on the environment, the Group has made its commitment to a sustainable dairy sector a priority of its corporate social responsibility strategy. In order to take practical, measurable action, Bel and WWF France signed a partnership in 2012 with a common goal: limiting the environmental impacts of dairy production (see paragraph 3.3.1 "Taking action for a sustainable upstream dairy").

The work is focused on both dairy cow feed and helping dairy producers move toward still more sustainable production practices. Given the significant impact of agricultural raw materials on the Group's overall carbon footprint, the reduction of GHG emissions from this source will therefore be decisive in achieving the targets set in connection with the Science Based Targets initiative.

Bel has also worked with the French Livestock Institute to develop the dairy farm environmental diagnostic tool CAP2ER in France, which it then shared freely with the entire dairy industry.

Transportation/Distribution

The carbon audit revealed that around 7% of the Group's greenhouse gas emissions were generated by the transportation of its finished products from its production facilities to distributors. The Group optimizes the transportation of its raw ingredients and finished products to reduce not just its greenhouse gas emissions, but also other nuisances (*e.g.* road congestion and noise). The locations of its plants and logistics flows are designed to reduce distances both upstream (mainly for fresh milk) and downstream (as close as possible to consumer markets).

Bel works with its logistics service providers in every country to:

- optimize truck and container fill rates;
- optimize transport flows and delivery frequencies;
- study alternatives to road transportation that produce fewer greenhouse gas emissions.

Packaging

As a major player on the healthy snack food market, Bel faces challenges related to packaging. It has therefore introduced action plans to reduce the environmental footprint of its packaging:

- responsible procurement (see paragraph 3.5.4 "Working to avoid contributing to deforestation");
- eco-friendly packaging design (see paragraph 3.5.5 "Designing eco-friendly packaging");
- recovery of packaging waste (see paragraph 3.5.6 "Being part of the circular economy");

3.5.3 Using water sustainably

Water scarcity affects more than 40% of the world's population[1], a worrying proportion that could worsen due to global warming caused by climate change. Guaranteeing access to clean water and sanitation for all by 2030, and ensuring the sustainable management of water resources, is one of the 17 Global Goals adopted in September 2015 at the United Nations Sustainable Development Summit.

To contribute to this essential collective effort, Bel routinely reduces the water consumption required for production and uses efficient water treatment technologies.

Reducing water consumption at production sites

Most of the drinking water used in the Group's plants is managed by public utilities and is sourced from surface water bodies such as rivers and lakes or from groundwater (water tables).

In 2017, Bel continued to reduce its average water consumption per metric ton of cheese produced. The programs implemented have allowed Bel to reduce its water consumption per metric ton produced by 38% between 2008 and 2017.

Water consumption	2008	2009	2010	2011	2012	2013	2014	2015	2016	**2017**	Change 2008-2017
In m^3 per metric ton produced [(a)]	12.53	11.21	11.21	10.93	10.05	9.58	9.24	9.19 [(b)]	8.45 [(b)]	7.80 [(b)]	-38%
In thousands of m^3 * [(c)]	4,553	4,377	4,409	4,350	4,136	4,048	3,956	4,118	4,348	5,000	+10%

* *Indicator audited by the Statutory Auditors with a reasonable level of assurance.*
(a) *Production of cheese and other products that are more concentrated than milk (excluding MOM and Safilait sites).*
(b) *Since 2015, the metric tons produced have included manufactured products to be reprocessed within the Group. Products that result from a main manufacturing process are considered to be by-products.*
(c) *Group total.*

Quality of discharges from its production sites into the natural environment

To avoid accidental discharges directly into the environment, Bel protects water bodies and river run-off points adjoining its sites with special structures. To limit its negative impact on the environment and protect biodiversity, Bel makes sure that the quantity of organic matter contained in discharges from sites, and the temperature of discharges, comply with applicable regulations.

By reducing their water consumption, the sites automatically reduce their discharges and improve their quality, as the lower the volume of water treated in treatment facilities, the lower the concentration of organic matter flowing out of these facilities. Most wastewater from sites is treated internally. Discharges sent to third parties for treatment are pre-treated by Bel. The Group spends close to €4 million on wastewater treatment each year.

Most of the sludge from wastewater treatment plants is recycled through appropriate channels. Since sludge is rich in fertilizing elements, some of it is spread on farmland, primarily in France, in accordance with local regulations, to avoid polluting underground water or soil. Sludge spreading is subject to local permits specifying the obligations to be met (*e.g.* spreading plans and surface areas and agronomic monitoring).

(1) *Source: United Nations Sustainable Development Goals.*

		2015	2016	2017	Change 2015-2017
Total wastewater volume (in thousands of m^3)[a]		**4,152** [c]	**4,489** [d]	**4,492** [e]	**+8.2%**
Treated internally		2,196 [c]	2,174 [d]	2,192 [e]	> 0.2%
Treated by a third party with other effluents		1,956 [c]	1,934 [d]	2,300 [e]	+17.6%
Spread untreated		0	381		
Volume of wastewater per metric ton produced (m^3/metric ton produced)[b]		**9.2** [c]	**9.3** [d]	**8.2** [e]	**-11.3%**
Quality of treated water (in metric tons)[a]					
Chemical oxygen demand (COD)		123 [f]	94 [f]	80.1 [g]	-35%
Suspended matter discharged		51 [f]	39 [f]	30.6 [g]	-40%
Total nitrogen discharged		14.5 [f]	14.1 [f]	14.0 [g]	-3.3%
Total phosphorous discharged		5 [f]	5 [f]	2.6 [g]	-48%
Cost of wastewater treatment (in thousands of euros)[a]		**4,026**	**3,884**	**4,491**	**+12%**
Spreading of sludge from wastewater treatment or untreated water [a]					
Total dry matter (in metric tons)	1,644	1,540 [h]	1,356 [h]	1,088 [i]	-29%
Nitrogen (in metric tons)	136	123 [h]	112 [h]	96 [i]	-22%
Phosphorous (in metric tons)	101	101 [h]	94 [h]	76 [i]	-25%

(a) Group total
(b) Production of cheese and other products that are more concentrated than milk (excluding MOM and Safilait sites).
(c) Data available for 24 sites, i.e. 85% of total production for this reporting scope.
(d) Data available for 30 sites, i.e. 90% of total production for this reporting scope.
(e) Data available for 29 sites, i.e. 92% of total production for this reporting scope.
(f) Data available for 13 out of the 14 sites providing full treatment before discharge into the natural environment. Data from community stations are no longer collected.
(g) Data available for 12 out of the 13 sites providing full treatment before discharge into the natural environment. Data from community stations are no longer collected.
(h) Data available for six out of the 7 sites that spread their waste.
(i) Data available for five out of the six sites that spread their waste.

Increasing the resilience of agricultural production

Water is a necessary input for agricultural production. On the other hand, agriculture has an impact on the quantity and quality of water resources.

Although our dairy supply regions differ with regard to the effects of climate change, these are being felt more and more all around the world. With water becoming increasingly scarce, particularly in certain areas under water stress in which the Group operates, two parallel measures are necessary to increase the resilience of dairy farms: a reduction in water needs and the introduction of solutions to satisfy their irreducible needs.

This is why Bel participates in the “Climalait” program, which aims to provide the French dairy sector with practical solutions. In order to extend this approach to all of its production regions, the Group has set itself the goal of ensuring that 100% of its dairy regions have action plans to increase their resilience to climate change and water stress by 2025 (see paragraph “3.3.1 Taking action for a sustainable upstream dairy”).

3.5.4 Working to avoid contributing to deforestation

The Group aims to eliminate deforestation from its supply chain by 2025. It has committed to applying increasingly responsible practices in terms of packaging, the raw ingredients used in its recipes and feed for the dairy cows that produce the milk collected to make its products.

In Spain, in 2017, the Kiri brand signed a partnership with a local NGO (*Fundación Apadrina un árbol*), which replanted 10,000 trees in an area destroyed by a forest fire in the Guadalajara region in 2005.

Animal feed

As part of this commitment and its partnership with WWF France, the Group promotes sustainable production of the feed for the cows whose milk is used directly or indirectly in its products (see paragraph 3.3.1 "Taking action for a sustainable upstream dairy").

Under its agreement with the APBO in France, for instance, the Group offers a bonus to producers feeding their dairy cows GMO-free feed. The Group wants to extend the use of feed that does not contribute to deforestation to all of its dairy supply regions.

Since 2016, Bel has also been purchasing certificates to offset the volumes of soy meal (RTRS certification) and PKE (RSPO certification) used worldwide to produce the milk used in its cheeses.

Vegetable fats

When vegetable fats are used in Bel products, they must comply with the Group's position statement on their use (see paragraph 3.3.2 "Using vegetable fat within strict limits").

This sets out the following fundamental procurement principles:

- RSPO certification or certification under a similarly demanding standard for vegetable fats;
- the promotion of local purchases and the building of local sustainable sectors;
- the use of vegetable fats from 100% responsible, sustainable and traceable agricultural sectors by the end of 2018.

Cardboard packaging

Cardboard represents approximately two-thirds of the packaging used by Bel. It is divided into two broad categories, each representing approximately 50% of the total volume of cardboard used:

- corrugated cardboard, used for transport packaging;
- flat cardboard used primarily for consumer sales units.

Bel uses cardboard made from recycled fibers wherever possible (see paragraph 3.5.4 "Designing eco-friendly packaging"). However, for some uses where strength is important (*e.g.* automated processes and transportation), it uses cardboard made from virgin fibers, as recycled fibers require significantly more material to deliver the same performance.

In 2017, 75%[(1)] of the corrugated cardboard used by the Group was of certified origin. Bel is currently working on having its flat cardboard packaging gradually certified.

Bel aims to ensure that, by 2025, all of its cardboard, both corrugated and flat, is of certified origin.

3.5.5 Designing eco-friendly packaging

The individual cheese portion has been the signature Bel concept for nearly a century and lies at the heart of its business model. This format offers numerous advantages that allow the Group to contribute to more sustainable food:

- by improving food quality and safety (see paragraph 3.4.1 "Guaranteeing optimal food quality and safety");
- by offering consumers the right nutritional intake for their needs;
- by helping reduce food waste (see paragraph 3.5.5 "Being part of the circular economy").

Bel is nevertheless aware of the challenges posed by packaging use. This is why the Group implements action plans to reduce its environmental impact at every stage of the product life cycle, from design through to end-of-life management. Bel adopts a two-pronged approach to eco-friendly design: choosing the right materials and reducing the quantities used at source.

Packaging design and manufacture must also minimize its environmental impact after use, allowing and promoting recycling and reuse (see paragraph 3.5.6 "Being part of the circular economy").

This approach will be formally defined by a "Responsible packaging" policy in 2018.

Reducing quantities of packaging

Whether designing new packaging or updating existing models, reducing the amount of packaging used has been a priority for Bel for several years. Reduction at source is the aim for all the packaging put on the market, regardless of the country, but without compromising the essential functions of packaging, *i.e.* food safety, preservation, protection, ease of use and minimal risk of waste.

Continuous improvement plans have helped reduce the thickness of the sheets of aluminum used for The Laughing Cow and Kiri portions, which are now a mere 10 to 12 microns thick.

The Group is also working on a project to reduce the quantities of cardboard used in its packaging that will be implemented in its plants starting in 2018. In the United States, combination boxes of four boxes of eight portions have been replaced by boxes of 32 portions, halving the amount of cardboard used.

(1) Excluding MOM.

Using recycled and recyclable materials

One of the Group's commitments is to be part of the circular economy (see paragraph 3.5.6 "Being part of the circular economy"). Whenever technically possible, the Group therefore:

- includes recycled materials in its packaging;
- uses recyclable materials.

The new Leerdammer sliced cheese packs (roll-out in progress since 2017) are made of recycled PET. Likewise, 75% of the cardboard packaging used by the Group contains recycled fibers [(1)].

Using certified materials

Bel has also identified environmental issues concerning the supply of two materials representing 85% of its packaging volume: cardboard and aluminum [(1)].

Cardboard

Under its "Zero Deforestation" commitment, Bel aims to ensure that 100% of its cardboard is of certified origin by 2025 (see paragraph 3.5.4 "Working to avoid contributing to deforestation").

Aluminum

Each year, Bel sells more than 18 billion individual portions worldwide, the vast majority of which have aluminum wrappers. Although this material only accounts for a small percentage of the Group's packaging purchase tonnage, its symbolic place within the brand portfolio means that Bel is keen to actively contribute to its sustainable management.

Aside from its environmental impact, aluminum sourcing can have significant social impacts, such as compliance with labor standards in bauxite mines and recyclable waste not being recycled.

The Group therefore intends to participate in the transformation of the aluminum sector by joining existing initiatives. In January 2017, Bel joined the global Aluminium Stewardship Initiative, whose goal is to establish new standards for responsible aluminum procurement, and whose certification program will be launched in 2018. As a downstream supporter, the Group hopes to encourage the emergence of responsible aluminum certification and will draft a road map aimed at gradually certifying its plants that use aluminum packaging.

3.5.6 Being part of the circular economy

The circular economy is present in every stage of Bel's value chain, from the manufacture of its products, to distribution, to their use by consumers.

At Bel, it revolves around two central concerns: fighting food waste and recycling packaging.

Fighting food waste

According to the FAO (Food and Agriculture Organization)[(2)], more than 30% of the food produced worldwide is wasted; equal to 1.3 billion metric tons of food per year.

Bel considers fighting any form of food waste to be an important ethical challenge.

Production sites

Finished product production runs are adjusted to match sales estimates to avoid overproduction of products without a sales outlet.

Bel does, however, produce substandard cheeses in all its manufacturing cycles (for technical or mechanical reasons) in addition to cream and whey from its dairy sites.

All these by-products are reused in the Group's own plants or resold as raw ingredients in the manufacture of other products. A small portion of them are reused to generate energy (methanization). Bel Industries sells the proteins from milk processing which are not used in its dairy plants to other firms in the food industry. Its Nollibel brand is a leader in its category.

Ultimately, less than 1% of the Group's by-products are not recovered [(1)].

(1) Excluding MOM.

(2) Source: http://www.fao.org/save-food/ressources/keyfindings.

Distribution

Bel's combination boxes and pallet loads are specifically designed to ensure that its products are properly protected during their repeated handling (in trucks, containers and warehouses) and retain their integrity until they are made available to consumers.

Production processes, thermal milk treatments, product development and efficient packaging design allow Bel cheeses to keep their taste and health properties over relatively long shelf lives, which helps to avoid food waste.

The Group has taken the necessary steps to enable its sites and logistics warehouses to donate products to food banks. In 2017, Bel's warehouses in Europe[1] donated 196 metric tons of products to charity, including 117 metric tons in France.

In the home

Food wastage by consumers has a high environmental impact, as it includes the impact generated by waste processing, transportation and storage.

According to some estimates, wastage by consumers accounts for nearly half of all food waste. Bel's individual portion format allows for the optimum preservation of products even when a pack has been opened: the fact that these formats mean that products do not need to be thrown away is the second reason for buying them after convenience of use[2].

Bel actively participated in preparing the Anti-Waste Charter proposed by the Association Nationale des Industries Alimentaires (French association of agribusiness, or ANIA) in France. Bel signed this charter in 2015 to show the commitment of agro-food industry companies to fighting food waste throughout the product life cycle.

Bel Foodservice (Bel's catering division) has been assisting school cafeteria chefs with managing waste and reducing food wastage for several years. The goal is to help them to create recipes that are balanced and adapted to children's tastes, to raise children's awareness through fun and educational activities, and to encourage them to sort their waste after meals thanks to the co-financing of waste sorting tables.

Packaging

The packaging of Bel products in individual portions guarantees their quality and safety for several weeks, while offering consumers the right nutritional intake for their needs and helping to reduce food waste.

The Group is nonetheless aware of the issues surrounding packaging waste and is therefore looking for ways to reduce the environmental footprint of its packaging in the home and on its production sites.

On production sites

On Bel's production sites, any packaging off-cuts resulting from the manufacturing process are systematically sorted and sent to the corresponding recycling channels if such channels exist in the country concerned.

Distribution

To reduce waste from packaging and encourage its reuse, the Group launched a project in 2017 to identify and work on other areas of optimization. The following actions were taken:

- review of all the distribution platforms in Europe;
- optimization of packaging in containers exported from France.

In the home

The Group aims to move toward 100% technically recyclable and/or biodegradable packaging by 2025.

This is already the case for 85% of the Group's packaging. However, Bel is hindered by the absence of a collection system for the recycling and reuse of packaging materials in many countries where its products are sold. This is particularly the case for aluminum microwaste and plastic packs.

Bel wants to step up its support for the development of collection and recycling schemes. In France, the Group is a member of CELAA, which intends to help improve the sorting and recycling of small aluminum and steel packages in partnership with Citeo, the company that manages the household packaging sorting and recycling scheme. In 2016, Bel joined a similar initiative in Belgium and wishes to extend these initiatives to other countries.

The Group is also changing the plastic packs for its Leerdammer sliced cheese lines to make them recyclable.

A technical solution for the "Original" line was validated on two test markets in 2017. This solution will be extended to the Group's two main markets (France and Germany), representing approximately 50% of the total volume, in 2018, and then to all markets by 2020. This innovative development allowing the recycling of the pack and the lid means that these packages are already ready for the gradual extending of recycling to all plastic packaging in Europe.

Because consumers play a key role in reducing the environmental impact of packaging through recycling, the marketing teams are also working to provide clear recycling instructions either on the package itself or on brand websites. In emerging countries, the Group is gradually altering its packaging to explain how individuals can act responsibly and reduce litter (see paragraph 3.2.4 "Providing fair and helpful information to consumers").

(1) In 2017, Bel donated products in the following countries: Belgium, Spain, France, Greece, Italy, the UK, Sweden and Switzerland.

(2) Study conducted in April 2013 with 764 consumers of cheese sold in the self-service aisle.

Highlights of 2017

- Joining of the Science Based Targets initiative to reduce its greenhouse gas emissions along its entire value chain.
- Setting of the goal of carbon neutrality for Group operations by 2025.
- Zero deforestation objective for the Group's entire value chain by 2025.
- Working toward 100% technically recyclable and/or biodegradable packaging by 2025.
- Validation of the technical solution aimed at replacing the existing Leerdammer sliced cheese plastic pack with a recyclable plastic pack.
- Establishing of a logistics circuit between several French plants and warehouses allowing the use of trucks running only on natural gas.

Priorities for 2018

- Continuing to work on defining the greenhouse gas emission reduction targets in connection with the Science Based Targets initiative.
- Fine tuning the road map toward achieving carbon neutrality for Group operations.
- Finalizing the Group responsible packaging policy.
- Replacing the existing Leerdammer sliced cheese plastic pack with the recyclable pack in the main two markets (France and Germany).

BEL OBJECTIVES:	KPI	2017	2020	2025
Working toward 100% recyclable and/or biodegradable packaging.	Recyclable and/or biodegradable packaging.	86%	88%	100%
Zero deforestation.	Recyclable and/or biodegradable packaging.		TBD	100%
Achieving carbon neutrality for our operations.	Carbon audit (kg CO_2 eq per metric ton of cheese).	-384	-335	0
Reducing our global carbon footprint to meet the COP 21 accord goals.	Greenhouse gas emissions per metric ton of cheese vs 2008.	-9%	-12%	-17%
Reducing our production sites' water footprint.	Water consumption per metric ton of cheese vs 2008.	-38%	-55%	-80%

3.6 METHODOLOGICAL NOTE

Choice of indicators

Bel's non-financial key performance indicators were defined with respect to the Group's activities and the employee-related, social and environmental challenges arising from them. First of all, they allow the operational steering of the progress made with initiatives in each of the areas defined by the Group. They also enable transparent reporting on the Group's non-financial performance in this Registration Document and on other media (*e.g.* on the Group's website and social networks).

The Group's non-financial reporting satisfies the requirements of the decree implementing Article 225 of France's "Grenelle II" law of July 10, 2010 (Articles L. 225-102, R. 225-105-1 and R. 225-105-2 of the French Commercial Code). Bel's CSR program is modeled on two international frameworks: the UN Global Compact and the Global Reporting Initiative's G4 Sustainability Reporting Guidelines.

The calculation, measurement and analysis methods used all comply with appropriate national or international standards, where these exist.

Reporting procedure and guidelines

The non-financial reporting procedure describes the methods to be used to collect and calculate the Group's non-financial key performance indicators. It is circulated, read and applied at every data compilation and reporting level.

This procedure is supplemented by a non-financial reporting protocol. This defines all of the Group's performance indicators.

These two documents serve as reference guides for data verification by external auditors in accordance with the decree implementing Article L. 225-102-1 of the French Commercial Code (the "Grenelle II" law). They are provided to any stakeholders who request them so as to facilitate their understanding and the transparency of the key performance indicators presented.

Organization of reporting

The Group CSR and Finance Departments are responsible for the reporting process and the centralization of indicators. They ensure compliance with the reporting schedule and, together with the functional departments, organize the external communication of the data, in particular by means of this Registration Document. They check the overall consistency of the reporting and are the main contacts for external auditors.

The business line CSR Leaders coordinate the collection of CSR indicators in their respective areas of expertise. They rely on their network of local experts to contribute data.

Consolidation and internal control

The business line CSR Leaders perform internal controls on the data for which they are responsible, checking for consistency and plausibility. This involves running consistency tests on the indicators for which this is appropriate (*e.g.* highlighting and justifying year-on-year variations or calculating ratios to compare the performance of different entities). Any significant variations identified are examined in detail with the data's contributor and may be corrected.

The business line CSR Leaders also consolidate the data collected, in order to generate the Group indicators present in this chapter and communicate them to the CSR Department,.

Reporting tools

Data is reported and consolidated using several collection systems, under the responsibility of the business line CSR Leaders who coordinate them.

All data on environmental KPIs is collected using the reporting tool developed by Tennaxia and most calculations are made using this tool.

The bulk of the data on employee-related KPIs is collected through SIRH, a tool developed by the Human Resources Department.

Some data is collected from Group information systems (*e.g.* SAP and Magdalena) or specific software (*e.g.* EcoVadis and Acciline).

Reporting scope and period

The published data cover all of the Group's entities and subsidiaries as consolidated in the Annual Financial Report, except in the specific situations defined below.

If an indicator is calculated for a specific scope, the coverage rate is systematically mentioned to avoid a biased understanding of the data.

The data collected covers the period from January 1 to December 31, 2017. Depending on the indicators, the figures are taken from:

- an annual data consolidation from January 1, 2016 to December 31, 2017;
- data measured at December 31, 2017.

If historical data is available, it is provided for the last three financial years. For items relating to water, energy and greenhouse gas emissions, the areas of progress are reported on over the long term: Bel has provided data since 2008, which is the Group's base year for these areas.

Employee-related

Bel's employee-related reporting covers all of its industrial sites and subsidiaries (in France and abroad) that had at least one employee under a fixed-term contract or permanent contract during the period from January 1 to December 31, 2017, with the exception of the Syrian subsidiary, in the "Middle East, Greater Africa" area, which is excluded from the reporting scope following the suspension of its production activities in 2012.

Environment

Environmental reporting includes all of the Group's industrial and research sites. Data from the new Ghazvin (Iran) industrial site has been consolidated as of July 1, 2017, the production start date.

Environmental reporting also includes the Group's collection centers, warehouses and head office. It does not, however, cover the exclusively tertiary sites of subsidiaries: the impacts of the Paris head office account for a negligible share of the Group's total environmental footprint.

Some environmental indicators are reported in metric tons produced (*e.g.* water consumption and GHG emissions). Since 2015, the metric tons produced have included manufactured products to be reprocessed within the Group. Products that result from a main manufacturing process are considered to be by-products.

Safilait produces pasteurized and UHT milk, while the MOM Group produces dairy creams and apple compote, which generates significant production volumes. To avoid distorting the changes in the ratios, Safilait and MOM's production, consumption, emissions and waste have been excluded from the calculation of ratios. Their consumption, emissions and waste are, however, included in the reported volumes.

The direct impacts of the on-site activities of subcontractors and suppliers are recorded by the sites concerned. The impacts of the off-site activities of subcontractors and suppliers are not recorded by the sites concerned. The impacts of subcontracted production activities are not recorded.

The emission factors used for the consumption of electricity, fuel oil, gas, chlorofluorocarbons, gasoline and diesel are taken from the French Environment and Energy Management Agency (ADEME). All emission factors are updated annually on the basis of data published by the International Energy Agency (IEA) for the international scope and by the ADEME for France.

Greenhouse gas emissions from the Group's own fleet of vehicles include emissions from vehicles under long-term leases.

The classification of water availability risk is based on data from the FAO and a risk analysis using the Water Risk Filter tool provided by the WWF. This classification is updated every year.

3.7 STATUTORY AUDITORS' REASONABLE ASSURANCE REPORT ON A SELECTION OF CONSOLIDATED EMPLOYEE-RELATED AND ENVIRONMENTAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

Following the request received by us and in our capacity as the Statutory Auditors of Fromageries Bel S.A., we conducted a review to enable us to express reasonable assurance on a selection of consolidated employee-related and environmental information selected by the Company and identified by the * symbol in chapter 2 of the Registration Document (hereafter "the Information") produced for the financial year ended December 31, 2017.

The selected employee-related information is as follows:

- total workforce and breakdown of workforce by operational region, by status and by gender;
- frequency rate of accidents with and without lost time for all persons present on Bel sites;
- frequency rate of employee accidents with lost workdays;
- severity rate of employee accidents.

The selected environmental information is as follows:

- quantity of recovered by-products;
- total water consumption and consumption in water shortage regions;
- total electricity consumption;
- consumption of oil, gas and biomass products for heat production and other uses;
- greenhouse gas emission scopes 1 and 2.

Responsibility of the Company

This Information was prepared under the responsibility of the Board of Directors in accordance with the reference guides used by the Company (hereafter the "Reference Guide"), available upon request from the company's head office, a summary of which can be found in the Registration Document in section 2.8 "Methodological note".

Independence and quality control

Our independence is defined by the regulations, the profession's Code of Ethics and the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have set up a quality control system consisting of documented policies and procedures designed to ensure compliance with ethical rules and the applicable laws and regulations.

Responsibility of the Statutory Auditors

At the Company's request, it is our responsibility, based on our work, to express reasonable assurance that the Information was produced in all its material aspects in accordance with the Reference Guide. The conclusions that we express below refer to this Information alone and not to chapter 3, "Corporate Social Responsibility", in its entirety.

We consulted our corporate social responsibility experts to assist us with our work.

We carried out the work described below in accordance with the professional guidance issued by the French national auditing body (*Compagnie nationale des Commissaires aux comptes*) for this type of engagement and with international standard ISAE 3000(1):

- we assessed the suitability of the Reference Guide with respect to its relevance, completeness, reliability, neutrality and clarity, taking into consideration the sector's best practices where relevant
- we verified the establishing of a process to collect, compile, process and check the Information with regard to its completeness and consistency and familiarized ourselves with the internal control and risk management procedures relating to the compilation of the Information
- we interviewed people from the Sustainable Development Department, the Human Resources Department and the Industrial and Technical Department at the head office and at the industrial sites and subsidiaries in order to analyze the deployment and application of the Reference Guide
- we applied analytical procedures to the Information and verified the calculations, and the consolidation of the Information, based on spot checks
- we selected a representative sample of sites and countries(2) based on their activity, their contribution to the consolidated Information, their location and a risk analysis

(1) *ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.*

(2) *For employee-related information: France, Slovakia, Ukraine, Algeria and Morocco (Safilait). For environmental information: the industrial sites in Lons-le-Saunier, Evron, Michalovce, Shostka, Ribeira Grande, Vale de Cambra, Pacy-sur-Eure, Kolea, Fkih Ben Saleh and Schoonrewoerd.*

- for this sample, we conducted interviews to verify the proper application of the procedures and conducted in-depth detailed tests based on sampling, consisting of checking the calculations made and comparing them with the supporting documents The sample selected represented 53% of the workforce and between 39% and 51% of the environmental information.

Based on our professional judgment, we believe that the sampling methods and the sizes of the samples that we chose allow us to reach a conclusion of reasonable assurance.

Due to the use of sampling techniques as well as other limits inherent in the operation of any information and internal control system, we cannot entirely rule out the risk of non-detection of a material misstatement in the Information.

Conclusion

In our opinion, the Information was produced in all its material aspects in accordance with the Reference Guide.

Executed in Neuilly-sur-Seine on March 23, 2018

The Statutory Auditors

Deloitte & Associés	Grant Thornton French member of Grant Thornton International
Pierre-Marie Martin Associate	Virginie Palethorpe Associate

3.8 REPORT BY ONE OF THE STATUTORY AUDITORS, APPOINTED AS AN INDEPENDENT THIRD PARTY, ON THE CONSOLIDATED EMPLOYEE-RELATED, ENVIRONMENTAL AND SOCIAL INFORMATION INCLUDED IN THE MANAGEMENT REPORT

Financial year ended December 31, 2017

To the shareholders,

In our capacity as Statutory Auditor of Fromageries Bel SA, appointed as an independent third party and accredited by COFRAC under number 3-1048, we hereby present our report on the consolidated employee-related, environmental and social information for the financial year ended December 31, 2017 (hereafter the "CSR Information"), in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code.

Responsibility of the Company

The Board of Directors is responsible for preparing a Management Report including the CSR Information required by Article R. 225-105-1 of the French Commercial Code, produced in accordance with the protocol used by the Company (hereafter the "Reference Guide"), a summary of which can be found in the Management Report and is available on request from the Company's head office.

Independence and quality control

Our independence is defined by the regulations, the profession's Code of Ethics and the provisions set forth in Article L. 822-11 of the French Commercial Code. Furthermore, we have established a quality control system consisting of documented policies and procedures designed to ensure compliance with ethical rules, professional standards and the applicable laws and regulations.

Responsibility of the Statutory Auditor

Our responsibility, based on our work, is:

- to certify that the required CSR Information is present in the Management Report or, if there are any omissions, that this is explained pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certification of completeness of CSR Information)
- to express moderate assurance regarding the fact that, taken as a whole, the CSR Information is presented fairly, in all its material aspects, in accordance with the Reference Guide adopted (conclusion on the fair presentation of the CSR Information)

Our work required the expertise of five people and was carried out between December 2016 and March 2017 for a period of approximately five weeks. We consulted our corporate social responsibility experts to assist us with our work.

Our work described below was carried out in accordance with the order of May 13, 2013 determining the methodology according to which independent third-party entities must conduct assignments, and in line with the professional guidance issued by the French national auditing body (*Compagnie nationale des Commissaires aux comptes*) in this respect and, for our conclusion on the fair presentation of the CSR Information, in line with ISAE 3000.

Certification of the completeness of the CSR Information

Nature and scope of procedures

Based on interviews with the management, we familiarized ourselves with the Group's Sustainable Development strategy, with regard to the employee-related and environmental impacts of the Company's business and its social commitments and, where appropriate, any resulting actions or programs.

We compared the CSR Information presented in the Management Report with the list set forth in Article R. 225-105-1 of the French Commercial Code.

Where certain consolidated information was omitted, we verified that explanations had been provided in accordance with the third paragraph of Article R. 225-105 of the French Commercial Code.

We verified that the CSR Information covered the consolidated scope, namely the Company and its subsidiaries within the meaning of Article L. 233-1, and the companies that it controls within the meaning of Article L. 233-3 of the French Commercial Code, subject to the limits set forth in the "Methodological note" presented in paragraph 2.8 of the Management Report.

Conclusion

Based on our work and in view of the limitations mentioned above, we certify that the required CSR Information is present in the Management Report.

Conclusion on the fair presentation of the CSR Information

Nature and scope of procedures

We conducted approximately twenty interviews with the persons responsible for producing the CSR Information in the departments in charge of the CSR Information collection process and, where appropriate, those responsible for internal control and risk management procedures, in order to:

- assess the suitability of the Reference Guide with respect to its relevance, completeness, reliability, neutrality and clarity, taking into consideration the sector's best practices where relevant;
- verify the establishing of a process to collect, compile, and check the CSR Information with regard to its completeness and consistency and to familiarize ourselves with the internal control and risk management procedures relating to the compilation of the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and significance of the CSR Information with regard to the Company's characteristics, the employee-related and environmental challenges of its activities, its sustainable development strategies and the sector's best practices.

For the CSR Information we considered to be the most important:

- for the consolidating entity, we consulted documentary sources and conducted interviews to confirm the qualitative information (organization, policies and actions), we applied analytical procedures to the quantitative information and verified, based on spot checks, the calculations as well as the consolidation of the data, and we checked their consistency and their agreement with the other information disclosed in the Management Report;
- for the representative sample of entities and sites that we selected according to their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the proper application of procedures, and conducted detailed tests based on sampling, entailing the verification of the calculations made and the reconciliation of the data with supporting documents. The sample selected represented an average of 31% of the workforce presented and between 23% and 33% of the environmental information presented.

We assessed the consistency of the other consolidated CSR Information with respect to our knowledge of the Company.

Lastly, we assessed the relevance of the explanations, if any, for the total or partial absence of some information.

Based on our professional judgement we believe that the sampling methods and sample sizes that we used enabled us to reach a conclusion of moderate assurance; a higher level of assurance would have required more extensive verification work. Due to the use of sampling techniques as well as other limits inherent in the operation of any information and internal control system, we cannot entirely rule out the risk of non-detection of a material misstatement in the CSR Information.

Conclusion

Based on our work, we found no material misstatements that might cause us to believe that the CSR Information, taken as a whole, is not presented fairly, in all its material aspects, in accordance with the Reference Guide.

Executed in Neuilly-sur-Seine on March 23, 2018
L'un des Commissaires aux comptes,

Grant Thornton
Virginie PALETHORPE

APPENDIX 1: CONTRIBUTING TO THE UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS

Document paragraph(s)	The Sustainable Development Goals
3.2. Working for people well-being 3.2.1 Ethics at the heart of the Group's activities 3.2.2 Stronger monitoring of business ethics with all stakeholders 3.2.3 Promoting good social and environmental practices with partners 3.2.4 Providing fair and helpful information to consumers 3.2.5 Contributing to the vitality of host regions 3.2.6 Building an inclusive employment model for our employees 3.2.7 Guaranteeing health, safety and well-being at work 3.2.8 Promoting equal opportunity and diversity within the Group 3.2.9 Developing our employees' talents 3.2.10 Maintaining a positive company climate	SDG 1 - No Poverty SDG 3 - Good Health and Well-Being SDG 4 - Quality Education SDG 5 - Gender Equality SDG 8 - Decent Work and Economic Growth SDG 12 - Responsible Consumption and Production SDG 16 - Peace, Justice and Strong Institutions SDG 17 - Partnerships for the Goals
3.3. Committing to sustainable farming 3.3.1 Taking action for a sustainable upstream dairy 3.3.2 Using vegetable fat within strict limits	SDG 2 - Zero Hunger SDG 12 - Responsible Consumption and Production SDG 15 - Life on Land SDG 17 - Partnerships for the Goals
3.4. Promoting caring nutrition 3.4.1 Guaranteeing optimal food quality and safety 3.4.2 Guaranteeing the nutritional quality of products 3.4.3 Fostering better eating habits and healthier lifestyles	SDG 2 - Zero Hunger SDG 3 - Good Health and Well-Being SDG 4 - Quality Education SDG 12 - Responsible Consumption and Production SDG 17 - Partnerships for the Goals
3.5 Reducing the environmental footprint 3.5.1 Pursuing an ambitious environmental policy 3.5.2 Reducing greenhouse gas emissions 3.5.3 Using water sustainably 3.5.4 Working to avoid contributing to deforestation 3.5.5 Designing eco-friendly packaging 3.5.6 Being part of the circular economy	SDG 6 - Clean Water and Sanitation SDG 7 - Affordable and Clean Energy SDG 12 - Responsible Consumption and Production SDG 13 - Climate Action SDG 15 - Life on Land SDG 17 - Partnerships for the Goals

APPENDIX 2: SUMMARY OF ENVIRONMENTAL DATA

	Units	2015 Values	2016 Values	2017 Values
CIRCULAR ECONOMY				
Recovered by-products (excluding MOM)				
Substandard cheeses or similar recovered internally or externally	t	12,772	15,504	17,138
Dry whey extract recovered internally or externally	t	82,445	82,963	83,391
Cream recovered internally (production site or within the Group) or externally	t	45,991	47,623	47,838
Quantity of recovered by-products*	t	141,208	146,090	148,367
WATER CONSUMPTION				
Water consumption in vulnerable zone	m^3	1,965,747	2,132,557	1,933,485
Water consumption in stress zone	m^3	493,958	721,671	659,945
Water consumption in water shortage zone	m^3	264,898	602,338	969,795
Water consumption in non-vulnerable region	m^3	1,393,805	891,296	1,436,860
Total water quantity*	m^3	4,118,408	4,347,862	5,000,085
ENERGY				
Electricity				
Consumption of grid electricity without certification of renewable source	MWh	270,583	289,535	181,942
Consumption of self-generated electricity from fuel oil or gas	MWh	345	433	520
Electricity consumption from a certified renewable energy source	MWh	10,048	9,857	150,960
Total electricity consumption*	MWh	280,976	299,825	333,422
Fuels				
Fuel oil	MWh_LHV	77,092	96,559	86,858
Gas	MWh_LHV	412,064	341,210	418,514
Biomass	MWh_LHV	39,911	92,016	79,681
Stationary combustion*	MWh_LHV	529,067	529,785	585,053
Greenhouse gas (GHG) emissions				
GHG emissions linked to electricity consumption	tCO_2e	77,150	88,760	81,888
GHG emissions linked to fuel oil and gas consumption	tCO_2e	123,193	112,708	127,939
GHG emissions linked to biomass consumption	tCO_2e	587	2,245	1,944
GHG emissions linked to refrigerants	tCO_2e	7,553	8,838	5,348
GHG emissions linked to the Group's own vehicle fleet	tCO_2e	10,397	21,902	9,614
GHG emissions Scopes 1 and 2*	tCO_2e	218,880	234,454	226,734

	Units	2015 Values	2016 Values	2017 Values
DISCHARGES INTO WATER				
Discharge into the natural environment				
Volume of water purified internally with discharges into the natural environment	m^3	2,196,270	2,173,602	2,191,714
Discharged chemical oxygen demand	kg	122,572	93,673	80,131
Discharged phosphorous	kg	5,496	4,808	2,571
Discharged suspended matter	kg	51,015	38,547	30,605
Discharged nitrogen	kg	14,471	14,099	14,028
Discharged to an urban wastewater treatment facility				
Volume of water treated by a third party with other effluents	m^3	1,955,567	1,933,975	2,299,966
DISCHARGES INTO SOIL				
Spreading of untreated water				
Volume	m^3	0	381,078	ND
Agricultural recovery of sludge from wastewater treatment facilities				
Nitrogen	t	123	112	96
Phosphorous	t	101	94	76
Dry matter	t	1,540	1,356	1,088
Discharges into water and soil				
Total volume of discharges	m^3	4,151,837	4,488,655	4,491,680
Total cost of treatment of these discharges	€	4,026,167	3,884,469	4,491,235
OTHER EMISSIONS INTO THE AIR				
Nitrous oxide, nitrogen dioxide	t	167	201	204
Sulfur dioxide	t	145	213	194
NOISE POLLUTION				
Percentage of sites whose noise level at its boundaries and emergence level for the most at-risk residents is compliant	%	86	83	83
ENVIRONMENTAL DAMAGE				
Number of incidents	unit	103	101	67
Corrective actions	unit	101	98	67
WASTE PRODUCTION				
Quantity of non-hazardous waste sorted and sent for recovery	t	17,341	16,999	21,947
Quantity of hazardous waste sorted and sent to appropriate treatment channels	t	710	1,291	534
Waste incinerated with generation of energy	t	2,746	2,598	3,077
Waste incinerated without generation of energy	t	262	1,092	490
Waste disposed of in landfills	t	3,333	2,873	6,327
Total quantity of waste		24,391	24,853	32,375
Cost of treatment	EUR	1,352,085	1,432,100	2,039,290
Income from sale	EUR	435,978	434,452	684,973

* *Indicator audited by the Statutory Auditors with a reasonable level of assurance.*

4

CORPORATE GOVERNANCE

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This chapter forms an integral part of the Chairman's Report prepared in accordance with Article L. 225-37 of the French Commercial Code. The purpose of section 4.1 is to report on the composition of the Board of Directors of Fromageries Bel, the application of the principle of balanced gender representation on the Board of Directors, and the conditions for preparing and organizing the work of the Board of Directors. Section 4.2 sets out the remuneration policy for corporate officers and section 4.3 describes the internal control and risk management procedures established by the Company.

Factors likely to have an impact in the event of a public offering, as well as the rules of participation in Annual General Meetings, appear in chapter 6 and in the brochure of the Combined General Meeting of May 14, 2018.

The Report was prepared on the basis of the work carried out by the Company's various departments, particularly the Group Finance Department, the Group Internal Audit Department and the Group Legal Department.

4.1 GOVERNANCE PRINCIPLES

4.1.1 Adherence to the Middlenext Code

Since 2010, the Company has followed the Middlenext Corporate Governance Code, available for consultation at the Company's head office and on http://www.middlenext.com. The Board of Directors considered that the Middlenext Code was well suited to the Company, which has had a majority family shareholding since 1922. At December 31, 2017 71% of the share capital and 72.92% of the voting rights were owned by family shareholders and by the holding company Unibel.

Pursuant to its recommendations, the Board of Directors reviewed the key issues updated by the Middlenext Code on December 13, 2017. These key issues refer to the main questions that the Board "must ask to ensure effective and quality governance". They relate to executive power (top-tier managers), supervisory power (directors) and sovereign power (shareholders).

The Company does not diverge from the recommendations of the Middlenext Code.

4.2.1 Composition, terms of office and expertise of the Board of Directors and Senior Management

Composition of the Board of Directors and Senior Management

The Company's Articles of Association stipulate management by a Board of Directors comprising no fewer than three and no more than twelve members unless otherwise authorized by legal provisions. The members of the Board of Directors are appointed by the Ordinary General Meeting at the proposal of the Board of Directors following an opinion from the Appointments and Remunerations Committee.

The term of office for Directors is set at four years (renewable). It may exceptionally be reduced to one, two or three years for the sole purpose of staggering Directors' terms of office. The Company's Internal Regulations also stipulate that each Director must hold at least 20 shares of the Company throughout his or her period of service. The number of Directors over age 72 must not exceed half (rounded up to the nearest whole number) of the serving Directors at December 31 of any given year.

Moreover, the Company's Internal Regulations require that a Lead Independent Director be appointed for a term that may not exceed his or her term of office as Director. The main role of the Lead Independent Director is to offer assistance to the Board of Directors and its Chairman to ensure that the Company's governance bodies are properly run within the Board and its specialized Committees. He or she also acts as a liaison between the governance bodies, the Senior Management of the Company and the Executive Committee.

Article 13-2 of the Articles of Incorporation stipulates that, in accordance with Article L. 225-27-1 of the French Commercial Code, the Board of Directors shall include a Director representing the Group's employees, appointed for a period of four years by the Central Works Council. By way of exception, the Director representing employees is not required to own a minimum number of Company shares.

Moreover, the Board of Directors may appoint one or more non-voting Directors who attend Board meetings and take part in Board discussions in an advisory capacity.

At the date of this Registration Document, the Board of Directors had seven members, including two women, one foreign Director and a Director representing employees appointed by the Central Works Council pursuant to Article 13-2 of the Articles of Association and the law of June 14, 2013. Antonio Maria was appointed as Director representing employees by a decision of the Central Works Council dated June 17, 2014, effective July 1, 2014. Since Antonio Maria's term of office expires on July 1, 2018, a new employee representative will be appointed in accordance with the Company's Articles of Incorporation. A call for candidates will be launched and open for two months prior to the Central Works Council meeting called to appoint the representative. The list of candidates will be transmitted to the Committee's representatives at least 15 days before the date of the meeting at which the new representative will be appointed

Senior Management includes Antoine Fiévet, who has held the combined role of Chairman of the Board of Directors and Chief Executive Officer since May 14, 2009, and Bruno Schoch, Deputy General Manager responsible for Finance, Legal Affairs and IT Systems. Thierry Billot was appointed Lead Independent Director on July 29, 2015.

MEMBERS OF THE BOARD OF DIRECTORS, COMMITTEES AND SENIOR MANAGEMENT AT MARCH 8, 2018

Name	Current position within the Company	First appointed	Last reappointed	End of term of office	Audit Committee	Appointments and Remunerations Committee
Antoine Fiévet	Director	04/25/2001	05/14/2014	2018 OAGM*		Member
	Chairman and Chief Executive Officer	*05/14/2009*		*2018 BoD*		
Thierry Billot [a]	Lead Independent Director	05/14/2014		2018 OAGM*	Chairman	Chairman
Fatine Layt [a]	Director	05/10/2012	05/12/2016	2020 OAGM*	Member	
James Lightburn [a]	Director	03/15/2007	05/12/2016	2020 OAGM	Member	Member
Nathalie Roos [a]	Director	05/14/2014		2018 OAGM*		
Unibel SA [b] represented by Florian Sauvin	Director	06/16/1972	05/11/2017	2021 OAGM*		
Antonio Maria [c]	Director representing employees	07/01/2014		2018		Member
Bruno Schoch	Deputy General Manager, not a Director	12/17/2008	05/14/2014	2018 BoD		
Luc Luyten [d]						Member

* *Ordinary Annual General Meeting.*
(a) *Independent Director.*
(b) *Florian Sauvin was appointed by Unibel's Management Board as the permanent representative of Unibel on the Company's Board of Directors with effect from May 12, 2015, replacing Pascal Viénot.*
(c) *Antonio Maria has been a member of the Remunerations Committee since March 9, 2016 and as such attends meetings convened for remuneration matters. Antonio Maria's term of office expires on July 1, 2018. His replacement will be decided by the Group Central Works to be held in June 2018.*
(d) *Luc Luyten currently serves as Chairman of the Supervisory Board at Unibel*

In May 2018, the terms of Antoine Fiévet, Thierry Billot and Nathalie Roos as directors will end. The Annual General Meeting to be held on May 14, 2018 will be asked to renew their term of office for a four-year period until the Annual General Meeting to be held in 2022.

Since Antonio Maria's term of office expires on July 1, 2018, a new employee representative will have to be appointed in accordance with the terms established in the Company's Articles of Incorporation.

Independence of Directors

At its meeting of March 8, 2018, the Board of Directors examined the individual situation of each Director in relation to the independence criteria set out by the Middlenext Code. Four Directors – Fatine Layt, Nathalie Roos, Thierry Billot and James Lightburn – were deemed independent within the meaning of the Middlenext Code.

Information on conflicts of interest and agreements involving corporate officers can be found in paragraphs 4.1.3 and 4.4.1. Two Directors represent family shareholders and are not independent within the meaning of the Code: Antoine Fiévet and the holding company Unibel. Antonio Maria, a Director representing the Group's employees, is not independent.

At the date of this Registration Document, independent Directors had no business relationships with the Company. The immateriality of the business relationship is assessed by the Board of Directors on a case-by-case basis using the independence criteria laid down in the Middlenext Code.

The Board of Directors will be composed of seven members including four independent Directors after the Combined General Meeting of May 14, 2018, and subject to a vote in favor of the resolutions for renewing the directorships of Antoine Fiévet, Thierry Billot and Nathalie Roos.

TABLE: SITUATION OF DIRECTORS IN RELATION TO THE MIDDLENEXT CODE INDEPENDENCE CRITERIA

Middlenext Recommendation (R3)

The Company adheres to the Middlenext Code recommendation R3, that at least two members are independent.

Criteria							
Five criteria can be used to establish the independence of Board members which is characterized by the lack of significant financial, contractual or family relations likely to have a bearing on independent judgment:	**Antoine Fiévet**	**Unibel**	**James Lightburn**	**Fatine Layt**	**Nathalie Roos**	**Thierry Billot**	**Antonio Maria**
1 *Be neither an employee nor an executive corporate officer of the Company or an entity within its Group, and not have been one in the past five years.*	*No*	*No*	*Yes*	*Yes*	*Yes*	*Yes*	*No*
2 *Not have been in a significant business relationship with the Company or its Group within the past two years.*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
3 *Not be a reference shareholder of the Company or hold a significant percentage of its voting rights.*	*No*	*No*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
4 *Not have a close relationship or family ties with a corporate officer or reference shareholder.*	*No*	*No*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
5 *Not have been an auditor of the Company in the past six years.*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*	*Yes*
Conclusion of the Board on the independence of the directors: four Directors qualify as independent in the Board's view	**Not independent**	**Not independent**	**Independent**	**Independent**	**Independent**	**Independent**	**Not independent**

General and personal information on the corporate officers and their expertise

Biography and information on current corporate officers

Antoine Fiévet
Director, Chairman and Chief Executive Officer

Born in 1964
French citizen
Business address:
2 allée de Longchamp
92150 Suresnes
France

Term of office and expiry date

Antoine Fiévet was coopted to the Board of Directors on April 25, 2001, a decision ratified by the Annual General Meeting of April 25, 2001. He was appointed as Chairman and Chief Executive Officer by the Board of Directors on May 14, 2009. His term of office was renewed by the Annual General Meeting of May 14, 2014 for four years, i.e. until the end of the Annual General Meeting to be held in 2018.

Biography, management expertise and experience

Antoine Fiévet represents the fifth generation of the family shareholding (Fromageries Bel was established in 1865 by his great-great grandfather, Jules Bel). He graduated from the Université Paris-II Assas (undergraduate degree in economics) and the Institut supérieur de gestion de Paris (graduate studies). He held several managerial positions in communication and publishing firms prior to 2001. Between 2001 and 2009, he was Managing Partner of Unibel SA, chairing the Strategic Directions Committee and sitting on the Fromageries Bel Board of Directors. Antoine Fiévet is also a member of the Board of Directors of FBN France (*Family Business Network*) which consists of more than 180 French family firms. He is also a member of the Board of Directors and Remunerations Committee of Bonduelle.

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group

Valentine Fiévet (sister), Vice-Chairwoman of the Unibel Supervisory Board, Marion Sauvin (cousin), member of the Unibel Supervisory Board, Thomas Sauvin (cousin), member of the Unibel Supervisory Board, Laurent Fiévet (brother), member of the Unibel Supervisory Board, and Florian Sauvin (cousin), member of the Unibel Management Board and permanent representative of Unibel, Director of Fromageries Bel.

Terms of office and current positions within the Group, held in France

- Chairman of the Unibel Management Board (listed company)
- Chairman and Chief Executive Officer and member of the Fromageries Bel Appointments and Remunerations Committee
- Chairman of SICOPA SAS
- Chairman of the Bel corporate foundation

Terms of office and current positions outside the Group, held in France

- Managing Director of SCI MORI
- Member of the Board of Directors and Remunerations Committee of Bonduelle (listed company)
- Managing Director of RFE
- Director of CGFF

Terms of office and current positions within the Group, held abroad

- Chairman of the Board of Directors of Bel Belgium
- Chairman of the Board of Directors of SIEPF
- Chairman and Chief Executive Officer of Fromageries Bel Maroc
- Chairman of the Board of Directors of Safilait
- Chairman of the Management Board and representative of Fromageries Bel on the Management Board of Bel Vietnam Co. Ltd
- Chairman and CEO and permanent representative of Fromageries Bel Maroc on the Board of Bel Africa

Terms of office held within the Group, having expired in the last five years

- Chairman of the Supervisory Board of Bel Sýry Cesko
- Chairman of the Board of Directors of Bel Italia SpA
- Chairman of the Board of Directors of Bel Karper
- Representative of SICOPA on the Board of Directors of Fromageries Bel Maroc SA
- Director of CGFF
- Chairman of the Supervisory Board of Syraren Bel Slovensko
- Chairman of the Supervisory Board of Bel Shostka Ukraine
- Chairman and Chief Executive Officer of Fromageries Picon
- Chairman and CEO then Chairman of SICOPA SA
- Director and Chairman of the Board of Directors of Fromageries Bel Algérie

Restrictions preventing the sale of a stake in the share capital

Antoine Fiévet declares himself party to the Unibel family shareholders pact signed on September 19, 2013 and published by the AMF on September 26, 2013.

Thierry Billot
Lead Independent Director

Born in 1955

French citizen

Business address:
6 avenue de Camoëns
75016 Paris
France

Term of office and expiry date

Thierry Billot was appointed to the Board of Directors by the Annual General Meeting of May 14, 2014 for a period of four years, i.e. until the end of the Annual General Meeting to be held in 2018. He was appointed as Lead Independent Director, effective July 29, 2015, for a maximum period equal to that of his term of office as Director.

Biography, management expertise and experience

Thierry Billot, a graduate of the École Supérieure de Commerce de Paris (ESCP), began his career as an auditor at Peat Marwick Mitchell from 1980 to 1982. He joined Pernod Ricard in 1982 as an internal auditor. He became Pernod's Director of Finance and Administration in 1985 before being appointed Chief Financial Officer of Pernod Ricard in 1986. Chairman and Chief Executive Officer of Austin Nichols in the United States from 1992, he was appointed Chairman and Chief Executive Officer of Pernod in October 1996. In 2002, he became Chairman and Chief Executive Officer of Pernod Ricard Europe, Middle East and Africa. In 2008, he was appointed to the position of Deputy Chief Executive Officer in charge of brands until February 27, 2015 when he left Pernod Ricard.

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group

None.

Terms of office and current positions within the Group, held in France

- Lead Independent Director of Fromageries Bel SA
- Chairman of the Audit Committee
- Chairman of the Appointments and Remunerations Committee

Terms of office and current positions outside the Group, held in France

- Chairman of THB Conseil

Terms of office and current positions outside the Group, held outside France

None

Terms of office held outside the Group having expired in the last five years

- Director of Ricard SA (until February 27, 2015)
- Member of the Supervisory Board of Pernod Ricard Europe, Middle East and Africa (until February 27, 2015)

Restrictions preventing the sale of a stake in the share capital

None

Nathalie Roos
Director

Born in 1965

French citizen

Business address:
L'Oréal – 14 rue Royale
75008 Paris
France

Term of office and expiry date

Nathalie Roos was appointed to the Board of Directors by the Annual General Meeting of May 14, 2014 for a period of four years, i.e. until the end of the Annual General Meeting to be held in 2018.

Biography, management expertise and experience

Nathalie Roos joined the L'Oréal group in October 2012. Since August 2013, she has been Country Manager for Germany, L'Oréal's fourth-largest global market with sales in excess of €1 billion. She was appointed President of the Professional Products Division, in which capacity she joined L'Oréal's Executive Committee, officially taking up her post in April 2016. Previously, after her first professional stint as Head of Sales at Kraft Jacobs Suchard (1987-1989), she spent a large portion of her career at the Mars Group. Between 1989 and 2000, she held various positions at Mars France. From head of sales promotion, she worked her way up the Marketing and Sales Departments to become national key account manager and then head of the retail network of Brasseries Kronenbourg (2000-2004). Nathalie Roos became Chairwoman and Chief Executive Officer of Mars Chocolat France in 2004, then Chairwoman of Mars Inc. Group's European markets from 2009 to 2012. She is a graduate of the École supérieure de commerce de Reims. In 2012, she was named a Knight of the Legion of Honor, France's highest civil order of merit.

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group

None.

Terms of office and current positions within the Group, held in France

Director of Fromageries Bel

Terms of office and current positions outside the Group, held in France and abroad

- Member of "Les Cigognes" (a French association supporting single mothers)
- Member of the Board of Directors of Clinique Adassa in Strasbourg

Terms of office held outside the Group having expired in the last five years

- Country Manager of L'Oréal Germany
- Chairwoman and Chief Executive Officer of Mars Chocolat France
- Regional Councilor of the Alsace region, Vice-Chair of the regional competitiveness cluster for employment

Restrictions preventing the sale of a stake in the share capital

None

Fatine Layt
Director

Born in 1967

French citizen

Business address:
LionTree Advisors –
7, rue Rouget de l'Isle
75001 Paris
France

Term of office and expiry date

Fatine Layt was appointed to the Board of Directors by the Annual General Meeting of May 10, 2012 for a period of four years, and reappointed at the Annual General Meeting of May 12, 2016, until the Annual General Meeting to be held in 2020.

Biography, management expertise and experience

Fatine Layt began her career at the Euris Group when it was formed in 1989, first in private equity and then management as Chairwoman and CEO or Director of various group subsidiaries (EPA, Glénat, Editeuris, Sygma presse). In 1996, she was appointed Chairwoman and CEO of specialist press group CEPP, controlled by APAX Partners. She was also a Director of the press trade union. In 2000 she set up her own business, Intermezzo, a financial engineering consulting firm which she still manages. In 2003, she began working with Jean-Marie Messier at Messier Partners, a merchant bank specializing in mergers and acquisitions. In March 2007, she set up Partanéa, selling it in October 2008 to Oddo & Cie, an investment bank and capital manager of which she was a member of the Executive Board. She served as Chair of Oddo Corporate Finance until October 22, 2015, going on to become Chief Executive Officer of ACG until January 29, 2016. Since January 2017, Fatine Layt has been President and Managing Partner of the merchant banking firm LionTree in France. She is a graduate of IEP Paris (finance major) and the French Society of Financial Analysts (SFAF) and is a former senior lecturer at IEP Paris in finance and financial management.

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group

None.

Terms of office and current positions within the Group, held in France

Director and member of Fromageries Bel's Audit Committee

Terms of office and current positions outside the Group, held in France

- Director of the Renault Foundation
- Director of Mobiliz SA
- Managing Director of Intermezzo SARL
- Member of the Supervisory Board of Grand Emprunt
- Managing Partner of LionTree Advisors

Terms of office and current positions, held abroad

- Managing Director of Intermezzo International Co. Ltd

Terms of office held having expired in the last five years

- Chair and Managing Partner of Oddo Corporate Finance (until October 22, 2015)
- Member of the Executive Committee of Oddo et Cie SCA (until October 22, 2015)
- Chief Executive Officer of ACG (until January 29, 2016)
- Director of Imerys (listed company)

Restrictions preventing the sale of a stake in the share capital

None

James Lightburn
Administrateur

Born in 1943

American citizen

Business address:
2 allée de Longchamp
92150 Suresnes
France

Term of office and expiry date

James Lightburn was coopted to the Board of Directors at its meeting of March 15, 2007. His term of office was renewed at the Annual General Meeting of May 12, 2016, for a term of four years, until the Annual General Meeting to be held in 2020.

Biography, management expertise and experience

James Lightburn has significant experience as an attorney in the following fields: mergers and acquisitions in the United States and Europe, joint ventures, finance and investment operations, consulting, equity and quasi-equity (LBOs and MBOs). He regularly publishes articles (one example is “The new draft law on audiovisual media”).

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group

None.

Terms of office and current positions outside the Group held abroad

None

Terms of office held having expired in the last five years

- Director and member of the Audit Committee of The China Fund Inc.
- Director of Epicture SA
- Member of the Supervisory Board of Sofisport SA

Restrictions preventing the sale of a stake in the share capital

None

Florian Sauvin

Permanent representative of Unibel, Director

Born in 1979

French citizen

Business address:
2 allée de Longchamp
92150 Suresnes
France

Term of office and expiry date

Florian Sauvin was coopted to the Board of Directors at its meeting of August 26, 2009, a decision ratified by the Annual General Meeting of May 12, 2010. His term of office was renewed by the Annual General Meeting of May 14, 2014 for one year and expired at the end of the Annual General Meeting of May 12, 2015. Florian Sauvin was appointed as permanent representative of Unibel on the Board of Directors of Fromageries Bel, replacing Pascal Viénot with effect from May 12, 2015.

Biography, management expertise and experience

Florian Sauvin, an EPFL engineer, joined the Group seven years ago as a management controller for two years. He was responsible for the Bel Access Department, our business model incubator that aims to develop a sustainable approach to low-revenue consumption markets taking social impact and economic viability factors into account. He has also been a member of Unibel's Management Board since August 2009, and General Manager. He completed the PLD program at Harvard Business School in 2015. Since April 2015 he has held the post of Chief Digital Officer at the Group.

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group

Antoine Fiévet (cousin), Laurent Fiévet (cousin), Valentine Fiévet (cousin), Marion Sauvin (sister) and Thomas Sauvin (brother).

Terms of office and current positions within the Group, held in France

- General Manager of Unibel
- Member of Unibel's Management Board
- Permanent representative of Unibel, Director of Fromageries Bel
- Permanent representative of SICOPA on the Board of Directors of ATAD
- Joint Managing Director of SICOPA
- Treasurer of Bel corporate foundation

Terms of office and current positions outside the Group, held in France

- Director and CEO of CGFF
- Director of CIANAS
- Chairman of SAS Lobster Investment Company
- Managing Director of SCI Belfran
- Joint Managing Director of SAUFI1 SARL
- Managing Director of SCI La Tuilerie

Terms of office and current positions outside the Group, held abroad

- Director of Biomass Holding SAL

Terms of office held having expired in the last five years

- Director of SICOPA SA

Restrictions preventing the sale of a stake in the share capital

Florian Sauvin declares himself party to the Unibel family shareholder pact signed on September 19, 2013 and published by the AMF on September 26, 2013.

Antonio Maria
Director (representing employees)

Born in 1954
French citizen
Business address:
2 allée de Longchamp
92150 Suresnes
France

Term of office and expiry date
Antonio Maria was appointed as Director representing the Group's employees by a decision of the Central Works Council on June 17, 2014, effective July 1, 2014, for a period of four years, i.e. until the end of the Annual General Meeting to be held in 2018.

Biography, management expertise and experience
Antonio Maria joined Bel in 1978 on the Laumes site (Côte-d'Or) and held various positions within different Group subsidiaries. In 2009, he changed direction and turned to representing and defending employee interests, joining various staff representative bodies at the Group's head office and on a national level. Since 1999, he has been head of logistics for the Group.

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group
None

Terms of office and current positions within the Group, held in France
Director representing employees

Terms of office and current positions outside the Group, held in France
None

Terms of office and current positions within and outside the Group, held abroad
None

Terms of office held having expired in the last five years
None

Restrictions preventing the sale of a stake in the share capital
None

Bruno Schoch
Deputy General Manager, not a Director

Born in 1965

French citizen

Business address:
2 allée de Longchamp
92150 Suresnes
France

Term of office and expiry date

Bruno Schoch was appointed as Deputy General Manager by the Board of Directors on December 17, 2008 and reappointed on May 14, 2009 and May 14, 2014 for the duration of the Chief Executive Officer's term of office, i.e. until the 2018 Annual General Meeting called to approve the financial statements for the 2017 financial year.

Biography, management expertise and experience

Bruno Schoch is responsible for financial and legal affairs and Group information systems. Part of the Group since 2003, he has held the posts of Financial Director and then Director of Strategy and Development at Unibel SA. From 1993 to 2003, he held several posts in auditing at Deloitte & Touche (Paris) and mergers and acquisitions at Chase Manhattan Bank (London) and Schweizerischer Bankverein (Frankfurt). He holds a DESS (master's degree) in Finance and Management from Paris Dauphine University and is a qualified chartered accountant and Statutory Auditor. Since November 2013, Bruno Schoch has been a member of the extended bureau and the "made in France" Committee of METI (an association of medium-sized enterprises).

Nature of any family ties existing between the corporate officers of the Unibel-Fromageries Bel Group

None.

Terms of office and current positions within the Group, held in France

- Member of Unibel's Management Board
- Deputy General Manager, not a Director of Fromageries Bel
- Permanent representative of Fromageries Bel on the Board of Directors of ATAD

Terms of office and current positions outside the Group, held in France and abroad

- Member of the Supervisory Board of Société des Domaines SAS
- Member of the Supervisory Board of Geratherm AG (listed company)
- Permanent representative of Unibel on the Board of Directors of Biomass Holding SAL
- Member of the Supervisory Board of Limes Schlosskliniken AG

Terms of office and current positions within the Group, held abroad

- Director of Bel Brands USA
- Director of Bel Belgium
- Permanent representative of Fromageries Bel on Fromageries Bel Algérie's Board of Directors
- Director of BEI LE
- Director of Bel CHEESE KOREA
- Member of SYRAREN Bel Slovensko's Supervisory Board
- Permanent representative of SICOPA on Fromageries Bel Maroc's Board of Directors
- Representative of SICOPA on Bel Africa's Board of Directors
- Permanent representative of SICOPA on the Board of Directors of SIEPF
- Director of Bel Karper
- Member of Bel SHOTSKA Ukraine's Supervisory Board
- Member of Bel SYRY CESKO's Supervisory Board

Terms of office held within the Group having expired in the last five years

- Director of Bel Polska
- Director of Bel Rouzaneh Dairy Products Company
- Co-manager of Bel Deutschland
- Permanent representative of Fromageries Bel on Fromageries PICON's Board of Directors
- Permanent representative of Fromageries Bel on the Board of Directors of SASFR
- Permanent representative of SICOPA on the Board of Directors of SOFICO
- Director of Bel UK
- Member of Bel Leerdammer BV's Supervisory Board
- Director of SICOPA
- Permanent representative of SICOPA on GRUPO Fromageries Bel España's Board of Directors
- Director of SYRAREN Bel Slovensko

Restrictions preventing the sale of a stake in the share capital

None

4.1.3 Disclosures relating to members of the Board of Directors and Senior Management

No convictions for fraud, bankruptcy or public sanctions over the last five years

To the knowledge of the Company, over the last five years no member of the Board of Directors or Senior Management has been convicted of fraud, or been associated with any bankruptcy, receivership or liquidation, or been the subject of any official public incrimination or sanction by a statutory or regulatory authority, or been disqualified by a court of law from acting as a member of the management, executive or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of an issuer.

Service contracts

To the knowledge of the Company, at the date of this Registration Document and subject to the following section, no corporate officer was related to the Company or any of its subsidiaries by a service contract allowing for the granting of any benefits whatsoever upon its expiry.

The Company is related to the parent company Unibel by a cash agreement, authorized by the Board of Directors on October 11, 2007, and a service agreement dated December 14, 2001, authorized by the Board of Directors on December 12, 2001, the terms and conditions of which are detailed in section 4.4.1 “Statutory Auditors’ Special Report on regulated agreements and commitments” of this Registration Document. These agreements were subjected to the control procedures for regulatory agreements set out by Articles L. 225-38 *et seq.* of the French Commercial Code.

Conflicts of interest and agreements to which the corporate officers are party

To the knowledge of the Company, at the date of this Registration Document there were no potential conflicts of interests between the duties of Fatine Layt, Nathalie Roos, Thierry Billot and James Lightburn, Directors who are not members of the Fiévet-Bel family group, in relation to the Company and their private interests and other duties. Antoine Fiévet, Director and Chairman and Chief Executive Officer, and Florian Sauvin, Director and permanent representative of Unibel, are also members of Unibel’s Management Board, holding more than two-thirds of the capital and voting rights of the Company and participating in the Unibel shareholders agreement binding the members of the Fiévet-Bel family group. Information about the Company’s share capital is presented in paragraph 6 of this document. Antonio Maria is the Director representing employees and thus has an employment contract as required by law.

Information on conflicts of interest and agreements involving corporate officers can be found in section 4.4.1 “Special Report of the Statutory Auditors on regulated agreements and commitments”.

Arrangement or agreement on the appointment of members of the Board of Directors and Senior Management

The Articles of Association do not set out any specific rules for the appointment and replacement of members of the Board of Directors. Legal provisions apply.

To the Company’s knowledge, at the date of this Registration Document there was no arrangement or agreement between the main shareholders, customers, suppliers or others by which the Chairman and Chief Executive Officer or any member of the Board of Directors were appointed to their positions.

Restrictions relating to the transfer of shares

Under the French General Tax Code, notably Articles 787 B, 885 I bis and 885 I quater, collective or individual lock-up agreements relating to Fromageries Bel shares may exist. Those known to the Company – mainly concerning Antoine Fiévet and Florian Sauvin and Unibel – are described in section 6.1 “Shareholding and share capital”.

To the knowledge of the Company, at the date of this Registration Document there were no other commitments involving members of the Board of Directors or Senior Management relating to the transfer over a certain period of time of their holdings in the Company’s capital.

4.1.4 Organization and work performed by the governance bodies

Structure and work of the Board of Directors

Company management structure

The Company is run by a Board of Directors whose Chairman, Antoine Fiévet, is also Chief Executive Officer. At its meeting of May 14, 2009, the Board decided to combine the roles of Chairman of the Board and Chief Executive Officer of the Company to better suit the management structure and running of the Company, and to facilitate and streamline decision-making and liability.

Antoine Fiévet has been Chairman of the Board of Directors and Chief Executive Officer since May 14, 2009 and was reappointed as such on May 14, 2014. Since December 17, 2008, he has been assisted by Bruno Schoch, Deputy General Manager responsible for financial and legal affairs and information systems.

In his capacity as Chairman of the Board, Antoine Fiévet organizes and directs its work, reporting on it to the Annual General Meeting. He ensures that the Company bodies function properly and makes sure, in particular, that the Directors are able to carry out their duties. In his capacity as Chief Executive Officer, Antoine Fiévet has the widest powers to act on behalf of the Company in any circumstances. He exercises his powers within the scope of the Company's objectives and is subject to those powers that are allocated specifically by law to shareholders' meetings and the Board of Directors.

Lead Independent Director

Since 2015, following a proposal from the Chairman and Chief Executive Officer, the Board has decided to appoint one of the Independent Directors as Lead Independent Director. Thierry Billot has assumed this position since July 29, 2015 and will remain in office for a maximum period equal to his term of office as Director. He is responsible for ensuring the proper running of the Company's governance bodies within both the Board and the specialized Committees. Thierry Billot additionally acts as a liaison between the governance bodies, the Senior Management of the Company and the Executive Committee. He is also the specific point of contact for Directors on the issue of conflicts of interest.

Duties of the Board of Directors

As part of the strategy adopted by Unibel, the holding company, the Board gives its opinion on all decisions relating to implementing the Company's main strategic, economic, societal, environmental, financial and industrial guidelines and ensures that they are adopted by senior management. It is regularly informed, either directly or through its Committees, of any significant event affecting the conduct of the Company's business.

At each Board meeting, the Chairman informs the Directors of the main facts and significant events relating to the Group that have occurred since the last Board meeting. Each Board meeting also provides a debriefing of the Company's business.

In accordance with legal and statutory provisions, the Board meets at least four times a year, convened by its Chairman at least one week before the meeting, unless there is an emergency, to examine and approve the annual and consolidated financial statements, review the draft management documents, and approve the consolidated half-yearly financial statements. A document covering all the key points to be discussed and examined at the meeting must be sent to the Directors several days in advance unless impeded by an emergency or urgent event.

However, a Board meeting may be convened on any other important subject, in which case the Board regularly receive progress reports. The work and decisions of the Board are formalized in the minutes of the meeting.

Internal Regulations of the Board of Directors

The Company's Board of Directors has Internal Regulations specifying the conditions for preparing its meetings and the rules governing its work. It determines the limits the Board places on the powers of the Chairman and Chief Executive Officer and the Deputy General Manager. In accordance with the law, these limits are established internally and are not binding on third parties.

The Internal Regulations also state the rights and duties of Directors during their terms of office. In 2013, the Audit Committee and the Appointments and Remunerations Committee both drew up a Charter defining each of their workings, roles and responsibilities. The Board's Internal Regulations, which had until then defined these rules, was consequently amended.

The Internal Regulations were amended and adopted by the Board of Directors on July 28, 2017 in compliance with the latest Middlenext Code guidelines, particularly those covering the succession plan for Senior Management.

The Board's Internal Regulations, along with the Charters of the Audit Committee and the Appointments and Remunerations Committee, can be viewed at the Company's head office.

Limits placed on the powers of the Chairman and Chief Executive Officer and the Deputy General Manager by the Board of Directors

In his capacity as Chief Executive Officer, Antoine Fiévet has the broadest powers to act on behalf of the Company in any circumstances. The Chief Executive Officer represents the Company in its relationships with third parties. He has the ability to partially delegate his powers. He exercises his powers within the scope of the Company's objectives and is subject to those powers that the law expressly allocates to shareholders' meetings and the Board of Directors.

Furthermore, as an internal matter, and not binding on third parties, the prior authorization of the Board is required for any transaction or potential transaction that is major and/or significant by virtue of its amount or nature.

The following are particularly concerned:

- decisions or measures affecting or likely to modify the legal or financial structure of the Company or Group or the scope of its activity;
- any transaction or potential investment over ten (10) million euros;
- borrowings and financing totaling over twenty-five (25) million euros and the granting of guarantees attached to said financing;
- restructuring operations exceeding the threshold of ten (10) million euros;
- acquisitions or disposals affecting the brands with a value of over five (5) million euros, as well as agreements with third parties relating to the use of the Group's core brands;
- real estate transactions exceeding the threshold of five (5) million euros.

Work of the Board of Directors during 2017 and since the start of 2018

During 2017 and since the start of 2018, the Board met seven times with an attendance rate of 95.92% on the part of its members.

In 2017, as part of its duties the Board reviewed the quarterly, half-yearly and yearly financial information, the annual financial statements and the consolidated financial statements for 2017, the half-yearly consolidated financial statements, and the processes used to prepare this information. The Board of Directors also approved the evaluation process for its work, in accordance with the recommendations of the Middlenext Code. Each Board meeting called to approve the financial statements was preceded by a meeting of the Audit Committee. The Directors systematically reviewed the press releases relating to this information before their release.

The state of business was assessed at each meeting. Regular attention was given to the economic and geopolitical situation of the markets and its impact on the Group's business.

The administrators have regularly discussed the Group's industrial investments and financing.

The Board of Directors has met once since the beginning of 2018. It dealt mainly with the annual financial statements and consolidated financial statements for 2017, the advisability of renewing the terms of office of Antoine Fiévet, Nathalie Roos and Thierry Billot which are about to expire, and convening the Annual General Meeting and approving its agenda.

Composition, workings and activities of the Board of Directors' Committees

In June 2001, the Board of Directors set up two specialized committees: an Audit Committee and an Appointments and Remunerations Committee.

These Committees issue proposals, recommendations and opinions on matters within their remit, depending on the case in question. They have an advisory capacity and act under the authority of the Board. They report on their work to the Board whenever necessary.

Audit Committee

In 2013, the Audit Committee drew up a Charter governing its workings, role and responsibilities. This Charter was recently reviewed and approved by the Board on December 13, 2017 to take into consideration the modifications ushered in by French ordinance 2016-315 of March 17, 2016 that transposes EU Directive 2014/56/EU of April 16, 2014.

The Audit Committee meets two to four times a year and as many times as necessary at the request of its chair or the Chairman of the Board to ensure that matters relating to the drafting and checking of periodic and annual accounting and financial information are monitored. In 2017, the Committee met four times with a 100% attendance rate.

The Audit Committee consists of at least three members appointed by the Board from among Directors who do not perform management roles. At least two thirds of the Committee members must be independent and possess specialist financial, accounting or auditing skills. The Board appoints the Committee chair who directs the Committee's work.

At the date of this Registration Document, the Audit Committee had three members: Thierry Billot (chair), James Lightburn and Fatine Layt, all three being independent according to the criteria defined by the Middlenext Governance Code which the Company uses as a reference. Thierry Billot and Fatine Layt have special expertise in finance (for more information, see section 4.1.2, "Composition and expertise of the Board of Directors and Senior Management").

The Audit Committee consults the Deputy General Manager (responsible for financial and legal affairs and information systems), the Consolidation, Financial Control and Internal Control Director, the Treasury Director, the Legal Director, the Information Systems Director and the Internal Audit and Risks Director. The members of the Committee communicate with the Statutory Auditors without the Group's management being present.

The Audit Committee reports to the Board on its work, particularly that of certifying the accounts, and informs it without delay of any difficulties encountered.

Duties

In accordance with the provisions of Article L. 823-19 of the French Commercial Code, the Audit Committee is responsible for assisting the Board of Directors and more generally for[i] monitoring the process for preparing financial information (and making recommendations to guarantee its integrity as needed) and regular and provisional accounting information, and reviewing the annual accounts and consolidated accounts of the Company; (ii) monitoring the effectiveness of the internal control and risk management systems, as well as internal audit where appropriate, as regards the procedures for preparing and processing accounting and financial information, without harming the independence of internal audit; (iii) monitoring the statutory audit of the Company's annual accounts and consolidated accounts, taking into account the findings and conclusions of the French High Council for the Audit Profession (H3C) following the audit in application of Articles L. 821-9 *et seq.* of the Commercial Code, and (iv) supervising the selection of the Statutory Auditors and issuing a recommendation to the Board of Directors on the Auditors proposed for appointment or renewal by the Annual General Meeting.

As such, the Audit Committee:

- ensures the relevance and permanence of the accounting rules and methods used to establish the consolidated and parent company financial statements as well as the appropriate accounting treatment of significant transactions by the Group;
- examines any questions of a financial or accounting nature submitted to it;
- reviews the development and dissemination process for communication and financials;
- examines the Group's annual internal audit plan and the Statutory Auditors' work plan and examines the Group's internal audit reports on a quarterly basis;
- ensures the relevance of the internal control procedures;
- ensures there is a process for identifying and analyzing financial and non-financial risks likely to have a material impact on the Company's accounting and financial information and particularly on the Company's assets, regardless of the time period. It also examines the financial situation of the Group and its debt and financing structure;
- ensures that any weaknesses identified in the internal control and risk management systems result in corrective actions;
- provides the Board with an opinion on the appointment or reappointment of the Statutory Auditors;
- examines the risks threatening the independence of the Statutory Auditors, with input from the latter.

The Committee ensures the respect of the conditions of independence by the Statutory Auditors and takes the necessary measures for the application of the provisions relating to the economic independence of the Statutory Auditors referred to in Article 4(3) of Regulation (EU) 537/2014 and compliance with the conditions referred to in Article 6 of the same Regulation.

The Committee approves the provision of services other than the certification of accounts by the Statutory Auditors or the members of their networks, provided such services are not prohibited. The Audit Committee meets to approve each of these services, ensuring that there is no breach of independence and examining any protection measures taken by the Statutory Auditor concerned. By delegation of the Committee, its Chairman is also authorized to approve these services when the amount of said services is less than €20,000.

To perform its duties, it has access to all the documents and information it seeks to verify. To this end, it has the right to obtain any information it deems necessary to complete its assignment from any manager in the Company. The Audit Committee may also consult third parties that may be useful in its work and use external experts.

Work of the Committee since January 2017

Since January 2017 the Audit Committee has chiefly worked on the following points:

- examining the Group's half-yearly and annual consolidated financial statements with the Group's Finance Department and the Statutory Auditors in order to analyze the accounting and financial statements for the entire Group. Each time the consolidated financial statements are presented (half-yearly and annual), the Statutory Auditors present a summary of their work and their conclusions. At the meetings of March 7, 2017 and March 7, 2018, Committee members met with the Statutory Auditors without the Group's management being present;
- reviewing half-yearly and annual draft press releases on the Group's financial results;
- monitoring cash positions, the foreign exchange and interest rate hedging policy and Group financing;
- examining the internal audit reports. The Committee examined the conclusions and specific check points from the internal control reported from various auditing tasks. It examined how the implementation of audit recommendations issued in prior reports was monitored. The Group's internal audit plan for 2018 was presented during the Committee's end-of-year meeting at the same time as the assessment of the 2017 audit plan;
- monitoring risk management. As part of the Audit Committee's risk management tasks, the results of the updated Group risk map and measures planned for 2018 were presented during the year-end Committee meeting;
- reviewing compliance projects within the framework of "Sapin II" and "Due Diligence" laws;
- examining internal control procedures. The Committee reviewed certain procedures both as part of the Statutory Auditors' annual work and when receiving feedback from internal audit assignments.

Appointments and Remunerations Committee

On the recommendation of the Committee, the Board adopted a Charter at its meeting of March 21, 2013, defining its composition, areas of competence and workings. Before then, the Appointments and Remunerations Committee had been governed by the Board's Internal Regulations.

The Appointments and Remunerations Committee meets at least four times a year and whenever necessary at the call of its chair or the request of the Chairman of the Board. In 2017, the Appointments and Remunerations Committee met four times with an attendance rate of 100%.

The Appointments and Remunerations Committee consists of at least three members. To conduct its work, the Appointments and Remunerations Committee may seek the advice of external experts and consult the Group's internal specialists – especially the Human Resources Director – for any matters it deals with.

At the date of this Registration Document, the Appointments and Remunerations Committee had five members: Thierry Billot (chair) and James Lightburn, both deemed independent within the meaning of the Middlenext Code, Antoine Fiévet, Luc Luyten (non-executive member) and Antonio Maria (Director representing employees).

On March 9, 2016, the Board appointed Antonio Maria as a member of the Committee effective only when it meets to consider remuneration.

Since June 2009, the Appointments and Remunerations Committee has called on an expert specializing in remuneration systems. The technical expertise thus contributed enhances the quality of the Committee's work and the proper representation of competing interests.

Duties

When acting as the Appointments Committee, the Committee's chief duties are to make proposals and recommendations on the selection and reappointment of Directors, the manner in which Senior Management operates, the appointment or dismissal of the Chairman of the Board, Chief Executive Officer and/or Deputy General Managers, the implementation of succession plans, and the workings and regular assessment of the Board. It also expresses an opinion on the appointment of members of the Executive Committee.

When acting as the Remunerations Committee, the Committee makes recommendations on setting and paying Directors' fees and on all aspects of executive remuneration including retirement arrangements, variable remuneration factors and remuneration factors linked to share capital. Setting performance targets is part of setting variable remuneration. The Committee makes decisions on the Company's policy on stock option plans and the general policy on employee shareholding plans. Lastly, it advises Senior Management on the overall consistency of the remuneration policy for key senior managers and members of the Executive Committee. It is kept informed of the Company's general remuneration policy.

Work of the Appointments and Remunerations Committee since January 2017

The Appointments and Remunerations Committee mainly examined the following points:

- the terms of office of Directors coming to an end. It recommended that the terms of office of Antoine Fiévet, Thierry Billot and Nathalie Roos be renewed at the Annual General Meeting to be held on May 14, 2018;
- the determination of performance targets for the remuneration of executives, and the conditions for meeting those targets;
- the consistency of the remuneration policy for the Group's senior executives;
- the policy for awarding performance shares to Company and subsidiary employees and/or corporate officers and, as such, the recommendation for implementing a plan to allocate performance shares to employees;
- the assessment process for the workings of the Board of Directors.

Unibel Strategic Committee

The Management Committee of Unibel, active holding company of Fromageries Bel, consults the Unibel Committee for its analyses and considerations. In addition to the three members of the Management Committee, its members are Thierry Billot, Philippe Deloffre, Fatine Layt, James Lightburn, Luc Luyten and Nathalie Roos, members of the Board of Directors or Supervisory Board of Fromageries Bel or Unibel of Fromageries Bel or Unibel. This Committee met six times in 2017 to discuss strategy, major investments, business prospects and Group organization. The Committee's composition may change to include at any given meeting participants who have specific expertise and sensitivity suited to the topics on its agenda.

4.2 REMUNERATION AND BENEFITS

4.2.1 Principles and rules adopted by the Board of Directors to determine the remuneration and benefits in kind awarded to executive corporate officers (as required under Article L. 225-37-2 of the French Commercial Code)

Principles and rules of remuneration of executive corporate officers

The executive corporate officers are Antoine Fiévet, Chairman and Chief Executive Officer, and Bruno Schoch, Deputy General Manager. They also sit on the Unibel Management Board as Chairman and member, respectively. Antoine Fiévet and Bruno Schoch receive no remuneration for their respective posts of Chairman and Chief Executive Officer and Deputy General Manager of Fromageries Bel as they are remunerated exclusively by Unibel, the Group's holding company.

The principles and rules adopted by Unibel's Supervisory Board to determine, distribute and allocate the fixed and variable remuneration, bonuses and benefits in kind granted to executive corporate officers are the following:

- fixed monthly remuneration over 13 months;
- annual variable remuneration set as a percentage of fixed annual remuneration and weighted by the achievement of Group performance targets based on indicators such as revenue, operating income and free cash flow. For Mr Bruno Schoch, a part of its annual variable remuneration is based on personal objectives tied to his responsabilities as Deputy General Manager. For remuneration purposes, the level of achievement may vary between 0%-150% based on actual performance;
- multi-year variable remuneration based on performance conditions achieved in terms of criteria such as earnings before interest, taxes, depreciation and amortization (EBITDA) and return on capital employed (ROCE) criteria for the Chairman and Chief Executive Officer, as well as growth in revenue and part of innovations in revenue for the Deputy General Manager. For the Chairman and Chief Executive Officer of Fromageries Bel, the level of achievement, limited to 100%, is applied to a fraction of the fixed remuneration. This variable remuneration will be paid after two years. For the Deputy General Manager, the level of achievement will determine the grant of performance units. These perfomance units will be partially based on the share market price of the shares at the day of their allocation, and for the other part on a benefit equivalent to the sale of an equivalent number of shares from the same period;
- for the Chairman and Chief Executive Officer of Fromageries Bel, another remuneration linked to the governance of Fromageries Bel;
- company cars and, for the Deputy General Manager, executive unemployment insurance underwritten by GSC.

Assisted by expert consultants, the Unibel Supervisory Board regularly compares these remuneration conditions against prevailing practices in the industry.

Quantified performance targets are not published for reasons of confidentiality.

The corporate officers were not awarded bonus shares.

Antoine Fiévet receives no directors' fees from the Company.

Principles of compensation of members of the Board of Directors

The Annual General Meeting of May 14, 2009 set the maximum total amount of Directors' fees payable at €300,000. This amount remains unchanged.

Directors' fees include a fixed portion and a variable portion allocated according to actual attendance. These amounts are higher for the Lead Independent Director.

Compensation for Board committee members is as follows: committee members receive a directors' fee every time they attend meetings, and the Committee Chairman's fee is higher.

The directors' fees paid in 2017 are detailed in section 4.2.2, "Compensation and benefits paid to corporate officers".

Antoine Fiévet and Florian Sauvin, who represent Unibel, receive no directors' fees from the Company.

No benefits in kind were awarded to Directors in 2016, with the exception of company cars provided to Antoine Fiévet and Florian Sauvin with regard to their duties at Unibel.

No loan or guarantee was granted by the Company to its corporate officers.

Transactions by managers in Company shares under Article L. 621-18-2 of the French Monetary and Financial Code are summarized in section 6.2.2, "Summary of transactions of managers and similar persons".

4.2.2 Approval of all forms of compensation and benefits paid or granted to executive corporate officers for the previous fiscal year (in accordance with Article 225-100 of the French Commercial Code)

Fixed, variable and non-recurring elements of all compensation and benefits, paid or granted to the Chairman and CEO, and the Deputy General Manager for the year ended December 31, 2017, in accordance with principles and criteria approved by the sixth and seventh resolutions of the Ordinary Shareholders' Meeting of May 11, 2017, are as follows :

ELEMENTS OF REMUNERATION PAID OR ALLOCATED DURING OR FOR THE FISCAL YEAR 2017

(en euros)	Antoine Fiévet	Bruno Schoch
Fixed annual remuneration [(a)]	€606,645	€358,228
Remuneration for sitting on governance bodies [(b)]	€100,800	€-
Annual variable remuneration [(c)]	€421,814,	€140,246
Multi-year variable remuneration [(d)]	€306,417	€329,774
Benefits in kind [(e)]	€4,697	€15,013
TOTAL	**€1,440,373**	**€843,261**

(a) Payable over 13 months from April 1, 2017; remuneration in January, February and March 2017 being based on 2016 figures, the amount paid between January 1 and December 31 is slightly lower than the amount shown above.
(b) Compensation linked to the governance of Fromageries Bel.
(c) Paid following the achievement of 2017 performance targets recognized by the Supervisory Board: 79.5% and 87% achieved by Antoine Fiévet and Bruno Schoch, respectively. Performance criteria was based on revenue, production volumes, operating income, free cash flow and job security, alongside the achievement of personal objectives for Bruno Schoch. The payment of these elements of remuneration is subject to a shareholders' vote and takes place after the Shareholders' Meeting.
(d) Based on EBITDA (Earnings Before Interest, Taxes, Depreciation, and Amortization) and ROCE (Return on Capital Employed). For Antoine Fiévet, this sum is to be paid in 2018 for an average achievement of 84.4% of his performance objectives for 2016 and 2017. Bruno Schoch will be remunerated for performance units set in 2017 in 2020, based on results from 2017, 2018 and 2019. This sum is determined based on the value of the share when fully vested and on the average dividend during the first half of 2020. The compensation listed here is noted for its value at vesting and a performance objective achievement rate of 100%.
(e) Company cars, alongside executive unemployment insurance for Bruno Schoch.

4.2.3 Remuneration and benefits paid to corporate officers

The gross overall amount of compensation and benefits in kind awarded to the corporate officers and members of the Board of Directors are as follows:

TABLES OF REMUNERATION PAID TO EACH CORPORATE OFFICER

Antoine Fiévet has been a Director of Fromageries Bel since April 2001 and Chairman and Chief Executive Officer since May 14, 2009. He is paid by Unibel, the Group's holding company, where he has been Chairman of the Management Board since August 2005.

Bruno Schoch has been Deputy General Manager since December 17, 2008. He is paid by Unibel, the Group's holding company, where he has been a member of the Management Board since August 2005.

The figures disclosed by the Accounting Department are listed below and may differ from the figures disclosed to the Shareholders' Meeting as part of the ex post vote insofar as these figures are calculated before their definitive amounts can be measured precisely.

Figures for multiyear variable compensation below may also differ from the amounts indicated in section 4.4.2, due to the fact that these figures were verified at the date of compensation while several compensation packages from previous years were still ongoing.

Antoine Fiévet, Chairman and CEO	2017 financial year		2016 financial year		2015 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Gross fixed remuneration	€ 602,568	€602,568	€586,968	€586,968	€578,942	€578,942
Variable remuneration (a)	€ 464,223	€496,640	€515,826	€482,994	€475,819	€541,646
Multi-year variable remuneration (b)	€ 334,000	€ 411,253	€206,330	€406,917	€203,923	None
Remuneration for sittingon governance (c)	€ 100,800	€-	€100,800	€151,200	€100,800	€50,400
Benefits in kind (d)	€ 4,697	€ 4,697	€4,667	€4,667	€4,413	€4,413
TOTAL	**€1,506,288**	**€1,515,158**	**€1,426,591**	**€1,632,746**	**€1,363,897**	**€1,175,401**

(a) Criteria used for the award of variable compensation and/or bonuses: performance targets based equally on sales, operating income over sales and free cash flow over sales for the last two financial years.
(b) Arising from reaching performance targets based equally on ROCE and EBITDA for two financial years and paid at the end of two financial years.
(c) Linked to leadership of Fromageries Bel's governing bodies.
(d) Specifically: company car.

Bruno Schoch, Deputy General Manager	2017 financial year		2016 financial year		2015 financial year	
	Amounts due	Amounts paid	Amounts due	Amounts paid	Amounts due	Amounts paid
Gross fixed remuneration	€357,007	€357,007	€351,734	€351,734	€346,929	€346,929
Variable remuneration (a)	€141,375	€157,234	€158,280	€158,525	€156,118	€170,252
Multi-year variable remuneration (b)	€458,551 €	€-	€273,427	€327,472	€247,339	€257,439
Benefits in kind (c)	€15,013	€15,013	€14,687	€14,687	€14,752	€14,752
TOTAL	**€971,946**	**€529,254**	**€798,128**	**€852,418**	**€765,138**	**€789,372**

(a) Criteria used for the award of variable compensation and/or bonuses: performance targets based equally on sales, operating income over sales and free cash flow over sales for the last financial year.
(b) Performance units linked to the achievement of performance targets based in equal parts on ROCE and EBITDA for two financial years, payable after two and four years, as well as a bonus of €65,000 subject to performance conditions.
(c) Details of benefits in kind: company car, executive unemployment insurance.

TABLE OF COMPENSATION AND BENEFITS GIVEN TO EXECUTIVE CORPORATE OFFICERS

	Employment contract		Additional retirement scheme		Compensation or benefits that may be owed due to termination or change of position		Compensation relating to non-competition clauses	
Executive corporate officers	Yes	No	Yes	No	Yes	No	Yes	No
Antoine Fiévet, Chairman and Chief Executive Officer		x		x		x		x
Bruno Schoch, Deputy General Manager	x see *below*			x		x see *below*	x see *below*	

For his appointment as member of the Executive Board of Unibel, Bruno Schoch's employment contract as Financial Director employed by Unibel was suspended (see the 2017 Unibel Registration Document).

TABLE OF DIRECTORS' FEES AND OTHER COMPENSATION RECEIVED BY NON-EXECUTIVE CORPORATE OFFICERS

Non-executive corporate officers	Amounts paid during fiscal year 2017	Amounts paid during fiscal year 2016	Amounts paid during fiscal year 2015
Thierry Billot			
Directors' fees	€85,000	€96,000	€55,000
Other remuneration (b)	€18,000	€27,000	€18,000
Fatine Layt			
Directors' fees	€28,800	€32,100	€ 28,800
Other remuneration (b)	€21,000	€9,000	€18,000
James Lightburn			
Directors' fees	€44,300	€49,600	€39,600
Other remuneration (b)	€9,000	€27,000	€18,000
Luc Luyten (end of term of office in May 2015)			
Directors' fees (excluding those paid by Unibel)	€-	€-	€14,700
Other remuneration (b)	€0	€-	€9,000
Antonio Maria			
Directors' fees	€30,800	€38,800	€18,000
Nathalie Roos			
Directors' fees	€20,000	€22,000	€18,000
Other remuneration (b)	€0	€3,000	€15,000
Florian Sauvin, permanent representative of Unibel			
Directors' fees	€-	€-	€-
Other remuneration (b)	€ 138,854	€159,425	€107 013
Unibel (a)			
Directors' fees	€-	€-	€-

(a) Unibel, director, received no directors' fees in 2017 or in 2016.
(b) Remuneration related to leadership of Unibel governance bodies

Since the 2012 financial year, the annual fixed portion of Directors' fees has stood at €10,000 and the variable portion at €2,000 per Board meeting, subject to actual attendance. The fees allocated to the Lead Independent Director are set at €20,000 for the fixed portion and at €4,000 per meeting for the variable portion. Remuneration for Board Committee members is as follows: the Committee chair receives €5,000 per meeting and members receive €2,700 per meeting.

4.2.4 Provisions booked for paying pensions, retirement or other benefits to members of the Executive Committee

Executive corporate officers and members of the Executive Committee have access to the same retirement and health schemes as the Group's senior managers. Apart from that stated in the previous section, there are no Company or Group obligations on their behalf with regard to paying pensions, retirements or other benefits. Executive Committee members may receive the end-of-career allocation established by labor law, collective agreements and company agreements. These end-of-career payments are set aside under the conditions detailed in Note 4.11 to the consolidated financial statements, "Employee benefits", found in section 5.5.1, "Consolidated financial statements".

4.3 RISK MANAGEMENT AND INTERNAL CONTROL PROCEDURES

4.3.1 Definitions and objectives

Internal control is a set of resources, behaviors, procedures and actions adapted to the Company's specific characteristics which:

- must enable it to counteract the major risks that it may encounter, whether these are operational, financial or compliance-based;
- thereby promote efficient resource use and operations.

In accordance with the definition of the reference framework published by the AMF, the current internal control in the Group aims specifically to ensure that:

- targets set by the Board of Directors are effectively reached;
- management and production actions in industrial and commercial operations comply with laws and regulations and with the internal rules applicable to the Group;
- the Group's material and intellectual property are protected;
- fraud and errors are prevented and detected;
- the financial and accounting information detailing the Group's activity and prospects is of the requisite quality and is produced in due time.

The internal control process currently operates within the entire Group comprising Fromageries Bel and its French and foreign subsidiaries.

As is the case with any control system, the internal control process cannot offer an absolute guarantee that all risks of error or fraud are completely eliminated or fully controlled.

4.3.2 Internal control environment of the Company

Board of Directors

The Board of Directors takes all decisions relating to the Company's major strategic, economic, labor-related, corporate, environmental, financial and industrial objectives, and ensures they are implemented by Senior Management. It is regularly informed, either directly or through its Committees, of any significant event affecting the conduct of the Company's business. At each Board meeting, the Chairman informs the Directors of the main facts and significant events relating to the Group that have occurred since the last Board meeting. Each Board meeting is also an opportunity to take stock of the Company's business and prospects.

Senior Management

The internal control process is implemented within the Group by the Chairman and Chief Executive Officer and the Deputy General Manager responsible for financial and legal affairs and information systems. They rely on an Executive Committee which is in charge of the operational coordination required for the correct running of the Group's strategy and policies.

Regions and business lines

Everyone at the Group is involved in the internal control process. All managers and employees at their respective levels within the organization play a role in controlling activities. Line and staff managers ensure efficient mitigation of the risks associated with their areas.

Within the various business lines, a cross-departmental structure supports local industrial activities, purchasing, supply chain, research and innovation, product regulation, marketing, commercial strategy and cross-departmental networks. The support functions – namely Finance (Group and regional), IT, Human Resources and Organization (Group and regional), Communications, Legal and CSR (corporate social responsibility) – reinforce this structure.

Risk Management Department

The Risk Management Department reports to the Deputy General Manager responsible for financial and legal affairs and information systems. This Department is responsible for developing and deploying a global risk management strategy, identifying and assessing risks with Group and regional departments and following up on the action plans put in place to address them.

It provides a process and tools to develop and regularly update risk mapping at the Group, business and regional levels. It coordinates action plans to mitigate Group risks with a network of risk owners and provides an overview of risk management to the Executive Committee and Audit Committee.

Moreover, it leads and coordinates the crisis management system for the Group, the aim of which is to prevent crises as far as possible, and to reduce their impact on people, reputation, the environment and assets. It ensures that operating entities are properly prepared for crisis management.

Internal Control Department

A coordination unit for updating Group procedures, attached to the Group's Financial Control Department, ensures these procedures are appropriate for the internal control rules as and when changes occur in the corporate structures. All the Group's procedures, as well as a description of the main processes and user guides for information systems, are available in French and English on its intranet site.

Adherence to the segregation of duties and access to transactions in systems was the subject of a specific monitoring process. SAP's Governance, Risk and Compliance (GRC) tool is used to ensure that any change in access privileges does not create new and uncontrolled risks in terms of the segregation of duties.

Moreover, each Group subsidiary carries out an annual diagnosis of its maturity in terms of internal control under the responsibility of its head of operations. This self-assessment is carried out based on an internally defined control protocol called Belkey. All the work of the subsidiaries is formalized in a tool (Belact) that centralizes and monitors the work carried out, in particular by internal auditors.

Internal Audit Department

The Internal Audit Department reports to the Chair of the Audit Committee. The purpose of the Internal Audit Department is to provide reasonable assurance on the level of controls for risks that would threaten:

- effective, efficient operations;
- asset protection;
- the reliability and integrity of financial and operational information;
- compliance with laws, regulations and contracts.

Internal audit is an independent, objective activity that provides advice to Senior Management and the Audit Committee to improve and reinforce security and operational effectiveness and efficiency. It helps the organization meet its targets by assessing its risk, control and corporate governance processes, using a systematic, methodical approach.

The Internal Audit Department reports to the chair of the Audit Committee and the Chairman and Chief Executive Officer. It works closely with Senior Management.

The Internal Audit Director reports regularly to the Audit Committee and Senior Management on the overall level of operational control and significant anomalies affecting the risk management, control and corporate governance of the organization and its subsidiaries and recommends improvements to these processes.

The scope of operation of the Internal Audit Department extends to the entire organization and its subsidiaries. It encompasses all administrative, accounting and financial, functional and operational areas and processes within the Group.

Operational structure of the Company

To provide a tailored response to customer needs, the Group implemented an operational structure in 2016 encompassing three regions: Europe, Middle East, Greater Africa, and Americas, Asia-Pacific, each under the authority of a single Director.

Limits and delegation of power

In its Internal Regulations, the Company's Board of Directors establishes internal limits on the powers of the Chief Executive Officer and Deputy General Manager (for further information, see section 4.1.4, "Organization and work of the governance bodies"). Furthermore, the Company has implemented delegations of power (delegations of liability) adapted to its structure and to the level of responsibility of the employees for whom they are intended. The Legal Department monitors this in conjunction with the Human Resources Department.

4.3.3 Managing major risks

The Group regularly assesses the external and internal risks to which it is exposed, particularly those incurred by the production and marketing of food products.

Thanks to the overall risk management system and to the specific procedures accompanying it, the Company's supervisory bodies ensure that risks are properly dealt with and do not compromise the achievement of the Company's objectives.

Risks inherent to the Group's businesses are taken into account when drawing up the budgets and setting targets for the Group and its subsidiaries.

Some internal control procedures implemented by the Company are based on the balance between the level of control and the Group's specific challenges and targets. For further information, see section 2.1, "General risk management policy".

4.3.4 Procedures for preparing and processing the Company's accounting and financial information

Organization of accounting, finance, legal, information systems and risk management departments

The Group's Finance Department, Legal Department, Information Systems Department and Risk Management Department are under the authority of the Deputy General Manager responsible for financial, legal and information systems.

It is organized in the following way:

- Financial Control Department;
- Treasury and Insurance Department;
- Tax Department;
- regional finance departments;
- Information Systems Department;
- Legal and Real Estate Department;
- Risk Department.

Financial Control Department

The Financial Control Department is responsible for the monthly production of all the Group's consolidated financial information, encompassing both statutory and management data.

The Financial Control Department prepares and reports monthly to the Executive Committee on the Group's management performance indicators in an in-house format specifically designed for the Group's business.

It is also responsible for steering the Group budget process and the various estimates performed over the year.

It coordinates and updates financial procedures uploaded to the intranet and ensures that these procedures are consistent with the internal control rules. It is responsible for the various charts of accounts deployed in the Group's financial reporting tools (statutory and management).

It presents the main issues to be addressed in the consolidated financial information to the Audit Committee at least twice a year and coordinates operations with the external auditor's subsidiaries. It participates in organizing the reporting and consolidation process of nonfinancial performance indicators.

Treasury and Insurance Department

This department is responsible for managing all liquidity and insurance operations carried out within the Group.

It is specifically responsible for:

- setting up Group financing with banks and investors such as commercial paper, bank financing and debt financing;
- interest rate and foreign exchange hedging required to cover the exposure of Group entities. This activity is centralized within the Treasury Department;
- overseeing the Group's cash management. Cash management includes cash pooling, netting (payment of inter-company invoices), and the payment factory (a centralized payment solution for all entities that share a common convertible currency). The payment factory pays suppliers, wages and taxes through secure payment systems;
- managing relationships with banks;
- taking out Group insurance.

The Treasury Department has the teams and tools necessary to manage its operations. It reports on its activities to the Finance Department on a monthly basis. It regularly reports on the status of exchange rate and interest rate hedging as well as the Group's liquidity status to the Audit Committee.

Tax Department

This department is responsible for defining and applying the procedures linked to the regulations and fiscal strategies of the Group.

Its scope of operation has as much to do with Group issues as successfully controlling fiscal procedures and potential risks in the various countries in which the Group operates. Its activities are coordinated with those of Financial Directors in the various regions and subsidiaries.

Regional finance departments

When the geographical regions were formulated, a decision was made to allocate financial resources to each one. They are responsible for coordinating and controlling all financial resources of Group subsidiaries placed under their supervision.

Meetings are held every two months with the Deputy General Manager, regional Financial Directors and managers of departments within the Finance Department to monitor progress. The regional Financial Directors are responsible for implementing the financial strategy decided by the Group and for the internal and financial control of subsidiaries attached to their region.

Information Systems Department

Information systems are centralized and managed for the Group by the Information Systems Department which reports to the Deputy General Manager responsible for financial and legal affairs and information systems.

The Group has implemented an integrated information system based for the most part on SAP tools. The Information Systems Department ensures system maintenance, updating and security.

Legal and Real Estate Department

This department is responsible for the legal certainty of the transactions carried out by the Group. It is responsible for monitoring the legal certainty of all of the Group's obligations in France and abroad. It relies, where necessary, on the expertise of external consultants for specific legal issues or issues linked to local regulations. As part of its responsibilities, it acts upstream in an advisory capacity to Senior Management and the various regional departments and Group subsidiaries. It is also responsible for managing any potential disputes. It also monitors the legal protection of the Group's brands and compliance with economic and financial regulations.

Risk Department

This department ensures, through its overall risk management system, that risks are correctly identified and addressed and do not compromise the Company's objectives. It helps to control and reduce the exposure of tangible and intangible assets to guarantee a secure future for the Company.

Yearly and half-yearly Group consolidated financial statements

The Group approves half-yearly and annual consolidated financial statements on June 30 and December 31 every year.

The subsidiaries issue restated financial statements for consolidation purposes in accordance with the Group's accounting rules and following the instructions issued by the Financial Control Department.

The main options and significant accounting estimates are anticipated and presented to the Audit Committee. Detailed documentation of the chosen options is kept by the Financial Control Department.

4.4 RELATED-PARTY TRANSACTIONS

4.4.1 Statutory Auditors' Special Report on regulated agreements and commitments

Annual General Meeting held to approve the financial statements for the year ended December 31, 2017

To the shareholders,

In our capacity as Statutory Auditors of your company, we hereby report to you on regulated agreements and commitments.

The terms of our engagement require us to communicate to you, based on the information given to us, the principal terms and conditions of and the reasons for the Company's interest in those agreements and commitments brought to our attention or which we may have discovered during the course of our audit, without expressing an opinion on their usefulness and appropriateness or identifying such other agreements and commitments, if any. Under the terms of Article R. 225-31 of the French Commercial Code, you are responsible for assessing the interest involved in respect of the conclusion of these agreements and commitments for the purpose of approving them.

Our role is also to provide you with the information stipulated in Article R. 225-31 of the French Commercial Code relating to the implementation during the past year of agreements and commitments previously approved by the Annual General Meeting, if any.

We conducted the procedures we deemed necessary in accordance with the professional guidelines of the French National Institute of Statutory Auditors (Compagnie Nationale des Commissaires aux Comptes) relating to this engagement. These procedures consisted of verifying whether the information given to us was in agreement with the relevant source documents.

Agreements and commitments submitted to the approval of the Annual General Meeting

Pursuant to Article L. 225-38 of the French Commercial Code, we have not been asked to comment on any agreement or commitment authorized during the financial year and submitted to the approval of the Annual General Meeting.

Agreements and commitments previously approved by the Annual General Meeting

Agreements and commitments authorized during previous years and remaining in force during the year

Pursuant to paragraph 6 of Article R. 225-30-6 of the French Commercial Code, we have been informed that the following agreements and commitments, approved by Annual General Meetings in previous years, have remained in force during the year.

Cash management agreement with Unibel

At its meeting on October 11, 2007, the Board of Directors authorized an agreement between Fromageries Bel and Unibel. According to this agreement, Unibel granted cash facilities to the Company up to a ceiling of €15,000,000.

By an amendment authorized by the Board of Directors on May 13, 2008 and signed on the same day, this amount was increased to €25,000,000.

In a second rider authorized by your Board of Directors on December 17, 2008, and signed by your Board on December 18, 2008, the parties agreed to eliminate the ceiling on the cash facility granted by Unibel to Fromageries Bel.

In a third rider authorized by your Board of Directors on August 26, 2009, and signed by your Board on August 28, 2009, the rate of interest, based on the EONIA daily rate, was changed. With retroactive effect from July 1, 2009, the rate was set at the EONIA rate plus 80 basis points, up from 20 basis points previously.

A fourth rider authorized by your Board of Directors on March 22, 2012, changed the rate of interest. With retroactive effect from January 1, 2012, the rate was set at the EONIA rate plus 120 basis points, up from 80 basis points previously.

On November 12, 2014 the Board of Directors decided to increase the interest rate applied to the cash facility granted, based on the EONIA daily rate, to 100 basis points, effective as of January 1, 2015, due to the liquidity stability that this represents for the Company. The other clauses of the original agreement between the parties remain unchanged.

At December 31, 2017, the amount of interest expense recognized for the period totaled €488,908.41, while the cash facility granted by Unibel totaled €80,545,507.52.

The persons concerned are Antoine Fiévet, Chairman and Chief Executive Officer of Fromageries Bel, Florian Sauvin, permanent representative of Unibel and Director of Fromageries Bel, and Bruno Schoch, Deputy General Manager of Fromageries Bel.

Service agreement with Unibel

At its meeting of December 12, 2001, your Board of Directors authorized a service provision agreement between your Company and Unibel.

In a rider authorized by your Board of Directors on November 13, 2012, the automatic renewal clause was changed to cover an indefinite period, while the notes related to the nature of the services rendered and the nature of the costs incurred by Unibel were updated.

For the 2017 financial year, the amount invoiced by Unibel to your Company totaled €6,441,198, net of tax.

The persons concerned are Antoine Fiévet, Chairman and Chief Executive Officer of Fromageries Bel, Florian Sauvin, permanent representative of Unibel, Director of Fromageries Bel, and Bruno Schoch, Deputy General Manager of Fromageries Bel.

Done at Neuilly-sur-Seine on Thursday, March 23, 2018

The Statutory Auditors

Deloitte & Associés

Pierre-Marie Martin
Associate

Grant Thornton
French member of Grant Thornton International

Virginie Palethorpe
Associate

4.4.2 Related Parties

Information relating to related parties is presented in Note 8 to the consolidated financial statements presented in section 5.5.1, "Consolidated financial statements at December 31, 2017", of this Registration Document.

Unibel, the Fiévet-Bel family company, owns more than two thirds of the share capital and voting rights of Fromageries Bel. Unibel is the Group's coordinating holding company. It discusses and defines strategic guidelines for the Group as a whole; its management team draws up and develops economic, political and financial strategic scenarios; and it oversees their implementation. Unibel also renders specific services. Expenses incurred to carry out these services, which are mainly personnel expenses, are billed back to Fromageries Bel, plus a fixed margin of 10%, in line with the Wednesday, December 14, 2011 agreement and its November 13, 2012 rider. The compensation of Unibel's corporate officers, who are also managers of Fromageries Bel, is undertaken by Unibel alone.

At December 31, 2017, the amount of related-party transactions included €6.5 million paid to Unibel (holding company), of which €6 million in personnel expenses billed back to Fromageries Bel under a service agreement dated December 14, 2001, and €17.7 million in operating expenses billed back to Fromageries Bel paid to Bel Proche et Moyen-Orient Beyrouth, Bel Middle East, Bel China and other unconsolidated Group entities.

Related parties' associated payables and current accounts mainly concerned Unibel (holding company) with a €80.5 million current account versus €64.2 million at December 31, 2016.

Unibel shares held by SOFICO were valued at €174.8 million based on the closing share price at December 31, 2017.

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

5

FINANCIAL AND ACCOUNTING INFORMATION

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5.1 HISTORICAL FINANCIAL INFORMATION

Pursuant to Regulation (EC) No. 297/2008 of March 11, 2008 amending Regulation (EC) No. 1606/2002 of July 19, 2002, this Registration Document incorporates the following information for reference:

- the consolidated financial statements for the fiscal year ended December 31, 2016 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Statutory Auditors' report on the consolidated financial statements for the fiscal year ended December 31, 2016, on pages 99 and subsequent of the Registration Document filed with the AMF on March 20, 2017, under filing number D.17-0185;
- the consolidated financial statements for the fiscal year ended December 31, 2015 prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, and the Statutory Auditors' report on the consolidated financial statements for the fiscal year ended December 31, 2015, on pages 97 and subsequent of the Registration Document filed with the AMF (French financial markets regulator) on April 1, 2016, under filing number D.16-0259;
- the Company's annual financial statements for the fiscal year ended December 31, 2016, and the Statutory Auditors' report on the annual financial statements for the fiscal year ended December 31, 2016, on pages 147 and subsequent of the Registration Document filed with the AMF on March 20, 2017, under number D.17-0185;
- the Company's annual financial statements for the fiscal year ended December 31, 2015, and the Statutory Auditors' report on the annual financial statements for the fiscal year ended December 31, 2015, on pages 143 and subsequent of the Registration Document filed with the AMF on April 1, 2016, under number D.16-0259.

These two Registration Documents are available on the websites of the AMF (www.amf-france.org) and the Company (www.groupe-bel.com).

5.2 PRO FORMA FINANCIAL INFORMATION

This paragraph is not applicable.

5.3 REVIEW OF FINANCIAL POSITION AND RESULTS

5.3.1 Financial position

In 2017, the Group restructured its financial debt by issuing a bond with a nominal value of €500 million and a coupon of 1.50%, maturing in April 2024, early repayment of its Schuldschein Term loan in the amount of $100 million and €77 million and by reducing its outstanding commercial paper from €246 million at December 31, 2016 to €40 million at December 31, 2017. In addition, on December 21, 2017, the Group entered into an amendment of its multicurrency Revolving Credit Facility of €520 million, extending its maturity and taking the opportunity to integrate Environnmental and Social criteria.

The change in the Group's financial position at December 31, 2017 can be summarized as follows:

(in thousand euros)	2017	2016	2015
Total equity	1,714	1,667	1,502
Net financial debt	632	688	(21)
Net financial debt/ total equity	0.37	0.41	(0.01)

The Group's financial structure remains solid: at December 31, 2017, total equity stood at €1,714 million compared with €1,667 million at December 31, 2016, and net debt amounted to €632 million at the end of the year. The Group had two untapped credit lines totaling €820 million at December 31, 2017.

Further information about the financial position of the Company and the Group is disclosed in paragraph 5.4.2 and paragraph 5.5 of "Financial statements" of this Registration Document.

5.3.2 Sales and operating income

The Group's total sales for 2017 amounted to €3,346 million compared with €2,936 million in 2016.

Excluding the negative 2.1% impact from foreign exchange fluctuations and the positive impact from the entry of MOM Group into the scope of consolidation, which represents 13.8% of revenue growth, consolidated sales increased 2.3% organically [(1)] for the full year in 2017.

Bel Group sales were particularly hard hit in countries of the Middle East, Greater Africa region, which has been durably affected by economic and political instability, and declining consumer purchasing power. In Europe, and the Middle East and Greater Africa region, selling prices were raised moderately, although not enough to offset the strong increase in dairy raw material prices.

The Group nevertheless decided to continue backing its brands with significant advertising and promotional spending to boost its market share and develop its new territories.

Operating income for the year was also negatively impacted by highly unfavorable exchange rate and decline 27.9%, versus the 2016 financial year.

(1) *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.*

5.4 CASH AND CASH EQUIVALENTS AND CAPITAL SOURCES

5.4.1 Information about the Issuer's equity

Information pertaining to the Group's equity is disclosed in paragraph 5.5.1 of the present Registration Document.

5.4.2 Sources and amounts of the Group's consolidated cash flow

Information relating to cash flow is disclosed in paragraph 5.5.1 of this Registration Document. It can be summarized as follows:

(in thousand euros)	2017	2016	2015
Cash Flow	322,610	394,370	358,832
Income taxes paid	(70,693)	(79,874)	(68,782)
Change in WCR	28,963	(25,258)	36,215
TOTAL CASH FLOWS FROM (USED IN) OPERATIONS	**280,880**	**289,238**	**326,265**
Cash flows from (used in) operating activities	280,880	289,238	326,265
Cash flows from (used in) investing activities	(129,793)	(906,096)	(142,452)
Cash flows from (used in) financing activities	16,790	256,658	(4,930)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**167,877**	**(360,200)**	**178,883**
Effect of foreign exchange rate fluctuations	(4,520)	(8,543)	(8,342)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**163,357**	**(368,743)**	**170,541**
Net cash and cash equivalents at the beginning of the period	304,861	673,604	503,063
Net cash and cash equivalents at the end of the period	468,218	304,861	673,604
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**163,357**	**(368,743)**	**170,541**
Gross financial debt	1,100,658	992,962	653,468
Current used banking facilities	1,991	9,519	8,616
Cash and cash equivalents	(470,209)	(314,380)	(682,220)
Other financial assets	(55)	(125)	(930)
NET FINANCIAL DEBT	**632,385**	**687,976**	**(21,066)**

5.4.3 Borrowing terms and conditions and funding structure

Detailed information relating to the Group's financing activities is disclosed in Notes 4.14 and 4.15 to the consolidated financial statements.

5.4.4 Restrictions on the use of capital resources

At December 31, 2017, the Group possessed the financing capacity to meet its funding needs for internal or external growth. Fromageries Bel has committed to keeping its financial leverage ratio below 3.5x for the entire duration of its loans. The ratio is tested twice a year. The financial leverage ratio is determined by dividing consolidated net debt [(1)] by the Group's consolidated EBITDA [(2)]. Failure to meet the ratio could trigger the repayment of a significant part of the debt.

At December 31, 2017, Bel's financial leverage ratio was 1.92 compared with a 1.53 a year earlier (see Note 4.15 to the consolidated financial statements, as presented in paragraph 5.5.1 of this document).

At December 31, 2017, the Group had a €408 million cash position at Fromageries Bel.

For information, available cash in North Africa and the Middle East countries amounted to €38 million at December 31, 2017 and represented the majority of the available non-centralizable cash.

5.4.5 Expected sources of financing

Investments are financed either by the Group's operating cash flow, or via recourse to bank financing, commercial paper, or EURPP or Schuldschein-type private placements.

(1) Net financial debt is described in Note 4.14 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, current used banking facilities, and cash and cash equivalents.

(2) EBITDA is defined as current operating income plus provisions and reversals of provisions and amortization, charged to current operating income.

5.5 FINANCIAL STATEMENTS

5.5.1 Consolidated financial statements at December 31, 2017

Income statement

(in thousands of euros)	Notes	2017	2016
SALES	**3.1**	**3,346,414**	**2,935,648**
Cost of goods and services sold	3.2	(2,326,663)	(1,882,251)
GROSS MARGIN		**1,019,751**	**1,053,397**
Sales and marketing expense	3.2	(550,414)	(513,748)
Research and development expense	3.2	(23,288)	(18,380)
Administrative and general overhead expense	3.2	(221,150)	(195,598)
Other operating income and expense	3.2	798	1,388
RECURRING OPERATING INCOME		225,697	327,059
Other non-recurring income and expense		(10,636)	(28,903)
OPERATING INCOME		**215,061**	**298,156**
Income from cash and cash equivalents	3.4	2,289	3,706
Cost of gross financial debt	3.4	(26,561)	(18,419)
NET COST OF FINANCIAL DEBT		**(24,272)**	**(14,713)**
Other financial income and expense	3.4	(12,499)	17,058
PRE-TAX PROFIT		**178,290**	**300,501**
Income tax expense	3.5	8,008	(83,057)
NET PROFIT FROM CONSOLIDATED ENTITIES		**186,298**	**217,444**
Non-controlling interests		(6,328)	(4,306)
CONSOLIDATED NET PROFIT - GROUP SHARE		**179,970**	**213,138**
Earnings per share	3.6	26.50	31.41
Diluted earnings per share	3.6	26.50	31.41

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

Statement of comprehensive income

(in thousands of euros)	Notes	2017	2016
NET PROFIT FOR THE PERIOD		**186,298**	**217,444**
OTHER ITEMS OF COMPREHENSIVE INCOME			
Non-reclassifiable items			
Actuarial gains and losses arising on retirement obligations	4.11	2,951	(5,319)
Income tax impact		(927)	1,525
Reclassifiable items			
Financial assets available for sale			
Unrealized gains (losses)	4.5	(9,797)	(11,631)
Income tax impact		3,379	4,008
Limitation of tax effect		6,163	10,054
Translation difference		(80,109)	(48,069)
Cash flow hedging			
Amounts recognized in equity	4.15	13,014	(760)
Income tax impact		(4,583)	58
BALANCE AT DECEMBER 31	**4.9**	**(69,909)**	**(50,134)**
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		**116,389**	**167,310**
Group share		117,150	162,627
Non-controlling interests		(761)	4,683

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

Consolidated balance sheet

ASSETS

(in thousands of euros)	Notes	December 31, 2017	December 31, 2016*
NON-CURRENT ASSETS			
Goodwill	4.1	792,140	808,164
Other intangible assets	4.2	641,495	671,270
Property, plant and equipment	4.3	903,264	915,874
Assets available for sale	4.4	181,149	191,240
Other financial assets	4.4	4,377	4,105
Loans and advances	4.4	12,393	12,891
Trade and other receivables	4.4	2,192	2,826
Deferred tax assets	4.8	10,448	34,560
TOTAL		**2,547,458**	**2,640,930**
CURRENT ASSETS			
Inventories and work-in-progress	4.6	351,667	350,931
Trade and other receivables	4.7	501,898	571,426
Other financial assets	4.4	17,046	3,556
Loans and advances	4.4	1,872	1,662
Current tax assets	4.4	52,440	22,232
Cash and cash equivalents	4.14	470,209	314,380
TOTAL		**1,395,132**	**1,264,187**
TOTAL ASSETS		**3,942,590**	**3,905,117**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

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

EQUITY AND LIABILITIES

(in thousands of euros)	Notes	December 31, 2017	December 31, 2016 *
Share capital		10,308	10,308
Additional paid-in capital		21,967	21,967
Reserves		1,617,403	1,565,879
Treasury shares		(21,012)	(21,111)
EQUITY - GROUP SHARE		1,628,666	1,577,043
NON CONTROLLING INTERESTS		85,423	90,306
EQUITY		**1,714,089**	**1,667,349**
NON CURRENT LIABILITIES			
Provisions	4.10	18,352	18,460
Employee benefits	4.11	80,107	87,746
Deferred tax liabilities	4.8	255,268	341,561
Liabilities related to assets held under financial liease - over one year	4.14	477	1,186
Long term borrowings and financial liabilities	4.14	912,724	646,813
Other liabilities	4.12	46,677	51,929
TOTAL		**1,313,605**	**1,417,695**
CURRENT LIABILITIES			
Provisions	4.10	6,856	8,202
Employee benefits	4.11	5,743	4,002
Liabilities related to assets held under financial liease - less than one year	4.14	551	501
Short term borrowings and financial liabilities	4.14	186,906	344,462
Other financial liabilities	4.15	2,145	5,958
Trade payables and other liabilities	4.13	679,645	683,836
Tax payable liabilities		31,059	33,593
Current bank facilities and other borrowings	4.14	1,991	9,519
TOTAL		**914,896**	**1,090,073**
TOTAL EQUITY AND LIABILITIES		**3,942,590**	**3,905,117**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

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

Consolidated statement of changes in equity

(in thousands of euros)	Note	Number of shares out standing	Share capital	Additio-nal paid in capital	Translation differences	Treasury shares	Consolidated income	Reserves and accumulated consolidated profit (loss)	Equity - group share	Non control-ling 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 earnings from prior year							(184,453)	184,453			
Dividends paid								(61,069)	(61,069)	(4,108)	(65,177)
Profit (loss) for the period							213,138		213,138	4,306	217,444
Change in the scope of consolidation										64,115	64,115
Other items of comprehensive income	4.9				(48,446)			(2,065)	(50,511)	377	(50,134)
Other changes in value directly recognized in equity								51	51	(947)	(896)
Purchase of treasury shares		(1,785)				(888)			(888)		(888)
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 earnings from prior year							(213,138)	213,138			
Dividends paid								(66,188)	(66,188)	(4,103)	(70,291)
Profit (loss) for the period							179,970		179,970	6,328	186,298
Other items of comprehensive income	4.9				(72,895)			10,075	(62,820)	(7,089)	(69,909)
Other changes in value directly recognized in equity								562	562	(19)	543
Purchase of treasury shares		(1,617)				(833)			(833)		(833)
Treasury shares distributed		5,068				932			932		932
BALANCE AT DECEMBER 31, 2017		**6,792,138**	**10,308**	**21,967**	**(135,650)**	**(21,012)**	**179,970**	**1,573,083**	**1,628,666**	**85,423**	**1,714,089**

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

Consolidated cash flow statement

(in thousands of euros)	Notes	2017	2016
Cash flow from (used in) operating activities			
Pre-tax profit		178,290	300,501
Adjustments for:			
Depreciation, amortization and write-downs		94,191	88,521
Capital gains (losses) on disposal		6,371	1,773
Reclassification of net financial income and expenses		36,771	12,252
Other non-cash items on the income statement		6,987	(8,676)
Cash flow		**322,610**	**394,371**
(Increase) decrease in inventories, receivables and payables	5.1	31,302	(25,849)
(Increase) decrease in non-current receivables and payables		(2,339)	591
Income taxes paid		(70,693)	(79,875)
NET CASH FLOW GENERATED BY OPERATING ACTIVITIES	(1)	280,880	289,238
Cash flow from (used in) investing activities			
Acquisitions of activities		(259)	(780,419)
Acquisitions of tangible and intangible assets	5.2	(152,406)	(134,087)
Disposals of tangible and intangible assets	5.2	17,698	829
Investment grant received		76	1,208
Acquisitions of financial assets		(7,417)	(4,558)
Disposals of financial assets		9,498	8,470
Dividends received		3,017	2,461
NET CASH FLOW FROM (USED IN) INVESTING ACTIVITIES	(2)	(129,793)	(906,096)
Cash flow from (used in) financing activities			
Dividends paid		(70,290)	(65,176)
Interest paid		(24,239)	(14,713)
Change in debt resulting from finance lease contrats	5.3.2	(444)	345
Increase (decrease) in current accounts with entities outside the scope of consolidation	5.3.1	16,209	11,075
(Purchase)/sale of treasury shares		(833)	(888)
Borrowings and financial liabilities issued	5.3.2	518,628	365,914
Repayments of borrowings and financial liabilities	5.3.2	(422,241)	(39,899)
NET CASH FLOW FROM (USED IN) FINANCING ACTIVITIES	(3)	16,790	256,658
NET INCREASE (DECREASE) IN CASH FLOW AND CASH EQUIVALENTS	**(1)+(2)+(3)**	**167,877**	**(360,200)**
NET CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		**304,861**	**673,604**
Effect of foreign exchange rate fluctuations		(4,520)	(8,543)
NET CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD		**468,218**	**304,861**
At the closing date net cash and cash equivalents comprised the following:			
Marketable securities and money market instruments	4.14	160,455	124,074
Cash on hand and balance with banks	4.14	309,754	190,306
Current used bank facilities including overdrafts and accrued interest	4.14	(1,991)	(9,519)
TOTAL		**468,218**	**304,861**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

SUMMARY OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 1 Accounting principles, rules and methods

1.1 Presentation of the annual consolidated financial statements

Pursuant to 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 for the 2017 financial year were prepared in accordance with IFRS as adopted by the European Union and published by the International Accounting Standards Board (IASB) at the date these financial statements were prepared. Closed on December 31, 2017, the financial statements were approved on March 8, 2018 by the Board of Directors.

International accounting standards comprise the International Financial Reporting Standards (IFRS) and International Accounting Standards (IAS) as well as the interpretations of those standards by the Standing Interpretations Committee (SIC) and the International Financial Reporting Interpretations Committee (IFRIC).

Standards, amendments and interpretations effective and mandatory from January 1, 2017

No new standard was introduced with mandatory application as from January 1, 2017.

Other standards, amendments and interpretations issued and applicable from January 1, 2017 had no impact on the Group's consolidated financial statements.

Standards, amendments and interpretations effective but not mandatory from January 1, 2017

- IFRS 9 "Financial Instruments";
- IFRS 15 "Revenue from Contracts with Customers";
- IFRS 16 "Leases".

The Group intends to apply IFRS 16 early, as of January 1, 2018, at the same time as it adopts IFRS 15 and IFRS 9, which are mandatory as of January 1, 2018.

The effects of the application of IFRS 15 on revenue recognition, as of January 1, 2018, have been identified and evaluated. No significant impact on the Group's consolidated financial statements is expected following the implementation of this standard.

The effects of the application of IFRS 9 on financial instruments from January 1, 2018 have also been identified. Their impact will be concentrated on securities held in the portfolio and classified as financial assets. The amounts involved are currently being assessed.

The impact of the application of IFRS 16 on rights-of-use assets is currently estimated at approximately €132 million, and it is expected that the impact on recurring income will be not significant to the Group. Work is being finalized and the main restatements relate to office and warehouse leases as well as to vehicle fleets. The Group intends to opt for the simplified retrospective transition method, applied to the accounts as of January 1, 2018, without restatement of previous periods.

1.2 Valuation basis used in the preparation of the consolidated financial statements

The consolidated financial statements were prepared according to historical cost with the exception of certain categories of assets and liabilities in accordance with IFRS rules. These categories are disclosed in the following notes.

1.3 Estimates

In preparing the consolidated financial statements, Group management and fully consolidated companies management may use some estimates and underlying assumptions to determine the value of assets and liabilities, expenses and income, as well as the information disclosed in the notes to the Group's financial statements.

These estimates and underlying assumptions are made based on information and positions known at the balance sheet date and may vary significantly from actual values.

The assumptions notably concerned the impairment testing of assets, obligations to employees, deferred taxes, and provisions.

1.4 Consolidation methods

Subsidiaries controlled exclusively by the Group, whether directly or indirectly, are fully consolidated. These are subsidiaries whose financial and operating strategies are guided by the Group so that it may obtain the resulting benefits.

Participating interests in entities other than subsidiaries and associates are not consolidated. They are recorded at fair value under "Financial assets available for sale".

Newly acquired entities are consolidated at the date when control was effectively transferred to the Group in accordance with the acquisition method described in IFRS 3. Income and expenses from subsidiaries acquired or sold during the year are posted to the consolidated income statement from the date of acquisition and ending at the date of disposal.

The Group's consolidated financial statements are prepared on the basis of the financial statements of its consolidated entities prepared in accordance with the accounting rules in force in their respective countries and restated beforehand to bring them into compliance with international accounting standards.

All significant transactions between fully consolidated entities as well as consolidated intragroup results are eliminated.

All Group entities close their financial statements on December 31. A list of consolidated entities at December 31, 2017, is presented in Note 10.

1.5 Other significant accounting policies and rules

Translation of financial statements of foreign companies

Subsidiaries outside the euro zone use the local currency as their functional currency and translate their financial statements into euros based on:

- the average rate for the year for income statement and cash flow items, unless there has been a strong fluctuation in the local currency. In this case the average rate for the financial year is replaced by distinct average rates for each uniform currency period;
- the year-end exchange rate for balance sheet items.

The share of the resulting foreign exchange differences attributable to the Group is recorded in equity under "Translation differences" until the investments from which they arise are sold or disposed of. The translation gains or losses are then recognized in the income statement.

The share attributable to non-controlling interests is recorded under "Non-controlling interests".

Foreign currency transactions

Transactions denominated in foreign currency are converted into the subsidiary's functional currency at the exchange rate applicable at the transaction date.

At year end, receivables, cash and debts denominated in foreign currency are translated at the closing exchange rate or hedging rate, as the case may be, and the resulting translation differences are recorded under one of the following items on the income statement:

- "Gross margin" for sales transactions;
- "Other financial income and expenses" for cash flow operations.

Assets and liabilities held for sale

Assets and liabilities immediately available for sale, and for which the sale is highly probable within a period of 12 months, are classified as assets and liabilities held for sale. When several assets are held for sale in a single transaction, the assets and all related liabilities are recognized as a disposal group.

A sale is considered highly probable when the appropriate level of management has committed to a plan to sell the asset or disposal group and an active program to find a buyer has been launched.

Assets and liabilities held for sale are classified, respectively, as "Assets held for sale" or "Liabilities held for sale" in the consolidated balance sheet. They are measured at the lower of their carrying amount or fair value less any costs of disposal and are no longer depreciated or amortized once classified as assets or liabilities held for sale.

Goodwill

Goodwill is the excess of the acquisition cost of shares over the Group's share of identifiable acquired assets and assumed liabilities measured at fair value after taking into account any deferred taxes at the acquisition date. If the acquisition costs exceed the fair value of the identifiable acquired assets and assumed liabilities, the excess is recognized in profit and loss for the year when the acquisition is made.

In accordance with IFRS 3 and IAS 36, goodwill is not amortized but is instead subject to impairment testing at least once a year or on an ad-hoc basis if events or changes in circumstances indicate that it might be impaired (See Note "Impairment of assets").

Goodwill relating to entities over which the Group exercises control is recorded as an asset under "Goodwill".

Other intangible assets

Other intangible assets include:

- acquired patents;
- acquired, well-known and readily identifiable brands whose value growth can be verified;
- computer software.

Acquired patents and computer software were recognized on the balance sheet at acquisition cost and are amortized over their useful lives. Computer software is amortized over a period of one to eight years.

Brands that are not amortized, are subject to annual impairment testing (also see the "Impairment of assets" note), and brands with definite useful lives are amortized on a straight-line basis over their estimated economic useful life.

All Research and Development costs are expensed in the year in which they are incurred. Development costs are not capitalized since the recognition criteria set by IAS 38 "Intangible Assets" are generally not fulfilled before the products are launched on the market.

Tangible assets

Property, plant and equipment is measured at acquisition cost (purchase price plus additional costs of bringing the assets to working condition) or production cost (excluding financial charges) except for fixed assets legally revalued before January 1, 2000, in accordance with the exception under IFRS 1, or reassessed at fair value at the date of control for business combinations.

The Group applies the component approach when certain parts of an acquired fixed asset have different useful lives, and the component parts are depreciated and recorded separately.

Replacement or renewal expenses of the component part of an asset are recognized as a distinct asset and the replaced asset is written off.

Interest on borrowings used to acquire fixed assets is treated as a financial expense and is not capitalized in the cost of the asset.

The Group decided against taking the residual values of property, plant and equipment into account because such assets are expected to be used throughout their useful lives and, as a general rule, are not held for sale.

Depreciation is calculated on a straight-line basis over the economic useful life of the property, plant or equipment:

• Constructions:	
• industrial	30/40 years
• administrative and commercial	40 years
• property fittings and fixtures	10 years
• Machinery and equipment	5 to 10 years – 15/20 years
• Vehicles	4/10/15 years
• Office furniture and equipment	4 to 15 years

Investment grants

Investment grants received by the Group are recorded on the balance sheet under "Other liabilities" (current/non-current) and apportioned to the income statement in keeping with the depreciation schedule of the assets they financed.

Finance leases and operating leases

Assets held under a finance lease are capitalized when the leases transfer to the Group substantially all of the risk and rewards inherent to the ownership of the assets.

When a finance lease is entered into, the assets are recorded on the balance sheet in an amount equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments.

The assets are straight-line depreciated on the basis of their estimated useful life, in accordance with the same criteria used for depreciable assets of a similar nature wholly-owned by the Group, or on the basis of the life of the lease, if shorter.

The corresponding liability, net of interest expense, is recorded on the balance sheet.

Leasing contracts not meeting finance lease definition criteria are classified as operating leases. All related payments are expensed in the year in which they are incurred.

Impairment of assets

In accordance with IAS 36 "Impairment of Assets", goodwill and intangible assets are subject to impairment testing at least once a year, or more frequently if events or circumstances indicate a loss of value. Annual impairment testing is carried out in the fourth quarter of the year.

Cash-generating units (CGUs) are identified to realize the tests. CGUs correspond to subsidiaries or groups of subsidiaries that generate cash flows largely independent of the cash flows from other CGUs.

Other capitalized assets are also subject to impairment testing whenever events or changed circumstances indicate that carrying amounts might not be recoverable.

Impairment testing consists of comparing the net carrying amount of the asset to its recoverable amount, which is the higher of the asset's fair value or its value in use.

Value in use is obtained by adding the net present values of the future cash flows expected to be derived from the use of an asset, or asset group, and from the ultimate disposal of the asset.

The after-tax cash flows used to determine value in use are derived from CGU business plans. Sales and terminal cash flow projections are based on reasonable and supportable assumptions in line with market data available for each CGU.

Fair value is the amount obtainable from the sale of the asset or group of assets in an arm's length transaction between knowledgeable, willing parties.

Impairment losses are recognized when testing shows a loss of value to ensure that the net carrying amount of the assets does not exceed their recoverable value.

Property, plant and equipment is subject to impairment testing as soon as indications of impairment arise.

When the recoverable amount of an asset or group of assets is less than its carrying amount, the impairment loss is recorded in profit or loss and first posted against goodwill.

Impairment losses relating to goodwill may not be reversed.

Inventories and work-in-progress

Inventories are valued at the lower of their cost price and their net realizable value. Cost price is calculated using the "weighted average cost" or the "first-in, first-out" method.

The cost of materials and supplies is stated at purchase price plus incidental expenses such as transport, commissions and transit.

Manufactured goods are valued at production cost including the cost of materials consumed, the depreciation of production assets, and direct or indirect production costs, excluding financial expense.

The cost of inventories is written down when:

- gross amount, as determined above, exceeds market value or net realizable value;
- goods have deteriorated.

Financial assets and liabilities

Financial assets

In accordance with IAS 39, the Group classifies its financial assets into three categories, according to its intention at the time of purchase, which determine the accounting treatment for each instrument.

Financial assets at fair value through income statement

These assets, held for trading purposes, are expected to be sold in the near term. This category includes marketable securities and derivative instruments other than hedging instruments.

These assets are measured at fair value. Changes in fair value are recognized through the income statement.

Loans and receivables

These are financial assets with fixed or determinable payments that are not quoted in an active market. This category includes commercial loans, trade and other receivables and current bank accounts.

Receivables and payables are recognized at nominal value and discounted, if necessary, in accordance with IAS 39. They are carried at amortized cost. An allowance for doubtful receivables is recorded when it becomes probable that the receivable will not be recovered.

Bills for collection are recorded in "Trade and other receivables".

Assets available for sale

These are financial assets that do not belong to the other two categories referred to above. This category primarily includes non-consolidated participating interests, certain marketable securities and derivative financial instruments used as hedging instruments.

Participating interests available for sale are recognized at fair value at the closing date. For listed shares, fair value is deemed to be the market price of the shares at the designated closing date. Except for impairment losses, which are recorded in the income statement when recognized, changes in the fair value of financial assets available for sale are recognized in equity until the assets are sold. Non listed shares, for which fair value cannot be reliably assessed, are carried at historical cost.

Derivative instruments are recognized on the balance sheet at market value at the closing date. Changes in the value of derivative instruments are recognized according to the following principles:

- for the effective portion of designated cash flow hedging instruments, changes in fair value are recognized in equity. The ineffective portion is recognized in the income statement;
- for designated fair-value hedges, changes in fair value are recognized in the income statement.

Financial liabilities

In accordance with IAS 39, the Group distinguishes three categories of financial liabilities, each of which is subject to a specific accounting treatment:

- financial liabilities held for trading purposes and expected to be sold in the near term. These include derivative instruments other than hedging instruments. They are measured at fair value through the income statement;
- financial liabilities carried at amortized cost. These are mainly borrowings, debt and trade payables;
- financial liabilities measured at fair value. These include derivative instruments for hedging.

Net cash and cash equivalents

Cash and cash equivalents include current bank account cash balances, term deposits that may be sold or used at very short notice (under three months) with no significant risk of losing value should interest rates change, and marketable securities. These are made up of money-market fund units that are highly liquid and carry a very low risk of change in value.

The Group's net cash consists of marketable securities and money market instruments, cash and cash equivalents, net of current bank facilities, including overdrafts, and of any corresponding interest recorded in current financial liabilities. Changes in the Group's net cash are presented in the cash flow statement.

Treasury shares

Fromageries Bel shares repurchased by the consolidating company in accordance with Law 98-546 of July 2, 1998 are posted directly against consolidated shareholders' equity in an amount corresponding to their acquisition costs, including direct costs linked to the acquisition, net of corresponding tax savings.

Employee benefits

Independent actuaries assess the main employee benefit obligations.

For defined benefit plans, obligations are measured on a discounted basis using the "projected unit credit" method and taking into account assumptions about salary growth, turnover rates, retirement age and mortality rates. The economic conditions specific to each monetary zone are factored into the assumptions used.

The fair value of plan assets, if applicable, is deducted from the calculated obligations, and provisions are recognized on the balance sheet.

Actuarial gains and losses arise from changes in actuarial assumptions in the valuation of obligations and funds from year to year and what actually occurs in terms of market conditions and real data.

For post-employment benefits, actuarial gains and losses are recognized in equity under "Items of Other Comprehensive Income" in accordance with IAS 19. Actuarial gains and losses on other long-term benefits are expensed for the year.

Expected proceeds from plan assets that give rise to an expense are calculated using the discount rate.

For basic and other defined contribution plans, the obligation is charged to income as determined by the amounts to be contributed for the period.

Share-based payments

Stock option plans are equity-settled share-based payment systems under IFRS 2. The grant component is measured based on the Fromageries Bel share price at the grant date and, taking into account the non-payment of dividends during the vesting period, the stock options are recorded as personnel expenses with a corresponding increase in equity. The expense is recognized over the length of the vesting period.

Provisions

A provision is booked when the Group has a legal or implicit obligation to a third party that can be reliably estimated and is likely to result in the outflow of resources. If the amount or settlement date cannot be reliably estimated, the obligation is deemed to be a contingent liability and recognized as an off-balance sheet item.

Restructuring provisions are booked only after the announcement and establishment of a detailed restructuring plan or if the start of a restructuring undertaking gave rise to a constructive obligation.

Purchase commitments with minority shareholders

The Group has obligations to purchase interests held by the minority shareholders of some consolidated subsidiaries. For the Group, these purchase obligations are optional, relating to put options.

In accordance with IAS 32 - Financial Instruments: Disclosure and Presentation, firm or conditional obligations to buy non-controlling interests are recognized as liabilities in amounts equal to their purchase price.

Any differences in the purchase price of a non-controlling interest and the share of the net equity acquired are recognized in equity without reassessing the value of the acquired assets and liabilities. Subsequent variations in the value of the liability are offset in equity.

Income taxes

Income tax expenses correspond to the income tax due by each tax-consolidated entity, adjusted for deferred income taxes.

In France, Fromageries Bel heads a tax consolidation group that includes the following entities: SAS FR, Fromageries Picon, Fromageries Bel Production France, Fromageries Boursin, Société des Produits Latiers, SOFICO, SICOPA, SOPAIC, and ATAD.

France's 2010 budget law, approved in December 2009, introduced the CET (*Contribution Économique Territoriale*), a local tax that supplanted the *Taxe Professionnelle* business tax. The Group qualifies the CET tax as an operating expense rather than an income tax. Accordingly, CET payable from 2010 falls under operating income.

Taxes payable for the period but not yet paid are recognized on the balance sheet under current payables. Overpaid income tax vs. income tax owed is recorded on the balance sheet under current receivables.

In accordance with IAS 12, deferred taxes and liabilities are recorded on the temporary differences between the tax and carrying amounts of the assets and liabilities. Based on the balance sheet liability method, they are measured at the tax rates that are expected to apply in the period when the assets are realized or the liabilities settled and are classified as non-current assets and liabilities. Changes in the tax rate from year to year are recorded in profit or loss for the year in which the change was recognized.

Deferred tax assets resulting from deductible temporary differences, unused tax losses and unused tax credits are limited to the estimated amount of recoverable tax. The latter is assessed at the balance sheet date based on the earnings forecasts of the related tax entities. Deferred tax assets and liabilities are not discounted.

Deferred taxes are recognized as income or expenses in the income statement except when they are associated with items directly credited or charged to equity. In this case, deferred taxes are also recognized in equity.

Revenue

Revenue from sales of goods, merchandise and other goods and services rendered in the course of the ordinary activities of consolidated Group entities is recorded net of discounts or commercial rewards and sales tax once the significant risks and rewards of ownership are transferred to the customer or the service is rendered.

Other non-recurring income and expenses

Other non-recurring income and expenses primarily include:

- allowances and reversals of provisions for contingencies and losses, including restructuring costs incurred when assets are sold or operations discontinued, and costs arising from commitments made to employees affected by lay-off plans;
- capital gains and losses;
- impairment of non-current assets;
- provisions arising from tests for impairment loss on intangible assets;
- amortization of intangible assets with definite useful life;
- any unusual, material gains or losses not linked to recurring operating performance.

Earnings per share

Basic earnings per share before dilution is calculated by dividing net profit (Group share) by the weighted average number of ordinary shares outstanding during the year minus the weighted average number of Treasury shares held by Group entities.

Diluted earnings per share is calculated by taking into account the effects of all outstanding potential dilutive instruments minus the weighted average number of Treasury shares. Net profit is adjusted to factor in the after-tax impact of dilutive instruments.

NOTE 2 Changes in the scope of consolidation and changes in the ownership interest of consolidated entities

The Group consolidated its subsidiary Bel Cheese Korea, which was created on November 19, 2008, for the first time in 2017. In addition, the entities MOM Participations 2 and MOM SAS carried out mergers, with MOM Participations 2 absorbed by Newton Holding and MOM SAS by MBMA SAS.

NOTE 3 Income statement

3.1 Business segment information and significant events of the year

Sales and operating income by geographical region are the two key performance indicators used by Group General Management, the main operating decision-maker. Results are prepared by target market on a monthly basis to help monitor and offset the effects of raw material price and foreign exchange volatility on margins as soon as they occur across all production entities.

Conversely, cash flow and balance sheet items are not tracked by market. They are instead prepared and tracked on a Group-wide basis.

The developing markets in the Asia-Pacific region are currently in an organizational phase and are not now considered a distinct operational sector. They are grouped together with the markets in the Americas region.

The Group's total sales for 2017 amounted to €3,346 million compared with €2,936 million in 2016.

Excluding the negative 2.1% impact from foreign exchange fluctuations and consolidation scope effects, which represent 13.8% of revenue growth, consolidated sales increased 2.3% organically [(1)] for the full year in 2017.

The breakdown in total sales by region was as follows:

(in thousand euros)	2017	2016	Overall change	Of which organic growth
Europe	1,856,017	1,560,243	19.0%	5.1%
Americas, Asia-Pacific	750,397	566,684	32.4%	3.5%
Middle East, Greater Africa	740,000	808,721	-8.5%	-4.0%
TOTAL	**3,346,414**	**2,935,648**	**14.0%**	**2.3%**

In Europe, after a slow first half-year of activity, marked by considerable tensions in annual negotiations with retailers that led to the de-listing of some of the Group's products, activity in the second half of the year was more sustained, particularly in the last quarter. Despite the high prices of dairy raw materials, cheese price increases were contained.

Nevertheless, the Group has reaffirmed its objective of strengthening a sustainable dairy industry and in France has signed a major agreement with the Bel Ouest Milk Producers Association, which sets the average benchmark milk purchase price at €350 per 1,000 liters for 2018. It also continues to promote an offer of innovative and healthy products, in line with consumer expectations.

At constant exchange rates and scope, sales in the Middle East, Greater Africa zone shrank by 4.0% in 2017. Consumers' purchasing power this region, where dairy raw materials are mainly imported, deteriorated sharply during the year. Against this backdrop, sales price increases to cope with the rise in dairy raw material prices were moderate.

The Americas and Asia Pacific region continued its organic growth trend in the fourth quarter, which was characterized by a strong negative exchange rate impact. Organic growth[(1)] in the region's sales came to + 3.5% for the whole of 2017.

At MOM, enhanced promotional and advertising support in 2017 has lifted the brands GogosqueeZ in the Americas and Pom'Potes in France to their all-time high in terms of market share. The launch of healthy dairy snack products complements the offer of fruit puree in squeezable pouches.

(1) *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 income by region was as follows:

(in thousand euros)	2017	2016	Variation
Europe	145,030	151,947	-4.6%
Americas, Asia-Pacific	27,995	18,879	48.3%
Middle East, Greater Africa	42,036	127,330	-67.0%
TOTAL	**215,061**	**298,156**	**-27.9%**

The Group's business was particularly hard hit in the countries the Middle East and Greater Africa region, which has been durably affected by economic and political instability, and declining consumer purchasing power. In Europe and the Middle East, Greater Africa region, selling prices were raised moderately, although not enough to offset the strong increase in dairy raw material prices.

The Group nevertheless decided to continue backing its brands with significant advertising and promotional spending to boost its market share and develop its new territories. Operating income for the year was also negatively impacted by highly unfavorable exchange rates and declined 27.9 %, versus the 2016 financial year.

3.2 Operating expenses by nature

Operating expenses by nature broke down as follows:

(in thousands of euros)	2017	2016
Personnel expense	562,284	526,914
Depreciation and amortization expense	107,139	93,372
Other operating expense	2,451,294	1,988,303
TOTAL OPERATING EXPENSE	**3,120,717**	**2,608,589**

Other operating expenses included manufacturing raw materials and consumables used to make products sold, as well as other costs of goods and services sold.

3.3 Other non-recurring income and expenses

Other non-recurring income and expenses broke down as follows:

(in thousand of euros)	2017	2016
Depreciation and gains	(1,999)	(10,287)
Restructuring costs	(5,005)	(5,436)
Other non-recurring income and expense	(3,632)	(13,180)
TOTAL OTHER NON-RECURRING INCOME AND EXPENSE	**(10,636)**	**(28,903)**

In 2017, the item "Impairment and income from disposals of fixed assets" includes a €3.4 million impairment of the Boursin-Asia CGU, which was already impaired in 2016 by €3.6 million, as well as the amortization of €2.6 million in brands acquired at MOM, and the reversal of depreciation on US local brands, booked in 2013, for an amount of €5.2 million (see Note 4.1).

Restructuring costs stemmed mainly from the departure of personnel who were not replaced, mostly in Morocco and France.

"Other non-recurring income and expenses" included costs for the acquisition of MOM Group in 2016, amounting to €8.8 million.

(1) 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.

3.4 Financial income and expenses

Financial income and expenses broke down as follows:

(in thousands of euros)	2017	2016
Income from cash and cash equivalents	2,289	3,706
Cost of gross financial debt	(26,561)	(18,419)
Net costs of financial debt	**(24,272)**	**(14,713)**
Net cost from discounting	(727)	(4,277)
Foreign currency gains (losses)	(14,783)	15,213
Other	3,011	6,122
Other financial income and expense	**(12,499)**	**17,058**
TOTAL NET FINANCIAL EXPENSE	**(36,771)**	**2,345**

The cost of the Group's financial debt increased by €9.5 million in 2017, following the acquisition of MOM Group, on December 16, 2016, and the increase in its average financial debt.

The negative foreign exchange result is mainly steems from the unfavorable conversion of foreign assets and liabilities of the Group's Egyptian (€4.2 million) and Iranian (€5.7 million) subsidiaries.

"Other" includes dividends received from outside the Group in 2017; in 2016 it also included a gain on the sale of securities in the amount of €3 million.

3.5 Income tax expense

Income tax expenses broke down as follows:

(in thousands of euros)	2017	2016
Current tax, including withholding tax	(38,710)	(76,330)
Deferred tax	46,718	(6,727)
TOTAL INCOME TAX EXPENSE	**8,008**	**(83,057)**

In 2017, the applicable corporate tax rate in France was 33.33%, to which was added a social security tax of 3.3% which brings the total rate to 34.43%.

In 2017, the Group's effective tax rate was -4.5%. The difference between the applicable and effective income tax rates is summarized below:

(In%)	2017	2016
Standard tax rate *(including additional contributions)*	**34.4%**	**34.4%**
Impact of the difference in the current tax rates of foreign subsidiaries	-7.4%	-7.4%
Impact of change in tax rate in foreign companies	-22.2%	-1.4%
Impact of change in tax rate in France	-6.3%	-2.2%
Tax credits	-1.9%	-0.8%
Prior period carryforwards used during the year	-1.2%	-0.2%
Unused tax loss carryforwards from the period	1.2%	-
Alternative minimum tax and non-creditable withholding tax	2.4%	2.0%
Permanent differences	-0.2%	0.6%
Deferred tax limitation	0.0%	1.1%
Other items	-3.3%	1.5%
EFFECTIVE INCOME TAX RATE	**-4.5%**	**27.6%**

The share of earnings in countries with tax rates below French levels, i.e. Morocco, Egypt, Algeria and the Netherlands, accounted for most of the "Impact of the difference in the current tax rates of foreign subsidiaries". The improvement in the "Impact of changes in tax rates" line stemmed primarily from the favorable tax rate change in the United States and Belgium.

In 2017, the "Impact of changes in tax rates in France" was due to the lower tax rate voted in France in the 2017 budget law which will gradually bring the rate down to 25% from 2021. Consequently, long-term deferred taxes were revalued in accordance with the rates applicable from 2021.

In 2017, the "Other items" line includes, in particular, reimbursement of the 3% tax on dividends and related costs and expenses obtained thanks to filing a claim with the tax authorities.

3.6 Earnings per share

Basic earnings per share was calculated by dividing attributable net profit, Group share by the number of ordinary shares (6,872,335 at December 31, 2017) less the weighted average number of Treasury shares (82,025 at December 31, 2017).

Diluted earnings per share is identical to basic earnings per share as the bonus shares awarded during the period were not dilutive.

NOTE 4 Balance sheet

4.1 Goodwill

Changes in goodwill for 2017 are presented in the following table:

(In thousands of euros)	2017	2016*
GROSS VALUE AT PERIOD OPENING	858,546	469,558
Revision of goodwill from Safilait acquisition	-	1,999
Impact of change in consolidation scope		383,940
Translation differences	(13,776)	3,049
GROSS VALUE AT PERIOD CLOSE	844,770	858,546
Accumulated write-downs at period opening	**(50,382)**	**(47,536)**
Amortization	(3,444)	(3,600)
Translation differences	1,196	754
Accumulated write-downs at closing	**(52,630)**	**(50,382)**
NET CARRYING AMOUNT OF GOODWILL FROM CONTINUING OPERATIONS	**792,140**	**808,164**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

Gross goodwill of €648.5 million was recorded, without allocation of the purchase price, subsequent to the acquisition of a controlling interest in MOM Group on December 15, 2016. The determination of fair value of assets acquired and liabilities assumed, including brands, was conducted by an independent expert and during the 2017 financial year in accordance with IFRS 3 revised standard..

Preliminary goodwill is allocated as follows:

(in thousand euros)	2017	Allocations
Goodwill gross value on January 1st	**648.5**	
Intangible assets		375.0
Tangible assets		0
Inventory		8.8
Other assets		12.4
Deferred tax liabilities		(131.5)
Residual Goodwill		**383.9**
TOTAL	**648.5**	**648.5**

The intangible assets relate to MOM Group brands. Two of these are amortized over 20 years.

An amount of €383.9 million was posted to “Goodwill” as residual goodwill, representing the excess of the acquisition cost of shares over the Group’s share of identifiable acquired assets and assumed liabilities measured at fair value. It was then allocated to the Cash Generating Units for which the benefits or synergies of the acquisition are expected.

In both 2017 and 2016, impairment tests on cash-generating units resulted in an impairment of €3.4 million on the goodwill of Boursin-Asia, compared to €3.6 million in 2016 (See Note 3.3). Conversely, the impairment test of US brands led to the write back in 2017 of a provision for impairments recorded in 2013 in the amount of €5.2 million.

The following assumptions and parameters were used in the impairment testing of CGUs to determine their value in use:

- explicit forecasts for five years, apart from Safilait for which a seven-year horizon was used;
- Weighted Average Cost of Capital: country risk rates established by Coface were used to revise the discount rates determined for each country to take into account the notions of risk and time according to each CGU’s profile and country risk.

The following economic assumptions were therefore adopted after this review:

	Goodwill (in thousands of euros)		Long-term growth rate		Discount rate	
	2017	2016*	2017	2016	2017	2016
Europe	540,486	543,930	1%-2%	0,5%-2%	6.5%	7%
Americas, Asia-Pacific	227,423	238,791	0,5%-2%	2%	8%	7.5%
Middle East, Greater Africa	24,231	25,443	2%-3%	2%	11%	11%
TOTAL GROUP	**792,140**	**808,164**				

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

The Group tested the sensitivity of its CGUs to the following three factors:

- a 1% increase in the discount rate;
- a 0.5% decline in the long-term growth rate;
- a 1% decline in operating margin.

A 1% increase in the discount rate would result in the Group recognizing an impairment of €8 million.

4.2 Other intangible assets

Changes in other intangible assets during the year were as follows:

(in thousands of euros)	2017	2016*
Net carrying amount at January 1	**671,270**	**299,560**
Impact of change in consolidation scope	27	380,367
Acquisitions	10,278	11,144
Disposals, abandoned assets	(579)	(2,882)
Translation differences	(29,714)	(133)
Depreciation and write-downs	(9,806)	(16,008)
Reclassifications	19	(778)
NET CARRYING AMOUNT AT DECEMBER 31	**641,495**	**671,270**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

A breakdown of property, plant and equipment by nature is presented in the following table:

	December 31, 2017			December 31, 2016
(In thousands of euros)	Gross value	Accumulated depreciation and write-downs	Net carrying amount	Net carrying amount
Concessions and patents	34,243	(17,399)	16,844	17,905
Brands	594,590	(9,809)	584,781	610,283
Software	183,160	(143,813)	39,347	42,868
Other	1,618	(1,095)	523	214
TOTAL	**813,611**	**(172,116)**	**641,495**	**671,270**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

As in 2016, acquisitions of other intangible assets in 2017 were primarily related to the Group's IT projects.

In 2016, "Impact of change in consolidation scope" mainly corresponds to the allocation of goodwill to MOM Group brands acquired in December 2016.

4.3 Property, plant and equipment

Changes in property, plant and equipment during the year were as follows:

(in thousands of euros)	2017	2016
Net carrying amount at January 1	**915,874**	**705,640**
Impact of change in consolidation scope		190,909
Acquisitions	150,311	116,913
Assets disposed of or written down	(23,737)	(1,721)
Translation differences	(51,591)	(9,785)
Depreciation and write-downs	(87,577)	(82,999)
Reclassifications	(16)	(3,083)
NET CARRYING AMOUNT AT DECEMBER 31	**903,264**	**915,874**

A breakdown of property, plant and equipment by nature is presented in the following table:

	December 31, 2017			December 31, 2016
(in thousands of euros)	Gross value	Accumulated depreciation	Net carrying amount	Net carrying amount
Land	30,103	(5,612)	24,491	26,037
Constructions	443,007	(220,519)	222,488	229,833
Technical installations, fixtures, machinery and equipment	1,306,960	(782,274)	524,686	539,280
Other tangible assets	68,369	(41,209)	27,160	20,696
Assets under construction	105,430	(991)	104,439	100,028
TOTAL	**1,953,869**	**(1,050,605)**	**903,264**	**915,874**

The main acquisitions during the year concerned the increase in production capacities in France, Iran and Algeria.

“Depreciation, amortization and write-downs” includes depreciation of property, plant and equipment primarily in France, the United States and Portugal.

4.4 Financial assets and liabilities

Financial assets broke down as follows:

	December 31, 2017			December 31, 2016
(in thousands of euros)	Amortized cost	Fair value	Balance sheet amount	Balance sheet amount
Assets				
Financial assets available for sale	5,938	175,211	**181,149**	**191,240**
Other non-current financial assets	4,377		**4,377**	**4,105**
Non-current loans and advances	12,393		**12,393**	**12,891**
Non-current trade and other receivables	2,192		**2,192**	**2,826**
Current trade and other receivables	501,898		**501,898**	**559,026**
Other current financial assets		17,046	**17,046**	**3,556**
Current loans and advances	1,872		**1,872**	**1,662**
Current tax assets	52,440		**52,440**	**22,232**
Cash and cash equivalents	160,455	309,754	**470,209**	**314,380**

Financial liabilities recognizable under IFRS 7 were recorded in full at amortized cost with the exception of financial instrument liabilities, which were measured at fair value. They are detailed in Note 4.15.

4.5 Other non-current assets (excluding deferred taxes)

Changes in other non-current assets (excluding deferred taxes) were as follows:

(in thousands of euros)	December 31, 2017	December 31, 2016
Assets available for sale at period opening	191,240	202,196
Change in fair value recognized in Other comprehensive income	(9,797)	(11,629)
Other variations	(294)	673
ASSETS AVAILABLE FOR SALE AT PERIOD CLOSE	**181,149**	**191,240**

Financial assets held for sale included 196,350 Unibel shares held by SOFICO and acquired at an average price of €14.25 per share. At December 31, 2017, these shares were valued at €174.8 million based on the December 31, 2017 closing price. At December 31, 2016, these shares were valued at €184.6 million based on the December 31, 2016 closing price.

4.6 Inventories and work-in-progress

Inventories and work-in-progress broke down as follows:

(in thousands of euros)	December 31, 2017	December 31, 2016*
Raw materials and other supplies	142,849	149,755
Work-in-progress, goods and services	1,323	10,322
Merchandise, finished goods and intermediate goods	225,135	209,557
GROSS VALUE	**369,307**	**369,634**
Inventory depreciation	(17,640)	(18,703)
NET CARRYING AMOUNT	**351,667**	**350,931**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

The change in net inventories for the years presented breaks down as follows:

	2017			2016*
(in thousands of euros)	Gross amounts	Write-downs	Net amounts	Net amounts
At January 1	**369,634**	**(18,703)**	**350,931**	**271,721**
Change in gross inventory	18,187	-	18,187	13,811
Impact of change in consolidation scope	3,266	-	3,266	79,666
Change in depreciation	-	(1,019)	(1,019)	1,086
Translation differences	(21,780)	2,082	(19,698)	(15,353)
AT DECEMBER 31	**369,307**	**(17,640)**	**351,667**	**350,931**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

4.7 Trade and other receivables

Trade and other receivables broke down as follows:

(in thousands of euros)	December 31, 2017	December 31, 2016
Trade and other receivables	508,742	577,111
Write-downs	(6,844)	(5,685)
NET CARRYING AMOUNT	**501,898**	**571,426**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

The change in trade and other receivables for the years presented breaks down as follows:

(in thousands of euros)	2017			2016*
	Gross amount	Write-downs	Net amounts	Net amounts
At January 1	**577,111**	**(5,685)**	**571,426**	**497,593**
Changes in WCR	(46,609)	-	(46,609)	62,779
Impact of change in consolidation scope	(2,885)	-	(2,885)	48,072
Change in write-downs	-	(1,432)	(1,432)	(107)
Reclassifications	-	-	-	(5,685)
Translation differences	(18,875)	273	(18,602)	(31,226)
AT DECEMBER 31	**508,742**	**(6,844)**	**501,898**	**571,426**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

At December 31, 2017, net current trade receivables represented 88.2% of total trade and other receivables, with trade receivables under 60 days due accounting for 10.6% and trade receivables over 60 days due accounting for 1.2%. Receivables older than 120 days and not covered by credit insurance are fully impaired.

At December 31, 2017, the Group used factoring for trade receivables in the amount of €50.8 million.

4.8 Net deferred taxes

Net deferred tax liabilities at December 31, 2017 and changes in the net deferred tax position for the last two financial years were recorded as follows:

(in thousands of euros)	2017	2016*
At January 1	**(307,001)**	**(202,965)**
Impact of change in consolidation scope	3,033	(116,064)
Change recognized in equity	12,430	18,755
Change recognized in the income statement	46,718	(6,727)
AT DECEMBER 31	**(244,820)**	**(307,001)**

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

The effects of changes in the scope of consolidation for 2016 include the deferred taxes on revalued brands at entities of MOM Group.

Basis for deferred tax assets and liabilities

(in thousands of euros)	December 31, 2017	December 31, 2016*
Goodwill from business	(27,791)	(34,023)
Fixed assets	(89,628)	(104,406)
Brands and concessions	(140,251)	(195,009)
Derivative financial instruments	(4,367)	5,895
Valuation of Unibel shares	(42,995)	(52,556)
Pensions and similar employee benefits	21,262	22,721
Tax loss carryforwards	25,426	38,897
Other	13,524	11,481
NET DEFERRED TAXES	**(244,820)**	**(307,001)**
of which:		
Deferred tax assets	10,448	34,560
Deferred tax liabilities	(255,268)	(341,561)

* *Restated to include the finalization in 2017 of the purchase price accounting related to the acquisition of MOM Group.*

The “Other” line mainly concerns temporary items that are not tax-deductible.

Tax loss carryforwards

The Group has tax loss carryforwards that offer potential tax savings.

A deferred tax asset is recognized when the recovery of tax loss carryforwards is more likely than not to arise for either of the following reasons:

- either the deferred tax assets can be offset against tax liabilities set to mature during the period in which they are "deductible"; or
- taxable profits are expected during the recovery period.

Tax loss carryforwards mainly concern MOM Group, amounting to €20.1 million, and the Fromageries Bel España subsidiary, amounting to €4.1 million.

Deferred tax assets that were unrecognized owing to uncertainties about the probability of recovering the corresponding tax loss carryforwards were as follows:

(in thousands of euros)	December 31, 2017		December 31, 2016	
	Tax loss basis	Unrecognized deferred tax assets	Tax loss basis	Unrecognized deferred tax assets
Expires in				
Less than one year	366	66	975	175
One to five years	1,752	343	2,173	408
Over five years			-	-
May be carried forward indefinitely	20,233	5,061	30,422	7,564
TOTAL	**22,351**	**5,470**	**33,570**	**8,147**

Of the total unrecognized deferred tax assets at December 31, 2017, €3.9 million concerned the Group Fromageries Bel España subsidiary.

Changes in Spain's tax policy in 2014, 2016 and 2017 capped the deductibility of tax losses from previous years, and instead offered the possibility of carrying forward tax losses indefinitely.

4.9 Share capital information

Fromageries Bel's share capital is made up of 6,872,335 shares.

In 2017, changes to the Group's equity mainly arose from the profit/loss for the year and the dividend paid in May regarding the previous year, the impact of items recorded in the statement of comprehensive income.

Items recognized in the statement of comprehensive income are presented in the following table:

		December 31, 2017			December 31, 2016
		Group Share	Minority interest share	Total	Total
Cash flow hedging	*Gross amounts*	13,014		13,014	(760)
	Income tax impact	(4,583)		(4,583)	58
Mark-to-market of assets available for sale	*Gross amounts*	(9,797)		(9,797)	(11,631)
	Income tax impact	3,379		3,379	4,008
Limitation on deferred taxes on Unibel shares	*Income tax impact*	6,163		6,163	10,054
Actuarial gains and losses arising on retirement obligations	*Gross amounts*	2,771	180	2,951	(5,319)
	Income tax impact	(872)	(55)	(927)	1,525
Translation differences		(72,895)	(7,214)	(80,109)	(48,069)
TOTAL		**(62,820)**	**(7,089)**	**(69,909)**	**(50,134)**

The mark-to-market of the main hedge contracted by the Group subsidiaries is described in Note 4.15.3.

The mark-to-market of assets available for sale pertains to Unibel shares owned by SOFICO (see Note 4.5).

Actuarial gains and losses recognized during the year are described in Note 4.11.2.

Depending on its financial positions and changing needs, the Group may adjust its share capital by issuing new shares, for example, or by purchasing and cancelling existing shares.

The Group is not subject to equity covenants imposed by third parties.

Treasury shares

In 2017, the Group issued 5,068 and purchased 1,617 Treasury shares. It held 80,197 Treasury shares at December 31, 2017.

Bonus shares

The 2015-2017 bonus share plan ended in July 2017, with 5,264 bonus shares awarded to beneficiaries.

The 2016-2019 plan is underway and a new 2017-2020 stock option plan was approved by the Board of Directors on July 28, 2017.

In accordance with IFRS 2, personnel expenses arising from bonus share awards were recognized incrementally over the vesting period with counterpart entries in equity.

A breakdown of bonus share plans is presented in the following table:

BONUS SHARES PLANS

(in thousand of euros)	Plan 2015/2017	Plan 2016/2019	Plan 2017/2020	Total
Number of shares granted at the award date	5,442	6,717	5,886	
Number of shares awarded at December 31, 2017	5,264	5,068	5,886	
Fair value of share award (in €)	305	489	589	
Award criteria: percentage provisioned	100%	81%	100%	
Vesting period	2 years	2 years	3 years	
Holding period	2 years	2 years	3 years	
AMOUNT EXPENSED AT DECEMBER 31, 2017	**439**	**665**	**546**	**1,650**

4.10 Provisions

Changes in provisions for the years presented break down as follows:

(in thousands of euros)	2017	2016
Provisions at January 1	**26,662**	**26,281**
Impact of change in consolidation scope	0	12,681
Increase (charges)	2,172	4,616
Reversals - offset against expenses	(2,215)	(5,863)
Reversals - cancelled provisions	(1,250)	(8,788)
Reclassifications		(1,848)
Translation differences	(161)	(417)
PROVISIONS AT DECEMBER 31	**25,208**	**26,662**
Of which less than a year	*6,856*	*8,202*

The changes in provisions during the 2017 financial year concern risks which individual amounts do not exceed €500,000.

(in thousands of euros)	December 31, 2017	December 31, 2016
Provisions for disputes and litigation	3,922	4,171
Restructuring provisions	71	460
Provisions for other expenses	1,125	1,578
Provisions for other contingencies	20,090	20,453
PROVISIONS	**25,208**	**26,662**

The "Provisions for other risks" line mainly includes long-term provisions recorded on MOM Group's balance sheet in the amount of €12.7 million.

4.11 Employee benefits

The Group contributes to various pension plans, post-employment benefits and other long-term benefits in accordance with the laws and practices of the countries where it is present.

These plans are either defined contribution plans or defined benefit plans. For defined contribution plans, the expense is recorded in the year the contributions are due and, the Group's obligation being limited to said contributions, no additional retirement provisions are accounted for. For defined benefit plans, the obligations are measured using the projected unit credit method.

4.11.1 Summary of various employee benefits (defined contribution plans)

Employees benefit from defined contribution plans in some of the Group's entities. These plans mainly provide employees with benefits that complement State pension plans. For these plans, the expense is recorded in the year the contributions are due and, the Group's obligation being limited to said contributions, no additional retirement provisions are accounted for.

Nevertheless, an exception exists in the United States. Bel Brands USA contributes to a multi-employer fund that is by its nature a defined benefit plan. The fund manager, however, is unable to determine with any precision the share of each participating entity's obligation for the benefits earned by current employees, with the earned benefits of former employees deferred and retired employees benefiting from life annuities paid by the fund. Accordingly, under the rules of IAS 19, the Company only recognizes its contributions paid into the fund as if it were a defined contribution plan even though this plan is by nature a defined benefit plan. Bel Brands USA runs the risk of having to cover part of this obligation in the event that the fund is underfunded. The amount of the risk is not known at this time.

4.11.2 Summary of different types of employee benefits (defined benefit plans)

These plans mainly consist of additional retirement benefits, post-employment benefits and long-service awards.

Employee benefits concern primarily European countries, with France, Germany and the Netherlands together accounting for €120 million, or 95% of a total €126 million in employee benefits.

Actuarial gains and losses on post-employment benefits are recognized in "Other items of comprehensive income" in the period during which they arise.

The following table provides a summary of the financial position of defined benefit plans:

(in thousands of euros)	Netherlands	France	Germany	Rest of the world	2017 Total	2016 Total
Gross defined benefit obligation	52,701	47,450	19,468	6,208	125,827	136,906
Fair value of plan assets	(39,977)	0	0	0	(39,977)	(45,158)
NET EMPLOYEE BENEFIT OBLIGATION RECORDED ON THE BALANCE SHEET	**12,724**	**47,450**	**19,468**	**6,208**	**85,850**	**91,748**

Changes in gross employee benefit obligations for defined benefit plans are presented in the following table:

(in thousands of euros)	Netherlands	France	Germany	Rest of the world	2017 Total	2016 Total
Gross defined benefit obligation at January 1	**59,458**	**50,963**	**20,285**	**6,202**	**136,908**	**120,908**
Change in gross defined benefit obligation recorded in profit or loss	992	3,616	577	1,022	6,206	6,117
Change in the scope of consolidation						5,005
Actuarial gains and losses recorded in other comprehensive income	(7,539)	(2,034)	(473)	(103)	(10,148)	9,175
Translation differences	0			(147)	(147)	(41)
Benefits paid during the year	(210)	(2,722)	(921)	(766)	(4,618)	(4,258)
Increase/Decrease	0	(2,373)	0	0	(2,373)	
GROSS DEFINED BENEFIT OBLIGATION AT DECEMBER 31	**52,701**	**47,450**	**19,468**	**6,208**	**125,827**	**136,906**

Changes in the fair value of benefit plan assets are presented in the table below:

(in thousands of euros)	Netherlands	France	Germany	Rest of the world	2017 Total	2016 Total
Fair value of plan assets at January 1	**(45,158)**	**0**	**0**	**0**	**(45,158)**	**(39,491)**
Interest income (expense) on plan assets	(733)	0	0	0	(733)	(939)
Return on plan assets above the discount rate	7,197	0	0	0	7,197	(3,856)
Costs borne by bodies responsible for managing plan assets	52	0	0	0	52	52
Benefits paid by funds to recipients during the year	210	0	0		210	453
Contribution paid to funds	(1,545)	0	0		(1,545)	(1,377)
FAIR VALUE OF PLAN ASSETS AT DECEMBER 31	**(39,977)**	**0**	**0**	**0**	**(39,977)**	**(45,158)**

In 2017, the net amount expensed to the income statement totaled €5.5 million and broke down as follows:

(in thousands of euros)	Netherlands	France	Germany	Rest of the world	2017 Total	2016 Total
Service cost for the year	55	3,032	257	874	4,219	3,639
Interest income from the present value of the obligations	951	803	320	120	2,194	2,867
Past service cost following a plan change	0	87	0	0	87	(103)
Costs borne by bodies responsible for managing plan assets	52	0	0	0	52	52
Actuarial gains and losses on other long-term employment benefits	(14)	(306)		27	(293)	(285)
Change in gross defined benefit obligation recorded in profit or loss	**1,044**	**3,616**	**577**	**1,022**	**6,258**	**6,169**
Interest income (expense) on plan assets	(733)	0	0	0	(733)	(939)
TOTAL NET EXPENSES RECOGNIZED ON THE INCOME STATEMENT	**310**	**3,616**	**577**	**1,022**	**5,525**	**5,230**

In the Netherlands, collective bargaining with dairy industry trade unions over retirement benefits resulted in the signature of an agreement in 2014 at the end of which the defined benefit plans were replaced by a defined contribution plan on January 1, 2015. The rights acquired by employees at December 31, 2014 were frozen and defined benefit plans are now closed to new employees.

Actuarial gains and losses recorded in the statement of comprehensive income can be broken down as follows:

(in thousands of euros)	Netherlands	France	Germany	Rest of the world	2017 Total	2016 Total
Actuarial gains and losses on the present value of obligations recognized during the year and arising from experience adjustments	(6,374)	(591)	(157)	(7)	(7,128)	(7,588)
Actuarial gains and losses on the present value of obligations recognized during the year and arising from changes to demographic assumptions	80	0	0	0	80	87
Actuarial gains and losses on the present value of obligations recognized during the year and arising from changes to financial assumptions	(1,245)	(1,443)	(316)	(96)	(3,100)	16,675
Actuarial gains and losses recorded in other comprehensive income	**(7,539)**	**(2,034)**	**(473)**	**(103)**	**(10,148)**	**9,175**
Return on plan assets above the discount rate	7,197	0	0	0	7,197	(3,856)
TOTAL NET GAINS RECORDED IN THE STATEMENT OF COMPREHENSIVE INCOME	**(342)**	**(2,034)**	**(473)**	**(103)**	**(2,951)**	**5,319**

For defined benefit plans, obligations were measured according to actuarial techniques taking long-term assumptions into account. The main assumptions used by independent actuaries included the discount rate, the rate of salary increases, the turnover rate, and mortality rates.

In Europe, probable future benefits were written down to their present value using discount rates appropriate to each country. The discount rates were determined by using as a benchmark the yield on AA-rated corporate bonds with the same maturities as the obligations.

Assumptions weighted by obligation	December 31, 2017	December 31, 2016
Discount rate (weighted)	1.75%	1.64%
Rate of salary increases (weighted)	2.54%	2.52%
Duration (weighted)	18.0	18.3

The main financial assumption used to measure obligations in respect of defined benefit plans is the discount rate, which can have a significant impact on the outcome. A 100-point variation in the discount rate versus the main assumption used at December 31, 2017 would have the following effects:

	Decrease of 100 basis points	Increase of 100 basis points
Impact on obligation at December 31, 2017	20%	-15 %

4.11.3 Description of main defined benefit plans

France

The Group's French entities are subject to a collective bargaining agreement established with the French dairy industry, apart from MBMA and Materne's employees who are subject to the National Collective Bargaining agreement of the Processed Food Products Industry. Both collective bargaining agreements provide for the payment of pensions to employees still present in the firm at the time of their retirement, with the retirement age being the same as that at which citizens are eligible for their State pension. This allowance is calculated as a percentage of the last salary earned, with the percentage determined according to the number of years of service at the time of retirement. These benefits are also subject to payroll on-costs which vary according to occupational category. This plan is not externally managed.

The entitlements of the end-of-career pension plans and long-service awards were modified during the 2017 fiscal year. The impact of these changes is recorded as an expense.

Germany

Germany had an additional defined benefit plan that has been closed to new entrants since March 2003, with new entrants shepherded into a defined contribution plan. The defined benefit plan pays a life annuity (with a 60% annuity granted to the retiree's surviving spouse and disability coverage) based on a percentage of the employee's last earned salary (based on the number of years in service capped at 35 years). The annuities are by law revised for inflation every three years.

The Netherlands

The Netherlands has two additional defined benefit retirement plans, one of which was established by a collective bargaining agreement with the dairy industry. The plans pay a life annuity at the date of retirement, with the retirement age set at 67. The annuity corresponds to the benefits acquired over the employee's length of service and is revised up annually to the beneficiary's date of retirement. The plans also pay an annuity to the employee's spouse or children in the event of death and provide disability coverage as well. The plans do not guarantee that the annuities for current retirees will be revalued in the future. They also do not guarantee the future evaluation of all the rights acquired by former employees who have acquired deferred benefits. Indexations are conditional on the financial health of the funds.

Both plans are financed via a shared multi-employer fund managed by Interpolis, and insurance firm. Interpolis determines the share of the fund owned by the two plans based on the value of the obligations calculated in accordance with statutory assumptions, which generally differ from standard assumptions. At end 2017, the fair value of plan assets in the Netherlands totaled €40.0 million, versus €45.2 million at end 2016.

4.12 Other non-current liabilities

Other non-current liabilities broke down as follows:

(in thousands of euros)	December 31, 2017	December 31, 2016
Investment grants	19,796	23,420
Amounts payable to personnel	23,178	25,670
Other	3,703	2,839
TOTAL	**46,677**	**51,929**

Amounts payable to personnel were primarily made up of CETs (Compte Epargne Temps) -Time Savings Accounts of French companies (allowances for paid leave in France) - and debt provisions relating to employee profit-sharing plans at French entities.

4.13 Trade payable and other liabilities

Changes in trade payables and other liabilities are presented in the following table:

(in thousands of euros)	2017	2016
At January 1	**683,836**	**555,003**
Impact of change in consolidation scope	63	102,390
Changes in WCR	16,567	47,645
Reclassifications	6	201
Translation differences	(20,827)	(21,403)
AT DECEMBER 31	**679,645**	**683,836**

4.14 Net financial debt

Net financial debt is presented in the following table:

(in thousands of euros)	December 31, 2017	December 31, 2016
Bonds	637,232	159,671
Bank borrowings	245,379	452,923
Employee profit-sharing	9,746	12,731
Minority shareholders' put options	20,367	21,488
BORROWINGS AND FINANCIAL LIABILITIES	912,724	646,813
Amounts related to assets held under finance leases	477	1,186
TOTAL LONG-TERM LIABILITIES	913,201	647,999
Bank borrowings	25,741	10,230
Employee profit-sharing	3,360	1,827
Commercial paper	39,979	245,943
Sundry loans and financial liabilities	35,718	20,493
Current account liabilities	82,108	65,969
Borrowings and financial liabilities	**186,906**	**344,462**
Amounts related to assets held under finance leases	551	501
TOTAL SHORT-TERM DEBT	187,457	344,963
GROSS FINANCIAL DEBT	**1,100,658**	**992,962**
Current used bank facilities including overdrafts and accrued interest	1,991	9,519
Cash and cash equivalents	(470,209)	(314,380)
NET CASH AND CASH EQUIVALENTS	**(468,218)**	**(304,861)**
Current account assets	(55)	(125)
TOTAL NET DEBT	**632,385**	**687,976**

The main financing transactions for 2017 are explained in Note 4.15.2.

The put options of Safilait's minority shareholders, included in long-term debts, were offset against equity.

Current account liabilities mainly concerned the parent company Unibel in the amount of €80.5 million at December 31, 2017 compared with €64.2 million at December 31, 2016 (see Note 8.2).

REPAYMENT SCHEDULE FOR LONG-TERM DEBT AT DECEMBER 31, 2017

(in thousands of euros)	2019	2020	2021	2022	2023 et plus	Total
Bonds	139,803				497,429	637,232
Bank borrowings	17,594	45,532	32,983	36,696	112,574	245,379
Amounts related to assets held under finance leases	346	131	-	-	-	477
Employee profit-sharing	2,671	2,740	2,841	1,494		9,746
Minority shareholder's put options			20,367			20,367
TOTAL LONG-TERM LIABILITIES	**160,414**	**48,403**	**56,191**	**38,190**	**610,003**	**913,201**

4.15 Financial instruments

4.15.1 Market risk management

The Treasury department, which is attached to the Group Finance Department, has the requisite skills and tools to manage market risks. The department reports to Management on a monthly basis and makes regular presentations to the Audit Committee.

4.15.2 Financial and liquidity risk management

The Group's net debt [(1)] at December 31, 2017 was €632.4 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 2017, the Group restructured its financial debt via:

- a €500 million bond issue with a coupon of 1.50% maturing in April 2024;
- the early repayment of Schuldschein loans, for an amount of $100 million and €77 million;
- the reduction of outstanding commercial paper from €246 million to €40 million.

At December 31, 2017, the Group had a significant liquidity level, including:

- two confirmed syndicated credit lines maturing in 2022 of €520 million and €300 million, respectively. These lines have not been drawn;
- a €500 million commercial paper program, of which €40 million is 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;
- the new €500 million bond issue maturing in April 2024;
- two reedemable Terms Loans of €100 million and $100 million maturing in 2023;
- a Schuldschein-type loan, with €47 million maturing between 2018 and 2023 and $7.5 million maturing in June 2018.

At December 31, 2017, the Group, via Fromageries Bel, also had substantial cash and cash equivalents totaling €468.2 million, including €407.9 million at the Fromageries Bel company level.

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 current operating income plus depreciation and amortization and reversals of provisions, charged to current operating income). Failure to meet the ratio could trigger the repayment of a significant part of the debt. At December 31, 2017, the ratio stood at 1.92 versus 1.53 at December 31, 2016.

Furthermore, the €520 million credit line now incorporates environmental and social objectives in line with the Group's sustainable development strategy (see section 3.4).

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 €38 million at December 31, 2017 and represented 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.

4.15.3 Foreign exchange risk management

Fromageries Bel SA 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 sales 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.

(1) Net financial debt is described in note 4.14 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, current used banking facilities, and cash and cash equivalents.

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 December 31, 2017, the maturity of the derivatives portfolio did not go beyond January 31, 2019. The cash flows resulting from 2017 and 2018 budgets hedges are expected in 2018 and will thus impact income in 2018.

Hedging of 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 MATERIALS RISKS VERSUS THE PREVIOUS YEAR

	At December 31, 2017				At December 31, 2016			
(in thousands of euros)	Equity	Operating income	Financial income	Market value	Equity	Operating income	Financial income	Market value
Portfolio related to foreign exchange and interest rate risks								
Forwards on operational transactions	3,434	1,992	-	5,426	(2,892)	(1,016)	-	(3,908)
Options on operational transactions	9,118	197	1,329	10,644	(986)	(304)	(806)	(2,096)
Forwards on dividends	(52)	-	-	(52)	(1,070)	-	-	(1,070)
Swaps on financing	-	-	(399)	(399)	-	-	174	174
Other operations	-	-	(130)	(130)	-	-	(63)	(63)
Total portfolio related to foreign exchange	**12,500**	**2,189**	**800**	**15,489**	**(4,948)**	**(1,320)**	**(695)**	**(6,963)**
Total portfolio related to interest rate	**1,477**	**-**	**-**	**1,477**	**1,006**	**-**	**-**	**1,006**
Total portfolio Fromageries Bel	**13,977**	**2,189**	**800**	**16,966**	**(3,942)**	**(1,320)**	**(695)**	**(5,957)**
Portfolio related to risk of variation in raw material prices								
Raw material prices risk	**(2,099)**		**(46)**	**(2,145)**	**1,964**		**1,333**	**3,297**
TOTAL BEL GROUP				**14,821**				**(2,660)**

At December 31, 2017, the Group had secured the following hedges:

Category of transactions (in thousands of euros)	Currencies	Commitment	At December 31, 2017 Equity	At December 31, 2017 Operating income	At December 31, 2017 Financial income	At December 31, 2017 Market value	At December 31, 2016 Equity	At December 31, 2016 Operating income	At December 31, 2016 Financial income	At December 31, 2016 Market value
PORTFOLIO RELATED TO FOREIGN EXCHANGE RISK										
1. CURRENCY FORWARD CONTRACTS BACKED TO TRADE RECEIVABLES, TRADE PAYABLES OR FUTURE TRANSACTION										
Forward purchase	EUR GBP	18,500	67	2		69	175	(159)		16
Forward sale	EUR PLN	33,000	643	186		829	(130)	(49)		(179)
Forward sale	EUR USD	92,541	1,698	1,606		3,304	(3,519)	(894)		(4,413)
Forward purchase	Other	49,052	1,026	360		1,386	604	116		720
Forward sale	Other	1,900		(162)		(162)	(22)	(30)		(52)
Forward on operational transactions			**3,434**	**1,992**	**-**	**5,426**	(2,892)	**(1,016)**	**-**	**(3,908)**
2. CURRENCY OPTIONS BACKED TO TRADE RECEIVABLES, TRADE PAYABLES OR FUTURE TRANSACTION										
Call purchase	EUR GBP	71,000	425		655	1,080	31		1,388	1,419
Put sale	EUR GBP	49,600	(14)		(407)	(421)	(9)		(572)	(581)
Put purchase	EUR PLN	36,000	614		389	1,003			203	203
Call sale	EUR PLN	25,750			(138)	(138)	(61)		(253)	(314)
Call purchase	EUR USD	137,263	6,747		775	7,522			407	407
Put sale	EUR USD	95,345			(226)	(226)	(1,061)	(288)	(2,122)	(3,471)
Call purchase	Other	59,081	1,405	197	449	2,051	213		453	666
Put sale	Other	33,784	(59)		(168)	(227)	(99)	(16)	(310)	(425)
Options on operational transactions			**9,118**	**197**	**1,329**	**10,644**	(986)	**(304)**	**(806)**	**(2,096)**
3.CURRENCY FORWARD AND OPTION HEDGING FUTURE DIVIDEND OR SECURITIES TRANSACTION FLOWS										
Forward purchase	EUR GBP	1,500	(52)			(52)				
Forward purchase	EUR USD					-	(1,050)			(1,050)
Forward sale	Other					-	(20)			(20)
Forward on dividends			**(52)**	**-**	**-**	**(52)**	(1,070)	**-**	**-**	**(1,070)**
4. TREASURY SWAPS IN CURRENCY										
Swap sale	EUR GBP	10,127			15	15				
Swap purchase	EUR PLN	7,717			(31)	(31)			(1)	(1)
Swap sale	EUR USD	65,343			(389)	(389)			116	116
Swap sale	Other	7,312			(5)	(5)			(10)	(10)
Swap purchase	Other	4,275			11	11			69	69
Swaps on financing			**-**	**-**	**(399)**	**(399)**	-	**-**	**174**	**174**
5. OTHER TRANSACTIONS OUTSIDE THE HEDGING TRANSACTIONS CATEGORY										
Call sale	EUR GBP	11,500			(44)	(44)			(53)	(53)
Call sale	EUR USD	8,000			(66)	(66)				
Call sale	Other	3,126			(20)	(20)			(10)	(10)
Other operations			**-**	**-**	**(130)**	**(130)**	-	**-**	**(63)**	**(63)**
TOTAL PORTFOLIO RELATED TO FOREIGN EXCHANGE			**12,500**	**2,189**	**800**	**15,489**	**(4,948)**	**(1,320)**	**(695)**	**(6,963)**

The transactions are presented in the direction of the currency cross. For example:

- *forward purchase of EURUSD means the Group buys EUR and sells USD:*
- *call purchase EURGBP means the Group buys a EUR call/GBP pu:*
- *swap sell EURGBP means the Group borrows EUR and hence is selling EUR at maturity, and loans GBP so is buying GBP at maturity.*

At December 31, 2017, the market value of derivatives hedging highly probable future transactions and recognized in equity worth €12.5 million, compared to a negative €5.0 million at December 31, 2016.

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 €0.8 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 December 31, 2017, 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 comply 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 IAS 39. As of January 1, 2018, the impact of the first application of IFRS 9 on foreign exchange hedges will consist in a reclassification of time value variation, for «Cash Flow Hedge» options of the active portfolio as of January 1, 2018, from reserves to Other Comprehensive Income, for an estimated amount of -€1.7 million. The impact is not significant for other types of hedging.

4.15.4 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 December 31, 2017, the Group hedged interest rate risk through interest rate swaps:

Category of transactions (in thousands of euros)	At December 31, 2017						At December 31, 2016				
	Currency	Commitment	Equity	Operating income	Financial income	Market value	Commitment	Equity	Operating income	Financial income	Market value
Potfolio related to interest rate											
Fixed-rate borrower swaps	EUR	100,000	(236)			(236)	100,000	(542)			(542)
Fixed-rate borrower swaps	USD	83,382	1,713			1,713	123,328	1,548			1,548
TOTAL PORTFOLIO RELATED TO INTEREST RATE			**1,477**	**-**	**-**	**1,477**		**1,006**	**-**	**-**	**1,006**

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

(in millions)		2018	2019	2020	2021	2022	2023
Interest-rate swaps	EUR	100	95	85	70	50	-
Interest-rate swaps	USD	100	95	85	70	50	-

An increase of 1% across the yield curve would positively impact Group equity by €7.0 million on an annual basis.

An decrease of 1% across the yield curve would negatively impact Group equity by €5.1 million on an annual basis.

BREAKDOWN OF GROSS DEBT BY TYPE, MATURITY AND INTEREST RATE TYPE AT DECEMBER 31, 2017

Maturity (in thousands of euros)	Net financial debt			Impact of derivative instruments			Financial debt after impact of derivative instruments		
	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total	Fixed rate	Variable rate	Total
2018	(48,927)	(138,530)	(187,457)			-	(48,927)	(138,530)	(187,457)
2019	(147,105)	(13,309)	(160,414)	(9,169)	9,169	-	(156,274)	(4,140)	(160,414)
2020	(27,325)	(21,078)	(48,403)	(18,338)	18,338	-	(45,663)	(2,740)	(48,403)
2021	(25,843)	(30,348)	(56,191)	(27,507)	27,507	-	(53,350)	(2,841)	(56,191)
2022	(19)	(38,171)	(38,190)	(36,677)	36,677	-	(36,696)	(1,494)	(38,190)
2023	(19,979)	(91,691)	(111,670)	(91,691)	91,691	-	(111,670)	-	(111,670)
2024	(497,918)	-	(497,918)			-	(497,918)	-	(497,918)
2025	(77)	-	(77)			-	(77)	-	(77)
2026	(77)	-	(77)			-	(77)	-	(77)
2027	(77)	-	(77)			-	(77)	-	(77)
2028	(77)	-	(77)			-	(77)	-	(77)
2029	(77)	-	(77)			-	(77)	-	(77)
2030	(30)	-	(30)			-	(30)	-	(30)
TOTAL	**(767,531)**	**(333,127)**	**(1,100,658)**	**(183,382)**	**183,382**	**-**	**(950,913)**	**(149,745)**	**(1,100,658)**

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

4.15.5 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 December 31, 2017.

4.15.6 Raw materials 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 December 31, 2017, Bel Brands and Bel USA had the following positions:

Category of transactions	At December 31, 2017		At December 31, 2016	
	Number of contracts	Market value (in thousand euros)	Number of contracts	Market value (in thousand euros)
CME CLASS III MILK				
Futures purchase [1]	622	(1,475)	516	1,230
Call purchase	475	86	876	1,532
Put sale	277	(293)	480	(93)
TOTAL CME CLASS III MILK		**(1,682)**		**2,669**
CME CASH SETTLED CHEESE				
Future purchase [1]	239	(423)	252	241
Call purchase	288	122	306	464
Put sale	216	(162)	270	(77)
TOTAL CME CASH SETTLED CHEESE		**(463)**		**628**
TOTAL		**(2,145)**		**3,297**

(1) Futures purchase: equivalent OTC or listed transactions.

At December 31, 2017, the market value of derivatives allocated to hedge highly probable future transactions and recognized in equity was a negative €2.0 million, compared to a positive €1.9 million at December 31, 2016.

4.15.7 Fair value hierarchy disclosures based on IFRS 7

IFRS7 classification (in thousands of euros)	At December 31, 2017				At December 31, 2016			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Foreign exchange derivatives		15,489		15,489		(6,963)		(6,963)
Interest rate derivatives		1,478		1,478		1,006		1,006
Raw materials derivatives	(2,145)			(2,145)	3,297			3,297
TOTAL	**(2,145)**	**16,967**	**-**	**14,822**	**3,297**	**(5,957)**	**-**	**(2,660)**
Mutual funds	160,455			160,455	124,074			124,074
TOTAL	**158,310**	**16,967**	**-**	**175,277**	**127,371**	**(5,957)**	**-**	**121,414**

NOTE 5 Cash flows

5.1 Cash flow from operating activities

The “(Increase) decrease in inventories, receivables and payables” broke down as follows:

(in thousands of euros)	Note	2017	2016
Change in inventories and depreciations	4.6	(25,975)	(14,897)
Change in trade and other receivables	4.7	48,042	(62,672)
Change in trade payables and other liabilities		9,235	51,720
(INCREASE) DECREASE IN INVENTORIES, CURRENT RECEIVABLES AND PAYABLES		**31,302**	**(25,849)**

Reconciliation with the change in “Trade payables and other liabilities” on the balance sheet is as follows:

TRADE PAYABLES AND OTHER LIABILITIES

(in thousands of euros)	Note	2017	2016
Changes in WCR	4.13	16,567	47,645
Adjustments for fixed asset payables		(8,183)	6,030
Change in fair value of hedging instruments		851	(1,955)
CHANGE IN TRADE PAYABLES AND OTHER LIABILITIES		**9,235**	**51,720**

5.2 Cash flow from investing activities

Acquisitions of tangible and intangible assets mainly encompassed production capacity increases in France, Iran and Algeria (see Notes 4.2 and 4.3).

5.3 Cash flow from financing activities

5.3.1 Increase (decrease) in current accounts with entities outside the scope of consolidation

The "Increase (decrease) in current accounts with entities outside the scope of consolidation" broke down as follows:

(in thousands of euros)	2017	2016
Increase (decrease) in current accounts with		
UNIBEL	16,346	10,961
Other non-consolidated companies	(137)	114
TOTAL	**16,209**	**11,075**

5.3.2 Issue and repayment of debt

	Issues	Repayment	
Gross debt end of December 31, 2016 (see Note 4.14)			**992,962**
of which:			
Bonds	497,545		
Bank borrowings	4,015	(192,010)	
Commercial paper		(205,948)	
Employee profit-sharing	10,529	(11,961)	
Sundry loans and financial liabilities	6,539	(12,322)	
GROSS DEBT VARIATION FOR THE PERIOD	**518,628**	**(422,241)**	**96,387**
Other financing variations			**14,359**
Amounts related to assets held under finance lease			*(659)*
Current account liabilities			*16,139*
Minority shareholders' put option			*(1,121)*
Translation differences			**(3,132)**
Impact of changes in consolidation scope			**82**
GROSS DEBT END OF DECEMBER 31, 2017 (see Note 4.14)			**1,100,658**

Issues and repayments of debt are described in Note 4.15.2.

NOTE 6 Financial commitments

6.1 Table of off balance sheet commitments

(In thousands of euros)	2017	2016
Commitments given	**179,477**	**185,399**
Off- balance sheet commitments given, related with Company's financing	**22,355**	**23,780**
Financial guarantees given	16,085	17,644
Other	6,270	6,136
Commitments received, related to the issuer's operating activities	**157,122**	**161,619**
Asset orders	37,976	27,930
Operating leases	117,163	130,921
Less than a year	22,108	26,122
One to five years	52,107	54,934
More than five years	42,948	49,865
Other	1,983	2,768

(In thousands of euros)	2017	2016
Commitments received	**853,160**	**848,419**
Off-balance sheet commitments received, related to Company financing	**820,000**	**820,000**
Credit lines received and unused	820,000	820,000
Commitments received, related to the issuer's operating activities	**33,160**	**28,419**
Financial guarantees received	24,721	26,494
Other	8,439	1,925

Financial guarantees given notably corresponded to two guarantees totaling €10.1 million and granted by Fromageries Bel to cover a Credit Facility Agreement for the two consolidated Ukrainian subsidiaries.

The Group made a firm commitment to lease its future head office for 12 years when it signed the lease in the first semester of 2014. This commitment totaled €62.3 million at December 31, 2017, compared to €66.2 million at December 31, 2016.

In December 2017, Fromageries Bel SA signed an agreement with the Bel Ouest dairy producers association (APBO) stipulating the following:

- a guaranteed average annual reference price for all of 2018 for milk purchased from APBO producers, fixed at €350 per 1,000 liters;
- the deployment by all APBO producers of farming practices that set these producers apart, including a non-GMO diet for dairy herds and the enhancement of grazing (commitment of a minimum of 150 days in fields per year);
- compensation for implementing these practices in the form of monthly premiums for a total of €21 per 1,000 liters produced.

NOTE 7 Litigation and disputes

The Group was engaged in a certain number of lawsuits and disputes in the normal course of its business. Provisions were booked for any probable and measurable costs that might arise from these 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 December 31, 2017.

The entities 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 entity would be able to assert the validity of its position in the event of litigation.

NOTE 8 Related parties

8.1 Management benefits

(in thousand euros)	2017	2016
Remuneration and benefits in kind	5,677	6,295
Directors' fees	207	250
TOTAL SHORT -TERM BENEFITS	**5,884**	**6,545**
Bonus shares	1,220	1,091
TOTAL LONG- TERM BENEFITS	**1,220**	**1,091**

Management in this note refers to members of the Board of Directors and the Management Committee.

8.2 Dealings with related parties

(in thousand euros)	2017	2016
Amount of transactions	24,199	24,950
of which Unibel	6,467	7,699
of which other non consolidated companies	17,732	17,251
Associated receivables	120	3,396
Associated payables and current accounts	83,746	69,314
of which Unibel	80,493	65,441
of which other non consolidated companies	3,253	3,873
Unibel shares	174,775	184,608

At December 31, 2017, the amount of related-party transactions included €6.5 million paid to Unibel (holding company), of which €6.0 million in personnel expenses billed back to Fromageries Bel SA under a service agreement dated December 14, 2001, and €17.7 million in operating expenses billed back to Fromageries Bel SA by Bel Proche et Moyen-Orient Beyrouth, Bel Middle East, Bel China and other unconsolidated Group entities.

Related parties' associated payables and current accounts mainly concerned Unibel (holding company), with a €80.5 million current account versus €64.2 million at December 31, 2016 (see Note 4.14).

At December 31, 2016 related parties' receivables mainly concerned Fromageries Bel's debts towards Bel Cheese Korea, an entity that was consolidated by the Group in 2017.

Unibel shares held by SOFICO were valued at €174.8 million, based on the closing share price at December 31, 2017 (see Note 4.5).

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

NOTE 9 Subsequent events

No significant events have occurred since the end of the reporting period.

NOTE 10 Consolidation scope

Companies	Countries	2017 Percentage of legal control	2017 Percentage of interest	2016 Percentage of legal control	2016 Percentage of interest
Consolidated by global integration					
Fromageries Bel	France	Mother company	Mother company	Mother company	Mother company
Fromageries Picon	France	99.99	99.99	99.99	99.99
Fromageries Bel Production France	France	100.00	100.00	100.00	100.00
SAS FR	France	100.00	100.00	100.00	100.00
SICOPA	France	100.00	100.00	100.00	100.00
SOFICO	France	100.00	100.00	100.00	100.00
SOPAIC	France	100.00	100.00	100.00	100.00
Fromagerie Boursin SAS	France	100.00	100.00	100.00	100.00
Société des Produits Laitiers	France	100.00	100.00	100.00	100.00
Newton Holding	France	68.06	74.80	68.06	74.80
MBMA Holding SAS	France	68.06	74.80	68.06	74.80
MBMA SAS	France	68.06	74.80	68.06	74.80
MOM SAS	France	-	-	68.06	74.80
MOM P2	France	-	-	68.06	74.80
Mont Blanc SAS	France	68.06	74.80	68.06	74.80
Materne SAS	France	68.06	74.80	68.06	74.80
Fromagerie Bel Algérie	Algeria	100.00	100.00	100.00	100.00
Bel Deutschland	Germany	100.00	100.00	100.00	100.00
Bel Belgium	Belgium	100.00	100.00	100.00	100.00
Fromageries Bel Canada	Canada	100.00	100.00	100.00	100.00
Materne Canada	Canada	68.06	74.80	68.06	74.80
Bel Cheese Korea	Korea	100.00	100.00	-	-
Fromageries Bel Côte d'Ivoire	Ivory Coast	100.00	100.00	100.00	100.00
Bel Egypt Distribution	Egypt	100.00	100.00	100.00	100.00
Bel Egypt Expansion For Cheese Production	Egypt	100.00	100.00	100.00	100.00
Grupo Fromageries Bel España	Spain	100.00	100.00	100.00	100.00
Bel Americas	United States of Americas	100.00	100.00	100.00	100.00
Bel Brands USA	United States of Americas	100.00	100.00	100.00	100.00
Bel USA	United States of Americas	100.00	100.00	100.00	100.00

Companies	Countries	2017		2016	
		Percentage of legal control	Percentage of interest	Percentage of legal control	Percentage of interest
Materne North America Corp.	United States of Americas	68.06	74.80	68.06	74.80
Bel UK	Great Britain	100.00	100.00	100.00	100.00
Fromageries Bel Hellas	Greece	100.00	100.00	100.00	100.00
Bel-Rouzaneh	Iran	100.00	100.00	100.00	100.00
Bel Italia Spa	Italy	100.00	100.00	100.00	100.00
Bel Japon	Japan	100.00	100.00	100.00	100.00
Fromageries Bel Maroc	Morocco	67.99	67.99	67.99	67.99
S.I.E.P.F.	Morocco	100.00	100.00	100.00	100.00
Bel Africa	Morocco	100.00	100.00	100.00	100.00
Safilait	Morocco	70.48	60.88	70.48	60.88
Bel Nederland	Netherlands	100.00	100.00	100.00	100.00
Royal Bel Leerdammer	Netherlands	100.00	100.00	100.00	100.00
Bel Polska	Poland	100.00	100.00	100.00	100.00
Fromageries Bel Portugal	Portugal	100.00	100.00	100.00	100.00
Syraren Bel Slovensko AS	Slovaquia	99.88	99.88	99.88	99.88
Bel Nordic A.B.	Sweden	100.00	100.00	100.00	100.00
Bel Suisse	Switzerland	100.00	100.00	100.00	100.00
Bel Syrie	Syria	100.00	100.00	100.00	100.00
Bel Syry Cesko	Czech Republic	100.00	100.00	100.00	100.00
Bel Karper Gida Sanayi	Turquia	100.00	100.00	100.00	100.00
Bel Shostka Ukraine	Ukraine	96.92	96.92	96.92	96.92
Bel Shostka Service	Ukraine	99.89	96.81	99.89	96.81
Bel Cheese Mexico	Mexico	100.00	100.00	100.00	100.00
Quesos Bel Mexico	Mexico	100.00	100.00	100.00	100.00
Bel Vietnam	Vietnam	100.00	100.00	100.00	100.00
Queijo Bel Brasil	Brasil	95.00	95.00	95.00	95.00

NOTE 11 Fees of the Statutory Auditors and members of their networks

	Deloitte & Associés				Grant Thornton			
	Amounts		%		Amounts		%	
in thousands of euros	2017	2016	2017	2016	2017	2016	2017	2016
Certification and limited half year review for individual and consolidated financial statements								
Issuer	208	268	56%	72%	213	267	53%	73%
Companies consolidated under global integration method	123	66	33%	18%	158	77	39%	21%
SUB TOTAL	331	334	89%	89%	371	344	93%	94%
Services other than books certification								
Issuer	40	40	11%	11%	29	18	7%	5%
Companies consolidated under global integration method	0	0	0%	0%	0	3	0%	1%
SUB TOTAL	40	40	11%	11%	29	21	7%	6%
TOTAL	**370**	**374**	**100%**	**100%**	**399**	**365**	**100%**	**100%**

Services other than certification of the accounts mainly encompass attestations on covenants and investment grants, as well as verification of CSR data.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report on the consolidated financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by European regulation and French law, such as information about the appointment of the Statutory Auditors or verification of the information concerning the Group presented in the Management Report.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the financial year ended 31 December 2017

To the Annual General Meeting of Fromageries Bel SA Company,

Opinion

In compliance with the engagement entrusted to us by your Annual General Meetings, we have audited the accompanying consolidated financial statements of Fromageries Bel SA Company for the year ended December 31, 2017.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2017 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017, to the date of our report and specifically we did not provide any prohibited non-audit services referred to in Article 5(1) of Regulation (EU) No. 537/2014 or in the French Code of ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments – key audit matters

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we inform you of the key audit matters relating to risks of material misstatement that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period, as well as how we addressed those risks.

These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the consolidated financial statements.

FINALIZATION OF THE PURCHASE PRICE ALLOCATION FOR THE ACQUISITION OF THE MOM GROUP

NOTES 4.1 "GOODWILL" AND 4.2 "OTHER INTANGIBLE ASSETS"

Identified risk

On December 15, 2016, Fromageries Bel (the "Group") finalized the acquisition of the MOM Group through its subsidiary Newton Holding for an amount of €550 million, net of debt.

During the year ended December 31, 2017, the allocation of the purchase price to the acquired assets and liabilities was performed with the help of independent experts. The most significant areas of this evaluation relate to the identification of the following elements:

- brands – intangible assets acquired with a gross value of €374.9 million (net value of €251 million after €123.9 million of deferred tax liabilities);
- deferred tax assets of €32.6 million related to the loss carryforwards of the US subsidiary of MOM;
- residual goodwill amounting to €383.9 million (for an unallocated amount of €648.5 million as of December 2016).

The definitive allocation of the purchase price is considered as a key point of the audit based upon the materiality of this transaction for the Group and due to management judgment in the identification and measurement of acquired assets and liabilities, particularly with regard to the assumptions used for the valuation of brands (intangible assets) and the deferred tax assets related to available loss carryforwards.

Our response

Regarding the evaluation of the brands acquired:

- we discussed the scope of the work performed, the valuation methodology used, and the primary assumption used for each of the brands with the independent expert;
- we evaluated the appropriateness of the valuation method employed with the support of our internal valuation specialists;
- we corroborated the growth assumptions used in the business plans underlying the valuation of the brands with the expected growth forecasts and the Group's strategy.

Regarding the valuation of deferred tax assets relating to loss carryforwards of the US subsidiary, the Group has appointed an independent expert to validate the available tax loss carryforwards and the possibility for the company to use them without limitation:

- with the support of our specialists in the US, we examined the independent third party's report, with particular assessment of the relevance of the analysis performed on the conditions of use for the deficits;
- to assess the subsidiary's ability to use these deficits within a reasonable time horizon, we have compared the earnings forecasts of the subsidiary over the next five years with the business plan developed as part of the acquisition.

EVALUATION OF GOODWILL

NOTE 4.1 "GOODWILL"

Identified risk

Goodwill amounted to €792 million at December 31, 2017, of which €383.9 million related to the MOM Group acquisition at the end of 2016.

The goodwill impairment tests performed by management for each of the Group's Cash Generating Units (CGU) include significant judgments and assumptions, including:

- future cash flows;
- underlying discount rates (WACC) and long-term growth rates that are used to project the future cash flows.

As a result, a change in these assumptions could change the recoverable amount of this goodwill.

We therefore considered that goodwill was a key point of the audit.

Our response

We examined the underlying processes and procedures related to the impairment testing performed by the Group.

We performed the following procedures on the impairment tests of each of the CGUs:

- we reconciled cash flow forecasts with the latest business plans approved by management;
- we analyzed the consistency of the assumptions used with the performance history of the Group and/or the CGUs concerned;
- we confirmed the reasonableness of the key business assumptions (notably future growth prospects) and the perpetual growth rate with the local financial controllers, particularly with regard to the trends in i) consumption assumptions in the context of the primary markets in which the Group is present, ii) relevant factors in determining the price of the primary components of production (milk, fat, apples) and iii) conditions for negotiating sales prices with the main distribution networks;
- we have evaluated, with the support of our valuation specialists, the valuation model and the discount rates used against market benchmarks;
- we reviewed the sensitivity analysis performed by management against our own sensitivity calculations.

Verification of the information pertaining to the Group presented in the Management Report

As required by law, we have also verified in accordance with professional standards applicable in France the information pertaining to the Group presented in the Management Report.

Report on other legal and regulatory requirements

Appointment of Statutory Auditors

We have been appointed as Statutory Auditors of the Company Fromageries Bel SA by your General Meetings of June 25, 1998 for Deloitte & Associés, and May 12, 2010 for Grant Thornton.

As at December 31, 2017, Deloitte & Associés was in its 20th year mandate, without any interruption taking into account acquisitions or mergers of firms that took place before that date, and for Grant Thornton in its 8th year mandate, without any interruption.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The consolidated financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the consolidated financial statements

Objectives and audit approach

Our role is to issue a report on the consolidated financial statements. Our objective is to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the consolidated financial statements;

- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the consolidated financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the consolidated financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtains sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. The Statutory Auditor is responsible for the direction, supervision and performance of the audit of the consolidated financial statements and for the opinion expressed on these consolidated financial statements.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the consolidated financial statements of the current period and which are therefore the key audit matters, that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, March 23, 2018

The Statutory Auditors

French original signed by

Deloitte & Associés

Pierre-Marie Martin

Grant Thornton

French member of Grant Thornton International

Virginie Palethorpe

5.5.2 Company financial statements at December 31, 2017

Comparative income statements at December 31, 2017

(In thousands of euros)	Note	2017	2016
OPERATING INCOME			
Sales of merchandise (goods purchased for resale)		114,499	119,530
Production sold:			
• sales - goods		1,162,174	1,224,982
• sales - construction works			
• sales - services			
• revenue from ancillary operations		41,176	40,613
TOTAL PRODUCTION SOLD		**1,203,350**	**1,265,595**
REVENUE FROM SALES (INCLUDING EXPORTS OF 703,803)	3	**1,317,849**	**1,385,125**
Change in finished goods and in-progress inventories:			
• work-in-progress goods			
• work-in-progress services		(1,565)	(5,393)
• finished goods		14,263	11,903
TOTAL CHANGE IN FINISHED GOODS AND IN-PROGRESS INVENTORIES		**12,698**	**6,510**
Self-constructed fixed assets		5,568	7,218
Government grants – operations		20	147
Reversals of provisions, write-downs, depreciation and amortization		3,226	5,212
Expense transfers	4	22,758	24,471
Other revenue		98,776	86,850
TOTAL I		**1,460,895**	**1,515,533**
OPERATING EXPENSES			
Cost of merchandise (goods purchased for resale) sold during the year:			
• purchase of merchandise (goods purchased for resale)		71,063	69,215
• change in inventories of merchandise (goods purchased for resale)		10,756	11,829
TOTAL PURCHASE COSTS OF GOODS RESOLD		**81,819**	**81,044**
Operating costs incurred through third parties and consumed during the period:			
• purchases of inventoried raw ingredients and supplies			
raw materials		*6*	*0*
other production supplies		*2,077*	*1,608*
• increase (decrease) in raw material and supply inventories		(43)	134
• purchases from subcontractors		761,267	718,021
• purchases of non-inventoried materials and supplies		1,947	2,204
• outside services			
outside personnel	*5*	*13,125*	*12,412*
lease payments			
• others		452,295	512,247
TOTAL OPERATING COSTS INCURRED THROUGH THIRD PARTIES		**1,230,674**	**1,246,626**

(In thousands of euros)	Note	2017	2016
Taxes other than income tax:			
• on compensation		3,555	3,159
• others		8,781	11,238
TOTAL TAXES OTHER THAN INCOME TAX		**12,336**	**14,397**
Personnel expenses:			
• wages and salaries		79,051	78,795
• payroll on-costs		33,890	34,501
TOTAL PERSONNEL EXPENSES	5	**112,941**	**113,296**
Depreciation, amortization and provisions for the year:			
• depreciation of fixed assets		10,850	12,845
• provision for fixed assets		38	
• provision for current assets		68	449
• provision for contingencies and losses		1,873	1,214
TOTAL DEPRECIATION AND PROVISIONS FOR THE YEAR		**12,829**	**14,508**
Sundry expenses		11,976	6,184
TOTAL II		**1,462,575**	**1,476,055**
1 - PROFIT FROM OPERATIONS (I - II)		**(1,680)**	**39,478**
NET PROFIT/(LOSS) FROM JOINT VENTURES			
PROFIT OR LOSS TRANSFERRED III			
LOSS OR PROFIT TRANSFERRED IV			
FINANCIAL INCOME			
From participating interests		145,343	86,780
From other long-term marketable securities and receivables		1	1
Other interest and similar income		1,035	1,416
Reversal of provisions and transfers of financial expenses		14,697	6,530
Foreign exchange gains		65,623	112,649
Net profits from sales of marketable securities		308	375
TOTAL V		**227,007**	**207,751**
FINANCIAL EXPENSES			
Depreciation, amortization and provisions for the year		754	11,094
Interest and similar expenses		29,129	17,980
Foreign exchange losses		63,373	113,072
Net losses from sales of marketable securities		87	2
TOTAL VI		**93,343**	**142,148**
2 - NET FINANCIAL RESULT (V - VI)	6	**133,664**	**65,603**
3 - PRETAX PROFIT (LOSS) ON ORDINARY ACTIVITIES (I - II + III - IV + V - VI)		**131,985**	**105,081**

(In thousands of euros)	Note	2017	2016
EXTRAORDINARY INCOME			
From operations		1,238	675
From capital transactions:			
• proceeds from disposals of fixed assets		938	3,247
• investment grants transferred to income		212	251
• other		2	
TOTAL FROM CAPITAL TRANSACTIONS		1,152	3,498
Reversal of provisions and transfers of extraordinary expenses		7,566	22,856
TOTAL VII		**9,956**	**27,029**
EXTRAORDINARY EXPENSE			
From operations		**5,737**	**9,582**
From capital transactions:			
• carrying amount of capitalized assets and long-term investments sold		1,004	416
• other		600	575
TOTAL FROM CAPITAL TRANSACTIONS		**1,604**	**991**
Depreciation and provisions for the year:			
• regulated provisions		10,568	8,200
• depreciation and other provisions for the year		6,623	1,075
TOTAL DEPRECIATION AND PROVISIONS FOR THE YEAR		17,191	9,276
TOTAL VIII		**24,532**	**19,848**
4 - EXTRAORDINARY PROFIT (LOSS) (VII - VIII)	**7**	**(14,576)**	**7,181**
Employee profit-sharing (IX)		2,246	2,886
Income tax (X)	8	(18,239)	7,655
TOTAL INCOME (I + III + V + VII) (XI)		**1,697,858**	**1,750,313**
TOTAL EXPENSES (II + IV + VI + VIII + IX + X) (XII)		**1,564,456**	**1,648,592**
5 - NET PROFIT (LOSS)		**133,402**	**101,721**

Comparative balance sheets at December 31, 2017

ASSETS

(in thousands of euros)	Note	2017 Gross amounts	2017 Depreciation and write downs	2017 Net amounts	2016 Net amounts
CAPITAL ASSETS					
Intangible assets					
Concessions, patents, licences, brands, processes, software, rights and similar assets		84,960	70,921	14,039	15,488
Business goodwill [a]		221,533		221,533	221,533
Other					
Intangible assets in progress		12,288		12,288	10,348
		318,781	70,921	247,860	247,369
Property, plant and equipment					
Land		786	521	265	324
Suspense account					
Constructions		24,393	10,416	13,977	15,701
Technical installations, fixtures, machinery and equipment		46,591	33,897	12,694	15,282
Other		7,451	4,455	2,996	3,600
Assets in the course of construction		4,025	14	4,011	2,426
Advances and down-payments		13		13	36
		83,259	49,303	33,956	37,369
Long-term investments [b]					
Participating interests		1,201,616	17,713	1,183,903	1,183,902
Loans to and receivables from participating interests		674,020	796	673,224	628,894
Other long-term financial assets		5,141		5,141	5,922
Loans		6,435	1	6,434	6,757
Others		22,046		22,046	22,888
		1,909,258	18,510	1,890,748	1,848,363
TOTAL I	**9**	**2,311,298**	**138,734**	**2,172,564**	**2,133,101**
CURRENT ASSETS					
Inventories and work-in-progress					
Raw materials and other supplies		1,093	17	1,076	954
Work-in-progress (goods and services)		979		979	2,544
Finished and intermediate goods		17,650	58	17,592	15,061
Merchandise (goods purchased for resale)		1,894	10	1,884	865
		21,616	85	21,531	19,424
Advances and down-payments made to suppliers		251		251	784
Receivables from operations [c]					
Trade and other receivables		199,533	1,090	198,443	237,329
Other	10	30,188		30,188	26,027
		229,721	1,090	228,631	263,356

(in thousands of euros)	Note	2017 Gross amounts	2017 Depreciation and write downs	2017 Net amounts	2016 Net amounts
Sundry receivables (c)	11	83,997	1,000	82,997	30,151
Subscribed capital called and unpaid					
Marketable securities	12	157,614		157,614	98,181
Short-term financial instruments	13	24,723		24,723	7,400
Cash on hand and bank balances		250,674		250,674	110,339
Prepaid expenses and suspense account (c)	14	4,354		4,354	11,501
TOTAL II		**772,950**	**2,175**	**770,775**	**541,136**
Expenses amortized over several years III					
Bond discounts to be amortized IV		2,571		2,571	
Unrealized losses on foreign exchange V	15	13,015		13,015	1,662
TOTAL ASSETS (I + II + III + IV + V)		**3,099,834**	**140,909**	**2,958,925**	**2,675,900**
(a) Of which leasehold right					
(b) Of which less than a year (gross)				*674,402*	*642,942*
(c) Of which more than a year (gross)				*472*	*906*

LIABILITIES

(in thousands of euros)	Note	2017	2016
EQUITY			
Share capital (of which paid: 10,308)	17	10,308	10,308
Paid-in capital		22,106	22,106
Revaluation adjustments		56	59
Reserves:			
• legal reserve		1,099	1,099
• regulated reserves		168	168
• other		487,657	487,657
Retained earnings		376,427	340,895
Profit for the year		133,402	101,721
Investment grants		416	616
Regulated provisions	18	40,989	37,180
TOTAL I	**19**	**1,072,628**	**1,001,809**
PROVISIONS FOR CONTINGENCIES AND LOSSES			
Provisions for contingencies		**10,296**	**5,557**
Provisions for losses		**3,290**	**5,060**
TOTAL II	**20**	**13,586**	**10,617**
DEBT [(a)]			
Debt:			
• convertible bonds			
• other bonds	21	665,457	160,156
• bank borrowings [(b)]	22	237,858	425,986
• sundry borrowings and financial liabilities	23	300,710	497,620
		1,204,025	1,083,762
ADVANCES AND DOWN PAYMENTS RECEIVED		**96**	**90**
Payables from operations:			
• trade and other payables		223,691	198,301
• taxes payable and payroll and on-cost amounts payable		39,587	38,846
• other	24	31,795	27,373
		295,073	264,520
Other liabilities:			
• amounts payable to fixed asset suppliers and related accounts		3,938	2,252
• income tax payable			1,489
• other	25	333,618	299,042
		337,556	302,783
SHORT-TERM FINANCIAL INSTRUMENTS	**13**	**5,223**	**10,214**
DEFERRED INCOME AND SUSPENSE ACCOUNT FOR UNREALIZED GAINS ON FINANCIAL INSTRUMENTS	**26**	**16,968**	**0**
TOTAL III		**1,858,941**	**1,661,369**
Unrealized gains on foreign exchange transactions IV	15	**13,770**	**2,104**
TOTAL LIABILITIES (I + II + III + IV + V)		**2,958,925**	**2,675,900**
(a) Of which more than a year.		*956,073*	*597,594*
Of which current/less than a year.		*880,677*	*1,053,561*
(b) Of which current used bank facilities and cash in bank.		*356*	*4,203*

NOTES TO THE COMPANY FINANCIAL STATEMENTS

SUMMARY OF NOTES TO THE COMPANY FINANCIAL STATEMENTS

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NOTE 1 Accounting principles, rules and methods

To give a true and fair view of the operating results of the past year and the financial position, assets and liabilities of the Company at December 31, 2017, the annual financial statements were prepared in accordance with French GAAP (generally accepted accounting principles) and the rules and regulations of France's accounting standards authority, the Autorité des Normes Comptables (ANC).

The recommended rules and methods were applied with respect to the general principles listed in the French Commercial Code, in particular those pertaining to a going concern, the independence of financial years, the recognition of items in the financial statements on a historical cost basis, prudence, and the permanence of accounting methods from year to year.

The various items recorded in the financial statements were measured using historical cost, except for property, plant and equipment, and long-term investments adjusted under legal revaluations.

The principal methods used were as follows:

1.1 Intangible assets

These include:

- computer software, amortized over a period of five years, except for the PACE project to implement SAP, amortized over an eight-year period;
- goodwill from businesses acquired or received as consideration by Group entities is not amortized but is subject to annual impairment testing and is recorded under assets at acquisition cost;
- merger deficits.

Impairment testing consists of comparing the net carrying amount of the asset to its recoverable amount, which is the higher of the asset's fair value or its value in use.

Value in use is obtained by adding the net present values of the future cash flows expected to be derived from the use of an asset or asset group and from the ultimate disposal of the asset.

The cash flows used to determine value in use were derived over five years from the business plans of entities using the brands. Revenue and future cash flow projections were based on reasonable and supportable assumptions in line with market data available for each user entity.

All Research and Development costs were expensed in the year in which they were incurred.

Start-up costs were also expensed in the year in which they were incurred.

1.2 Tangible assets

Property, plant and equipment were measured at acquisition cost (purchase price plus additional costs of bringing the assets to working condition), or production cost (excluding financial expense).

In accordance with the components approach (Article 214-9 of the French general chart of accounts), each item of property, plant or equipment is accounted for separately and assigned a specific depreciation schedule.

Assets were straight-line depreciated over the period they were actually used, as follows:

- Constructions:
  - administrative and commercial 40 years
  - property fittings and fixtures 10 years
- Machinery and equipment 5 to 20 years
- Vehicles 4 to 15 years
- Office furniture and equipment 4 to 15 years

In accordance with paragraph 111 of Official Tax Bulletin 4 A-13-05, when the first original component's normal useful life exceeds the asset's useful life, the said component may be depreciated over the asset's useful life rather than over its normal useful life.

As such, the difference between tax depreciation (calculated according to terms allowed by French tax authorities, e.g. accelerated depreciation, extraordinary depreciation) and depreciation is posted under "Excess tax depreciation" in regulated provisions.

When subjected to impairment losses, all items, depreciable or not, were marked down to current value.

1.3 Other intangible assets

Participating interests and other long-term investments are recognized on the balance sheet at their acquisition cost, less write-downs for impairment losses deemed necessary or prudent.

From January 2007, the Company decided to integrate the transfer duties, fees and commissions arising from such acquisitions into the acquisition cost in accordance with Opinion 2007-C of the CNC (French accounting Board), thereby qualifying them for a tax deduction in the form of excess tax depreciation over five years.

The value of such investments at the closing date reflects their value-in-use based on cash flow projections derived from five-year budgetary data

Value in use is obtained by adding the pre-tax present values of the future cash flows expected to be derived from the use of an asset or asset group, and from the ultimate disposal of the asset.

The cash flows used to determine value in use were derived from the subsidiaries' business plans.

Fromageries Bel shares purchased under authorizations granted by the Annual General Meeting are included under this heading at their acquisition cost. If necessary, write-downs for impairment losses based on the weighted average listed share price of the last month of the financial year are recorded.

1.4 Inventories and work-in-progress

Inventories are valued at the lower of their cost price and their net realizable value. Cost price is calculated using the "weighted average cost" or the "first-in, first-out" method.

The cost of materials and supplies is stated at purchase price plus incidental expenses such as transport, commissions and transit.

Manufactured goods are valued at production cost including the cost of materials consumed, the depreciation of production assets, and direct or indirect production costs, excluding financial expense.

The cost of inventories is written down when:

- gross amount, as determined above, exceeds market value or net realizable value;
- goods have deteriorated.

The parent company primarily owns finished goods inventories acquired from its French production company, Fromageries Bel Production France, with the aim of selling those inventories, as well as work-in-progress inventories (internally developed IT projects), which will be billed back to its subsidiaries.

1.5 Receivables and payables

Receivables and payables were recognized at nominal value.

Impairment loss write-downs were recognized based on the degree of non-recoverability of the receivables.

Bills for collection are recorded under "Trade and other receivables" once issued or received.

1.6 Marketable securities

Marketable securities were recorded at their purchase price, excluding incidental expenses, and were written down to market value at the closing date when closing value was less than their carrying amount.

1.7 Foreign currency transactions

Income and expenses denominated in foreign currency were recorded in euros based on the exchange rate in effect at the transaction date.

Receivables, cash and debts denominated in foreign currency were translated into euros at the closing exchange rate at year-end.

The resulting translation differences were posted to:

- the income statement for cash and cash equivalents;
- the balance sheet under "Exchange differences" for receivables and debts.

Unrealized gains on foreign exchange transactions were not recognized in the income statement.

Conversely, contingency provisions were booked for unrealized losses on foreign exchange transactions that are not offset.

1.8 Provisions for contingencies and losses

Provisions for contingencies and losses were booked when the Company has an obligation to a third party at the balance sheet date in cases where the nature of the obligation was precisely known but there were uncertainties about the amount or timing of related outflows and there were no expectations for at least an equivalent, offsetting obligation from the same third party.

Provisions for contingencies and losses were assessed using the most probable assumptions for future events.

1.9 Obligations arising from pensions, retirement and similar employee benefits

Retirement obligations exclusively concern the allocation of post-employment benefits established by a collective bargaining agreement with the French dairy industry.

Post-employment benefits allocated to employees were not provisioned for but were recorded under off-balance sheet commitments.

Conversely, obligations arising from long-service awards due to Bel employees have been fully provisioned for, based on an actuarial valuation realized under the same conditions as post-employment benefits.

1.10 Financial instruments

Fromageries Bel SA was exposed to foreign exchange risks as a result of its international business and presence.

Since 2002, the Company has implemented a central exchange rate policy that aims to hedge the budgetary risk on currency purchases and sales for all French, European, North American and Japanese entities.

The Company hedged all exposure to exchange risks inherent to transactions denominated in foreign currency by using prime counterpart, market-listed derivative instruments, such as purchases and sales of foreign currency futures and options, thus limiting counterparty risk. The management period for the hedges did not exceed 18 months.

Conversely, the exchange risk on net investment in foreign subsidiaries was not hedged, except for the amount of dividends receivable.

While receivables and debts denominated in foreign currency were recorded on the balance sheet in euros at year-end, unrealized net hedging results on transactions already realized had no impact on earnings unless they were losses (in which case a provision is set aside) or offsetting gains for unrealized losses on hedging instruments marked to market at the balance sheet date (in which case a provision is not set aside).

Unrealized gains and losses arising from hedging transactions yet to be settled were deferred until the day the transactions are actually realized.

Pursuant to ANC 2015-05 for forward financial instruments and hedging, applicable to commercial and industrial companies for fiscal years beginning on or after January 1, 2017, foreign exchange gains and losses related to trade receivables/payables, amounting respectively to €6.7 million and €8.1 million, are recognized in operating income.

The majority of the Group's financing was arranged by Fromageries Bel SA which also handles interest rate risk management centrally.

All Fromageries Bel SA financing was issued at floating rates.

To protect against an unfavorable rise in interest rates, while partially taking advantage of any interest rate declines, Fromageries Bel hedged interest rate risk through interest rate swaps or collars which combine simultaneous cap purchases and floor sales.

1.11 Income tax

In France, Fromageries Bel SA heads a tax consolidation group that includes the following entities: Fromageries Bel Production France, SASFR, Fromageries Picon, Société des Produits Latiers, SOFICO, SICOPA, SOPAIC, ATAD, and Fromagerie Boursin.

As the lead company, Fromageries Bel SA is designated as the sole entity liable for corporate income taxes due by the tax consolidation group comprising it and the entities included in the tax consolidation scope.

Income tax that would be payable in the absence of tax consolidation was recorded in the accounts of the consolidated subsidiaries. Tax savings or expenses related to tax losses or arising from adjustments are now integrated by the parent company and restored to the subsidiaries when they become profitable.

1.12 Investment grants

Investment grants were recorded under equity.

They were released to income, reported as extraordinary income and apportioned over the same schedule as the depreciation schedule of the assets they financed.

1.13 Sales

Revenues from sales of goods, merchandise, raw materials and other goods and services rendered in the course of ordinary activities were recorded as soon as the transfer of ownership takes place or the service was rendered.

Revenue from sales was presented net of any discounts or allowances.

Charges arising from trade cooperation agreements with distribution channels were disclosed in "Other outside services" and presented in operating expenses.

1.14 Advertising expenses

Also included in "Other outside services" were advertising, promotional and public relations costs which were expensed in the year in which they were incurred.

1.15 Distinction between income from ordinary activities and extraordinary profit (loss)

Income from ordinary activities was derived from the sum of operating income and net financial income. It included all income and expense directly related to the Company's ordinary activities.

Extraordinary income and expenses were comprised of material items that could not be considered inherent to the Company's ordinary activities because of their nature or unusual character.

1.16 Estimates

In preparing its financial statements, the Company sometimes used estimates and assumptions to determine the value of assets and liabilities, notably for provisions, participating interests and intangible assets.

These estimates and assumptions were made based on information and positions known at the balance sheet date and may vary significantly from actual values.

NOTE 2 Significant events of the year (2017)

On April 18, 2017, the Group successfully finalized a €500 million bond offering with a 1.50% coupon maturing in April 2024. The proceeds from this issue are intended to cover the general requirements of Fromageries Bel and potentially refinance part of the existing debt.

NOTE 3 Revenue

Revenue presented takes into account the specific characteristics of Fromageries Bel's sector in accordance with the professional accounting guide for the French dairy industry.

REVENUE BY REGION

(in thousands of euros)	2017	2016
France	614,046	630,886
Other European countries	324,679	331,418
Rest of the world	379,124	422,821
TOTAL	**1,317,849**	**1,385,125**

Revenue was down by 4.86% (down by 3.42% 2016) on the previous year.

At constant exchange rates, using the average exchange rate for the past year, revenue fell by 4.64% in 2017 (it fell by 3.62% in 2016).

NOTE 4 Expense transfers

Transfer of expenses included €13,560 thousand in advertising and distribution expenses, €4,668 thousand in personnel and expatriate expenses, and €2,149 thousand in unallocated expenses for a total amount of €22,758 thousand.

NOTE 5 Compensation and headcount

MANAGEMENT COMPENSATION

(in thousands of euros)	2017	2016
Directors' fees paid to members of the Board of Directors (included in "Other operating expenses")	211	249

Fromageries Bel executives are paid by Unibel and the expense, which totaled €3,208 thousand in 2017, is billed back to the Company.

AVERAGE HEADCOUNT

	Personnel employed		Personnel supplied to the Company	
	2017	2016	2017	2016
Executives and managers	652	647	0	0
Non executive technicians and supervisors	294	283	5	7
Staff employees	78	75	2	2
Workers	0	0	0	0
TOTAL	**1,024**	**1,005**	**7**	**9**

CICE (tax credit for competitiveness and employment)

A €843 thousand gain was recognized for the year as a personnel expense deduction.

The CICE credit is mainly dedicated to investments in research and product innovation, as well as training programmes

NOTE 6 Financial income

Financial result broke down as follows:

(in thousands of euros)	2017	2016
Dividends	111,071	85,204
Income from receivables related to equity interests [a]	34,272	1,576
Other revenue	1	1
Gains from sales of marketable securities	221	373
Write-downs (and reversals) on exchange rate risks	1,026	720
Write-downs (and reversals) on participating interests [b]	10,947	(9,603)
Interest income (expense)	(26,124)	(12,245)
Foreign exchange gains (losses)	2,250	(424)
TOTAL	**133,664**	**65,602**

(a) Income from receivables related to equity interests in MOM group.
(b) Write-downs of loans and receivables related to the participating interest in Bel Rouzaneh (Iran).

NOTE 7 Extraordinary profit (loss)

Extraordinary profit (loss) consisted primarily of:

(in thousands of euros)	2017	2016
Regulated provisions	(3,809)	4,622
Provisions for disputes and litigation and other extraordinary expenses	(9,347)	4,508
Net profit (loss) from disposals of fixed assets	(66)	3
Severance costs	(1,174)	(1,773)
Other extraordinary income	208	145
Loss on repurchase of shares awarded to employees	(600)	(575)
Share of investment grants transferred to income	212	251
TOTAL	**(14,576)**	**7,181**

NOTE8 Income tax

Income tax broke down as follows:

Income tax payable for the year concerning (in thousands of euros)	2017		2016	
	Base	Amount	Base	Amount
Profit (loss) from ordinary activities (including Employee profit-sharing)	129,738	(16,159)	102,195	5,117
Extraordinary profit (loss)	(14,576)	(3,017)	7,181	2,445
Effect of the tax consolidation regime		937		93
TOTAL		**(18,239)**		**7,655**

EFFECT OF PROSPECTIVE INCREASES AND DECREASES

Tax base	Balance 12/31/2017	Changes in 2017	Balance at 12/31/16
TAX-BASE INCREASE			
Excess tax depreciation	39,279	3,812	35,467
Revaluation	1,777	(6)	1,783
Financial instruments	(438)	(1,873)	1,435
Other temporary differences	367	(64)	431
TOTAL 1	**40,985**	**1,869**	**39,116**
TAX-BASE DECREASE			
Employee benefits	18,449	(593)	19,042
Discounting of deposits and guarantee deposits	2,256	(64)	2,320
Inventory valuation difference	66	(1,059)	1,125
Provisions for risks and liabilities	95	(155)	250
Expenses not tax-deductible	2,177	(289)	2,466
Employee profit-sharing	2,261	(754)	3,015
Provision for asset write-downs	1,668	(238)	1,906
Other temporary differences	6,460	(857)	7,317
TOTAL 2	**33,432**	**(4,009)**	**37,441**
TOTAL A: NET INCREASE IN BASE	**7,553**	**5,878**	**1,675**
PROSPECTIVE INCREASE IN INCOME TAX	**2,277**	**2,024**	**254**

2016 Effective tax rate = 34.43%

2017 Effective tax rate = 39.43%

In 2017 the applicable corporate tax rate in France was 33.33% to which was added 3.3% for a total rate of 34.43%. In addition, an exceptional surtax of 15% on the base rate of 33.33% was introduced by the Amending Finance Act for 2017, increasing the effective tax rate to 39.43%.

NOTE9 Fixed assets (fiscal year 2017)

STATEMENT OF FIXED ASSETS

(in thousands of euros)	Gross amount at 01/01/2017	Increases	Decreases	Transfers	Gross amount at 12/31/2017
INTANGIBLE ASSETS					
Concessions, patents, licenses, brands, processes, software, rights and similar assets	81,054	843		3,063	84,960
Business goodwill	221,533				221,533
Others					
Intangible assets in progress	10,348	5,003		(3,063)	12,288
PROPERTY, PLANT AND EQUIPMENT					
Real property	25,173	31	67	42	25,179
Technical installations, fixtures, machinery and equipment	47,101	237	913	166	46,591
Other	7,353	67	16	47	7,451
Assets in the course of construction	2,487	1,764		(226)	4,025
Advances and down-payments	36	6		(29)	13
LONG-TERM INVESTMENTS					
Participating interests	1,201,615	1			1,201,616
Other	676,225	105,974	74,557		707,642
TOTAL	**2,272,925**	**113,926**	**75,553**		**2,311,298**

STATEMENT OF DEPRECIATION AND AMORTIZATION

(in thousands of euros)	At 01/01/2017	Increases	Decreases	At 12/31/2017
INTANGIBLE ASSETS	**65,565**	**5,356**		**70,921**
PROPERTY, PLANT AND EQUIPMENT				
Real property	9,130	1,866	60	10,936
Technical installations, fixtures, machinery and equipment	31,598	2,911	696	33,813
Other	3,753	718	16	4,455
TOTAL	**110,047**	**10,851**	**772**	**120,126**

Intangible assets

The goodwill arising from the acquisition of Boursin totaled €220,039 thousand.

The increase in intangible assets stemmed primarily from internally developed IT projects totaling €3,511 thousand.

Tangible assets

The change in this item of +€590 thousand mainly concerns fitting out the new head offices in Suresnes and the purchase of equipment for Research Centers.

Long-term investments

The gross value of participating interests did not change significantly in 2017 (see table of subsidiaries and interests).

Bel Syrie (Syria) shares were written down by 100% in the amount of €15,660 thousand and Bel Tunisie (Tunisia) shares were written down in the amount of €2,053 thousand.

Loans and receivables relating to equity interests included loans granted to the following subsidiaries (in thousands of euros):

- Bel Karper +€8,337;
- Bel Tunisie Distribution +€796;
- Bel Rouzaneh Company +€29,055;
- Newton holding +€393,427;
- M.B.M.A. +€153,000;
- Materne North America +€87,855.

The Bel Tunisie Distribution loan has been written down 100% since 2009. Bel Tunisie Distribution is in court-ordered liquidation.

Given the favorable development of the situation in Iran, depreciation of the Bel Rouzaneh loan was fully reversed.

At December 31, 2017, the Company held 80,197 treasury shares valued at €20,970 thousand, compared with 83,648 treasury shares valued at €21,069 thousand at December 31, 2016.

NOTE 10 Other receivables from operations

This line item includes:

(in thousands of euros)	2017	2016
Trade and other payables	13,297	6,939
V.A.T.	16,144	18,020
Of which the reimbursement of requested VAT credits	*2,824*	*3,197*
Others	747	1,068
TOTAL	**30,188**	**26,027**

NOTE 11 Sundry receivables

This line item includes:

(in thousands of euros)	2017	2016
Income tax receivables	28,080	9,856
Current accounts	51,945	18,085
Tax consolidation accounts	681	114
Others	3,291	2,096
TOTAL	**83,997**	**30,151**

At December 31, 2017, the gross value of outstanding cash advances to subsidiaries came to:

(in thousands of euros)	2017	2016
Fromageries Bel Production France	25,750	
Fromageries Boursin SAS	2,790	439
Atad	49	30
Bel UK	2	
Bel Tunisie mktg	6	7
Bel Italia	1,556	
Bel Polska	7,474	2,347
Bel Côte d'Ivoire	507	2,257
Bel Portugal		4,290
Bel Japon	4,394	5,405
Quesos Bel Mexico		386
Bel Suisse		887
Bel Australia		66
MOM		395
MBMA	7,677	646
Materne North America	1,704	907
Materne	35	22
Other outstanding cash advances (less than €1,000 thousand)	1	1
TOTAL	**51,945**	**18,085**

Additionally, the balance of income tax payable due by entities in the tax consolidation scope totaled €681 thousand in 2017 versus €114 thousand in 2016.

NOTE 12 Marketable securities

Cash on hand, consisting mainly of marketable securities measured at the last known closing price or net asset liquidation value, totaled €157,614 thousand versus €98,181 thousand in 2016.

NOTE 13 Financial instruments

Other short-term financial instruments included premiums paid (assets) and received (liabilities) on currency options and interest rate hedges marked to market at the balance sheet date.

Because these were for hedging purposes, the corresponding adjustments were posted to the following balance-sheet line items:

- prepaid expenses and unrealized losses on financial instruments;
- deferred income and suspense account for unrealized gains on financial instruments.

They are treated according to the symmetry principle.

NOTE 14 Prepaid expenses

Prepaid expenses relating to operational activities totaled €2,877 thousand (€4,722 thousand in 2016) and those relating to Financial activities amounted to €1,477 thousand (€6,779 thousand in 2016).

NOTE 15 Foreign exchange differences

DURING THE FINANCIAL YEAR 2017

(in thousands of euros)	Amounts	Differences offset	Provisions for foreign exchange losses*
UNREALIZED LOSSES ON FOREIGN EXCHANGE TRANSACTIONS			
• from long-term investments	11,732	11,732	
• from trade receivables	1,195	1,068	127
• from short-term financial instruments	7	7	
• from financial liabilities			
• from debts	81	68	13
TOTAL	**13,015**	**12,875**	**140**
UNREALIZED GAINS ON FOREIGN EXCHANGE TRANSACTIONS			
• from trade receivables	316	231	
• from short-term financial instruments			
• from financial liabilities	12,550	11,732	
• from debts	903	528	
TOTAL	**13,769**	**12,491**	

* *From translation differences only.*

DURING THE FINANCIAL YEAR 2016

(in thousands of euros)	Amounts	Differences offset	Provisions for foreign exchange losses*
UNREALIZED LOSSES ON FOREIGN EXCHANGE TRANSACTIONS			
• from long-term investments	4		4
• from trade receivables	188	181	7
• from short-term financial instruments	2		2
• from financial liabilities	736	105	631
• from debts	732	249	483
TOTAL	**1,662**	**535**	**1,127**
UNREALIZED GAINS ON FOREIGN EXCHANGE TRANSACTIONS			
• from long-term investments	105	105	
• from trade receivables	1,847	1,592	
• from short-term financial instruments	4	4	
• from debts	148	118	
TOTAL	**2,104**	**1,819**	

* *From translation differences only.*

NOTE 16 Provisions and write-downs

DURING THE FINANCIAL YEAR 2017

(in thousands of euros)	Amount at beginning of the year	Increase (charges)	Decrease (reversals)	Amount at year-end
Intangible assets	1,637			1,637
Property, plant and equipment	299	38	237	100
Long-term investments	29,478		10,968	18,510
Inventories and work-in-progress	206	58	179	85
Trade receivables	1,090	10	10	1,090
Sundry receivables		1,000		1,000
Marketable securities				
TOTAL	**32,710**	**1,106**	**11,394**	**22,422**
Of which charges and reversals:				
posted to operating income/expenses		*106*	*426*	
posted to financial income/expenses			*10,968*	
posted to extraordinary income/expenses		*1,000*		

The €10,968 thousand provision for loans and receivables relating to participating interests which mainly concerns Bel Rouzaneh (Iran) was reversed and not used. The allocation of 1,000 thousand euros relates to the withholding tax liability at our Bel Egypt subsidiary.

DURING THE FINANCIAL YEAR 2016

(in thousands of euros)	Amount at beginning of the year	Increase (charges)	Decrease (reversals)	Amount at year-end
Intangible assets	1,637			1,637
Property, plant and equipment	27	272		299
Long-term investments	19,875	9,603		29,478
Inventories and work-in-progress	141	176	111	206
Trade receivables	2,085	1	996	1,090
Sundry receivables				
Marketable securities				
TOTAL	**23,765**	**10,052**	**1,107**	**32,710**
Of which charges and reversals:				
posted to operating income/expenses		*449*	*1,107*	
posted to financial income/expenses		*9,603*		
posted to extraordinary income/expenses				

The €9,603 thousand provision for loans and receivables relating to equity interests concerned Bel Rouzaneh (Iran).

The reversal of customer provisions for €996 thousand is mainly explained by the reversal on the Bel Algeria customer account (write-down used).

NOTE 17 Capital

The share capital is made up of 6,872,335 shares with a par value of €1.50, of which 80,197 were held by the Company at December 31, 2017 (5,068 bonus shares were awarded in July 2017 under the biannual 2015–2017 plan) carrying 13,384,675 voting rights exercisable at Annual General Meetings.

Double voting rights are attributed to any fully paid-up registered shares held for at least four years by the same shareholder. At December 31, 2017 a total of 6,592,537 double voting rights were available for exercise at general meetings.

NOTE 18 Regulated provisions

Provision charges and reversals corresponding to regulated provisions are recorded under extraordinary income.

DURING THE FINANCIAL YEAR 2017

(in thousands of euros)	Amount at beginning of the year	Increase (charges)	Decrease (reversals)	Amount at year-end
Provision for investment				
Provisions for price increases				
Excess tax depreciation	35,466	10,568	6,755	39,279
Special revaluation provisions*	7		4	3
Reinvested capital gains	1,707			1,707
TOTAL	**37,180**	**10,568**	**6,759**	**40,989**

* *Only concerns the constructions line item.*

The decrease in excess tax depreciation was primarily related to intangible assets, in particular internally produced software.

DURING THE FINANCIAL YEAR 2016

(in thousands of euros)	Amount at beginning ot the year	Increase (charges)	Decrease (reversals)	Amount at year-end
Provision for investment				
Provisions for price increases				
Excess tax depreciation	40,085	8,200	12,819	35,466
Special revaluation provisions*	10		3	7
Reinvested capital gains	1,707			1,707
TOTAL	**41,802**	**8,200**	**12,822**	**37,180**

* *Only concerns the constructions line item.*

NOTE 19 Changes in equity

(in thousands of euros)	
Equity at December 31, 2015	**966,030**
Revaluation adjustments	(1)
Dividends (Combined AGM of May 12, 2016)	(61,851)
Additional paid-in capital	
Cancellation of dividends on treasury shares	782
Free reserves	
Investment grants	(251)
Regulated provisions	(4,622)
Profit for the year	101,721
Equity at December 31, 2016	**1,001,808**
Revaluation adjustments	(4)
Dividends (Combined AGM of May 11, 2017)	(67,005)
Additional paid-in capital	
Cancellation of dividends on treasury shares	817
Free reserves	
Investment grants	(199)
Regulated provisions	3,809
Profit for the year	133,402
EQUITY AT DECEMBER 31, 2017	**1,072,628**

NOTE 20 Provisions for contingencies and losses

			Decrease (reversals)		
(in thousands of euros)	Amount at beginning of the year	Provisions (charges)	Offset against expenses	Cancelled provisions	Amount at year-end
Disputes and litigation	3,340	5,623	123	366	8,474
Foreign exchange losses	1,491	465	1,491		465
Restructurings					
Withholding tax	726	1,356	726		1,356
Stock option plan	3,910	280	1,846		2,344
Other	1,150	238	297	144	947
TOTAL	**10,617**	**7,962**	**4,483**	**510**	**13,586**
Of which charges and reversals:					
posted to operating income/expenses		*1,874*	*2,577*	*222*	
posted to financial income/expenses		*465*	*1,491*		
posted to extraordinary income/expenses		*5,623*	*415*	*288*	

The main reversals of the year mainly relate to provisions for commercial litigation.

NOTE 21 Other bonds

Two bonds were issued in 2012, one for €140,000 thousand maturing December 20, 2019 and the other for €20,000 thousand maturing December 20, 2018, then a third of €500,000 thousand was issued in April 2017, with a coupon of 1.50% and maturing an April 24, 2024, excluding €5,458 thousand in accrued interest not yet due. All three bonds, which were fully subscribed at the issue date, were issued at par.

NOTE 22 Bank borrowings

This line item mainly consists of a Schuldschein financing transaction. It comprises two tranches and two term loans for:

- €224,000 thousand with maturities of two, four and seven years at variable or fixed rates
- $207,500 thousand (€196,850 thousand) with maturities of two and seven years at variable or fixed rates.

An initial repayment of €77,000 thousand was made in June 2017 on the loan in euros as well as a reimbursement of $100,000 thousand dollars (€94,868 thousand).

Two credit lines were reclassified as short term, €5,000 thousand and $7,500 thousand (€5,767 thousand, due on June 28, 2018).

Favorable exchange rates with the dollar reduced the debt by €10,647 thousand.

Accrued interest not yet due on the bonds is €866 thousand euros.

NOTE 23 Sundry borrowings and financial liabilities

This item chiefly comprised liabilities relating to participating interests in Group Fromageries Bel España for €121,888 thousand - accrued interest included (€118,002 thousand in 2016), Bel Belgium for €116,054 thousand - accrued interest included (€108,251 thousand in 2016), and with Bel Egypt Expansion for Cheese for €16,711 thousand - accrued interest included (€19,041 thousand in 2016), as well as other commercial paper loans of €40,000 thousand (€246,000 thousand in 2016) and the employee profit-sharing scheme of €5,945 thousand - accrued interest included (€6,326 thousand in 2016).

NOTE 24 Other debts from operations

This line item was entirely made up of trade and related receivables amounting to €31,795 thousand versus €27,373 thousand in 2016.

NOTE 25 Other debts from operations

(in thousands of euros)	2017	2016
Interest-bearing advances from Group entities, excluding accrued interest	325,110	291,186
Excess payment of income tax of entities included in the tax consolidation scope	4,051	2,037
Provisioned debt for employee profit-sharing plan	2,265	3,016
Other	2,192	2,803
TOTAL	**333,618**	**299,042**

NOTE 26 Deferred income and unrealized gains on financial instruments

Prepaid expenses relating to operational activities totaled €2 thousand (null in 2016) and those relating to financial activities amounted to €16,966 thousand (null in 2016).

NOTE 27 Effect of tax exemption assessments

(in thousands of euros)	2017	2016
Net profit for the year	133,402	101,721
Income tax	(18,239)	7,655
Pretax profit	**115,163**	**109,376**
Change in regulated provisions	3,809	(4,622)
PRETAX PROFIT EXCLUDING ASSESSED TAX EXEMPTIONS	**118,972**	**104,754**

NOTE 28 Deferred income, accrued expense, payables and receivables represented by bills of exchange

DEFERRED INCOME

(in thousands of euros)	2017	2016
Trade and other receivables	4,155	4,728
Other trade receivables	23,649	18,035
Sundry receivables	0	139
Cash on hand and bank balances	27	33
TOTAL	**27,831**	**22,935**

ACCRUED EXPENSES

(in thousands of euros)	2017	2016
Bonds	5,458	156
Bank borrowings	866	932
Sundry borrowings and financial liabilities	4,011	358
Trade and other payables	77,600	91,322
Taxes payable and payroll and on-cost amounts payable	34,008	33,823
Other trade payables	24,349	21,878
Amounts payable to fixed asset suppliers and related accounts	183	137
Other liabilities – sundry payables	762	1,473
TOTAL	**147,237**	**150,079**

RECEIVABLES AND PAYABLES REPRESENTED BY BILLS OF EXCHANGE

(in thousands of euros)	2017	2016
Trade and other receivables	445	8,985
Trade and other payables		
Amounts payable to fixed asset suppliers and related accounts		

The Company does not make payments by bills of exchange but settles its payables by bank transfer.

NOTE 29 Financial commitments

(in thousands of euros)	2017	2016
COMMITMENTS GIVEN		
Bank guarantees	2,026	1,894
Guarantees given for a foreign subsidiary (Bel Rouzaneh and Bel Australia)	655	775
Partnership liability in GIEs, SCIs, etc.	1,789	1,568
Retirement indemnities (see Note 29.1)	18,450	19,043
Guarantees given for a foreign subsidiary (Bel Shotska Ukraine and Bel Shostka Service)	10,127	11,283
TOTAL	**33,047**	**34,563**
COMMITMENTS RECEIVED		
Syndicated credit lines (see Note 29.2)	820,000	820,000
Export receivable guarantees	15,782	18,083
Performance bond		
TOTAL	**835,782**	**838,083**
RECIPROCAL COMMITMENTS (EXCLUDING CURRENCY FUTURES AND FINANCE LEASES)		
Real estate rentals (see Note 29.3)	62,317	66,263
• less than a year 6,560		
• from one to five years 25,239		
• over five years 29,518		
Asset rentals	1,443	1,209
• less than a year 765		
• one to five years 678		
• over five years		
Asset orders	2,035	809
Stock option plan (see Note 29.4)	1,221	1,229
TOTAL	**67,016**	**69,510**

29.1 Obligations arising from pensions, retirement and similar employee benefits

Post-employment benefits were subject to an actuarial valuation using the projected unit credit method based on the following assumptions:

- voluntary retirement (giving rise to the additional payment of payroll on-costs) at the age of:
  - 62 for managers and executives and progressively 65 depending on the year of birth,
  - 60 for technicians and supervisors and progressively 63 depending on the year of birth,
  - 60 for all other employees and progressively 63 depending on the year of birth;
- length of service, mortality rate and employee turnover rate;
- the discount rate and the rate of inflation:
  - 2017: a nominal discount rate of 1.7% including an inflation rate of 1.8%,
  - 2016: a nominal discount rate of 1.25% including an inflation rate of 2%.

Post-employment benefits earned by employees are not provisioned for but recorded under off-balance sheet commitments (see above).

29.2 Financial instruments

29.2.1 Market risk management

The Treasury department, which is attached to the Group Finance Department, has the requisite skills and tools to manage market risk. The department reports to Management on a monthly basis and makes regular presentations to the Audit Committee.

29.2.2 Financial and liquidity risk management

During the first half of 2017, the Group restructured its financial debt, with:

- a € 500 million bond with a 1.50% coupon maturing in April 2024;
- the early repayment of Schuldschein Term Loans, representing capital of $100 million and €77 million;
- a reduction of its outstanding amount of commercial paper from €246 million to €40 million.

At December 31, 2017, the Group had significant liquidity, including:

- two confirmed syndicated credit lines maturing in 2022 of €520 million and €300 million respectively. These lines have not been drawn;
- a €500 million commercial paper program, of which €40 million has been 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;
- the new € 500 million bond issue maturing April 2024;
- two amortizing Terms Loans of €100 million and $100 million maturing in 2023;
- Schuldschein market financing, with €47 million maturing between 2018 and 2023 and $7.5 million maturing in June 2018.

Fromageries Bel SA committed to keeping its financial leverage ratio below 3.50 over the entire life of the medium- and long-term financing mentioned above. The leverage ratio refers to the amount of consolidated net debt divided by the Group's consolidated EBITDA (EBITDA is defined as current operating income plus provisions and reversals of provisions and amortization, charged to current operating income). Failure to meet the ratio could trigger the repayment of a significant part of the debt.

In addition, the €520 million credit line now incorporates environmental and social objectives in line with the Group's sustainable development strategy (see section 3.4).

The Group has put a cash pooling policy in place 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 financing local needs. Internal current accounts and intragroup compensation payment systems are managed by the Group Treasury Department.

In countries where the pooling of surpluses and financing needs is not allowed, subsidiaries invest their surpluses in money-market funds denominated in their local currency and, if needed, finance themselves primarily in local currency. The policy of systematically paying dividends also aims to limit recurring surpluses at subsidiaries.

However, some subsidiaries may have no alternatives to 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.

29.2.3 Foreign exchange risk management

Fromageries Bel SA is subject to foreign exchange rate fluctuations as a result of its international operations and presence.

The Company is exposed to foreign exchange risk on sales transactions recognized on the balance sheet and on highly probable future transactions, i.e. imports, exports and financial transactions.

Hedging policy for foreign exchange exposure

Management policy is to hedge risk on transactions denominated in foreign currency through the use of derivative financial instruments. Hedging is not intended to generate profit. 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. Fromageries Bel SA harbors the Group Treasury Department and provides the necessary exchange rate hedging for these entities.

When the budget is prepared, budgeted currency prices are set according to market conditions for use as benchmarks to set up hedges. The management period for budgeted hedges does not exceed 18 months. At December 31, 2017, the maturity of the derivatives portfolio did not go beyond January 31, 2019. The cash flow from the budgeted 2017 and 2018 hedges is expected in 2018 and will thus impact income in 2018.

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

Fromageries Bel recalculates its net foreign exchange exposure periodically during each budgetary review. To manage its exposure, Fromageries Bel SA mainly uses futures contracts, currency options and cross-currency swaps.

At December 31, 2017, the Group had secured the following hedges:

Type of transaction (in thousands of euros)	Cross	At December 31 2017		At December 31 2016	
		Commitment	Market value	Commitment	Market value
1 - PORTFOLIO OF CURRENCY FORWARD CONTRACTS BACKED BY TRADE RECEIVABLES, TRADE PAYABLES OR FUTURES TRANSACTIONS					
Forward purchase	EUR GBP	18,500	69	16,500	16
Forward sale	EUR PLN	33,000	829	22,000	(179)
Forward purchase	EUR USD	92,541	3,304	105,834	(4,413)
Forward purchase	Other	49,052	1,386	30,423	720
Forward sale	Other	1,900	(162)	13,948	(52)
FORWARDS ON OPERATIONAL TRANSACTIONS			**5,426**		**(3,908)**
2 - PORTFOLIO OF CURRENCY OPTIONS BACKED BY TRADE RECEIVABLES, TRADE PAYABLES OR FUTURES TRANSACTIONS					
Call purchase	EUR GBP	71,000	1,080	70,000	1,419
Put sale	EUR GBP	49,600	(421)	45,100	(581)
Put purchase	EUR PLN	36,000	1,003	32,000	203
Put sale	EUR PLN	25,750	(138)	18,700	(314)
Call purchase	EUR USD	137,263	7,522	152,072	407
Put sale	EUR USD	95,345	(226)	114,585	(3,471)
Call purchase	Other	59,081	2,051	45,512	666
Put sale	Other	33,784	(227)	21,019	(425)
OPTIONS ON OPERATIONAL TRANSACTIONS			**10,644**		**(2,096)**

Type of transaction (in thousands of euros)	Cross	Entity	At December 31, 2017 Commitment	Market value	At December 31, 2016 Commitment	Market value
3 - PORTFOLIO OF CURRENCY FORWARD CONTRACTS SET UP WITH GROUP SUBSIDIARIES						
Forward purchase	EURUSD	Bel Americas	-	-	145	10
Forward purchase	EURUSD	Bel Brands USA	4,800	245	-	-
Forward sale	EURUSD	Bel Brands USA	6,944	(355)	2,378	167
Forward sale	EURCAD	Bel Canada	2,122	(22)	1,017	57
Forward sale	USDCAD	Bel Canada	528	22	621	(8)
Forward sale	EURJPY	Bel Japon	5,076	(567)	4,532	537
Forward purchase	DKKEUR	Bel Nordic	764	1	778	3
Forward purchase	NOKEUR	Bel Nordic	281	(13)		
Forward purchase	NOKSEK	Bel Nordic	-	-	219	7
Forward sale	EURSEK	Bel Nordic	523	(16)		
Forward purchase	EURPLN	Bel Polska	10,498	(391)	6,189	350
Forward sale	EURCHF	Bel Suisse	1,286	(77)	680	10
Forward sale	EURCZK	Bel Syry Cesko	1,999	134	958	17
Forward sale	EURGBP	Bel Uk	6,817	(61)	8,970	(1,276)
Forward purchase	EURUSD	Bel USA	300	15	-	-
Forward sale	EURUSD	Bel USA	702	(36)	917	65
FORWARDS ON OPERATIONAL TRANSACTIONS				**(1,121)**		**(61)**

Fromageries Bel SA guarantees its subsidiaries' foreign currency denominated budget year flows through annual foreign exchange guarantees which are issued once the previous budget year has been collected. At December 31, 2017, Fromageries Bel SA's subsidiary hedging portfolio hedged only subsidiaries' foreign exchange risks relating to the 2017 budget year and collected in 2018.

Type of transaction (in thousands of euros)	Cross	At December 31, 2017 Commitment	Market value	At December 31, 2016 Commitment	Market value
4 - CURRENCY FORWARD AND OPTION CONTRACTS TO HEDGE FUTURE DIVIDEND OR SHARE TRANSACTION FLOWS					
Forward purchase	EURGBP	1 500	(52)		
Forward purchase	EURUSD		-	14 278	(1 050)
Forward sale	Other		-	1 000	(20)
FORWARDS ON DIVIDENDS			**(52)**		**(1 070)**
5 - TREASURY SWAPS IN CURRENCY					
Swap sale	EURGBP	10 127	15	-	-
Swap sale	EURPLN	7 717	(31)	1 631	(1)
Swap sale	EURUSD	65 343	(389)	59 141	116
Swap sale	Other	7 312	(5)	7 549	(10)
Swap sale	Other	4 275	11	5 899	69
TREASURY SWAPS			**(399)**		**174**

Type of transaction (in thousands of euros)	Cross	At December 31, 2017		At December 31, 2016	
		Commitment	Market value	Commitment	Market value
6 - OTHER TRANSACTIONS OUTSIDE THE HEDGING TRANSACTIONS CATEGORY					
Call sale	EURGBP	11 500	(44)	8 000	(53)
Call sale	EURUSD	8 000	(66)	-	-
Call sale	Other	3 126	(20)	2 571	(10)
OTHER TRANSACTIONS			**(130)**		**(63)**

Transactions are presented in the order of the cross-currency operation shown. For example:
- Buy EURUSD futures means that the Group is buying EUR and selling USD;
- Call purchase EURGBP means that the Group is buying a EUR call/GBP put option;
- Swap sell EURGBP futures means that the Group is borrowing EUR (and then selling EUR futures), and lending GBP (and then buying GBP futures).»

Fromageries Bel's main currency exposure was with the US dollar. The valuations shown exclude the impact of deferred taxes.

At December 31, 2017, 80-100% of the net exposure relative to the main currencies in the 2018 budget was hedged, depending on the currency managed. Currency fluctuation gains and losses arising from the recognition of sales and purchasing transactions of Group entities can thus be offset up to the hedge amount by gains and losses from the hedges.

Hedge measurements 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, Fromageries Bel SA used an outside provider to determine the valuations

29.2.4 Interest rate risk management

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

At December 31, 2017, the Group hedged interest rate risk through interest rate swaps:

Type of transaction (in thousands of euros)	Commitment currency	At December 31, 2017		At December 31, 2016	
		Nominal	Market value	Nominal	Market value
PORTFOLIO RELATED TO INTEREST RATE					
Fixed-rate borrower swaps	EUR	100,000	(236)	100,000	(542)
Fixed-rate borrower swaps	USD	83,382	1,713	123,328	1,548
TOTAL PORTFOLIO RELATED TO INTEREST RATE			**1,477**		**1,006**
TOTAL			**1,477**		**1,006**

The following hedging balance corresponds to hedges on some of Fromageries Bel SA's floating-rate loans.

(in millions)		2018	2019	2020	2021	2022	2023
Interest-rate swaps	EUR	100	95	85	70	50	-
Interest-rate swaps	USD	100	95	85	70	50	-

29.2.5 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 banking pool. Money-market mutual funds offering daily liquidity or certificates of deposit account 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 December 31, 2017.

29.2.6 Equity risk management

At December 31, 2017, Fromageries Bel SA had no equity derivatives.

29.3 Real estate rentals

By signing a lease on its future head office in the first half of 2014, the Group made a firm commitment to pay rent on the new premises over the next 10 years, representing a total amount of €62 million.

29.4 Existing bonus share plans

The commitment given corresponds to the difference between the award amount, which takes into account the rate of completion of performance milestones, and the provision recorded in the amount of €2,344 thousand.

A breakdown of bonus share plans is presented in the following table:

(in thousands of euros)	2017 plan cash	2017 plan shares	2016 plan cash	2016 plan shares	Total
Number of shares awarded at December 31, 2017	1,196	5,522	1,333	6,234	
Value of share in €	527,00	183,99	467,00	183,99	
Award criteria: percentage provisioned	100	100	81,3	81,3	
Amount expensed in 2016			703	706	1,409
Amount expensed in 2017	828	519	109	(69)	1,387

Also included in personnel expenses was the provision for the 2016 Fromageries Bel SA cash plan totaling €434 thousand and representing 1,333 shares as well as the provision for the 2017 Fromageries Bel SA cash plan totaling €214 thousand and representing 1,196 shares.

29.5 Other commitments

Litigation and disputes

The Group was engaged in a certain number of lawsuits and disputes in the normal course of its business. Provisions were booked for any probable and measurable costs that might arise from these 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 the close of the year.

NOTE 30 Parent company consolidating the Group's financial statements

The financial statements of Fromageries Bel SA, the parent company of the Bel Group, were included in the consolidation of the Unibel Group, which has its headquarters at 2, Allée de Longchamp in Suresnes near Paris.

A copy of the financial statements can be obtained at this address and can also be consulted on the website www.groupe-bel.com

NOTE 31 Subsequent events

No significant events have occurred since the end of the reporting period.

MATURITIES OF RECEIVABLES AND PAYABLES AT DECEMBER 31, 2017

Headings and line items (in thousands of euros)	Gross amounts	Maturity	
		Due 1 year or less	Due more than 1 year [e]
RECEIVABLES			
Fixed asset receivables:			
Loans to and receivables from participating interests	674,020	674,020	
Loans [a]	6,435	319	6,116
Other	27,187	63	27,124
Current asset receivables:			
Trade and other receivables	199,533	199,533	
Other	114,436	114,436	
Prepaid expenses	4,354	3,882	472
TOTAL	**1,025,965**	**992,253**	**33,712**
DEBTS			
Other bonds [b]	665,458	25,458	640,000
Borrowings [b] and current used facilities at banks [c]	236,992	11,610	225,382
Sundry borrowings and financial liabilities [b][d]	301,575	296,997	4,578
Trade and other payables	223,692	223,692	
Taxes payable and payroll and on-cost amounts payable	39,587	31,135	8,452
Amounts payable to fixed asset suppliers and related accounts	3,938	3,938	
Income tax payable			
Other liabilities [d][e]	365,508	363,243	2,265
Deferred income			
TOTAL	**1,836,750**	**956,073**	**880,677**

(a) Loans granted during the year	*314*
Loans recovered during the year	*636*
(b) Borrowings subscribed during the year	*695,246*
Borrowings reimbursed during the year	*579,537*
(c) Of which:	
– originally no more than two years	*11,610*
– originally more than two years	*225,382*
(d) To associates (other debts line item)	*329,161*
(e) Debts maturing in more than five years	*2,265*

PARTICIPATING INTERESTS AND INVESTMENTS IN ASSOCIATES

	Amounts concerning entities	
(in thousands of euros)	Subsidiaries	in which the Company has an equity interest
LINE ITEMS		
Participating interests	1,183,903	
Loans to and receivables from equity interests	673,224	
Other long-term financial assets	20,970	
Loans		4
Other financial investments		
Trade and other receivables	93,341	
Other current assets	64,438	
Subscribed capital called and unpaid		
Sundry borrowings and financial liabilities	254,653	
Trade and other payables	114,393	
Amounts payable to fixed asset suppliers and related accounts		
Other liabilities	333,107	
Dividends and interest income	145,343	
Other financial income	542	
Financial expenses	5,436	

Related-party transactions:

- cash management agreement with Unibel.

  At December 31, 2017, the Company had received a €80,546 thousand cash advance from Unibel. The advance, bearing interest at the EONIA rate plus 100 basis points, generated a financial expense of €489 thousand recorded in 2017;
- service agreement with Unibel.

  In 2017, €6,441 thousand were expensed under the service agreement with Unibel;
- operating expenses billed back to Fromageries Bel SA by unconsolidated Group entities.

  In 2017, a total of €18,019 thousand in operating expenses were billed back to Fromageries Bel.

TABLE OF SUBSIDIARIES AND INTERESTS

Entities	Share capital [(a)]	Equity other than share capital [(a)]	% of share capital held	Carrying amount of shares held		Outstanding loans and advances granted by the Company	Amount of endorsements, guarantees and letters of intent provided by the Company	Dividends collected by the Company during the year
	Currency in thousands			Gross amounts	Net	(in thousands of euros)		
I - DETAILED INFORMATION								
Subsidiaries (more than 50%-owned by the Company)								
French entities								
Fromageries Picon 2 Allée de Longchamp - 92150 Suresnes	600 EUR	3,046 EUR	99,975	5,638	5,638			1,767
Fromageries Bel Production France 2 Allée de Longchamp - 92150 Suresnes	48,917 EUR	117,688 EUR	100,000	132,209	132,209	25,750		14,543
Société Anonyme des Fermiers Réunis 2 Allée de Longchamp - 92150 Suresnes	7,200 EUR	10,739 EUR	99,848	18,118	18,118			994
SOFICO 2 Allée de Longchamp - 92150 Suresnes	2,339 EUR	10,657 EUR	99,965	2,376	2,376			2,393
Fromagerie Boursin SAS Route de St Aquilin 27120 Croisy-sur-Eure	2,825 EUR	17,762 EUR	100,000	23,630	23,630	2,790		297
SICOPA 2 Allée de Longchamp - 92150 Suresnes	591,402 EUR	395,771 EUR	100,000	780,174	780,174			71,362
LVQR Diffusion 2 Allée de Longchamp - 92150 Suresnes	50 EUR	443 EUR	100,000	50	50			
MVQR Gestion 25 rue Richebourg - 39000 Lons-le-Saunier	50 EUR	243 EUR	100,000	50	50			
Newton Holding 2 Allée de Longchamp - 92150 Suresnes	251,881 EUR	(43,675 EUR)	68,060	190,300	190,300	393,427		
Foreign entities								
Bel Tunisie - Tunis/Tunisia	3,000 TND	(7,695 TND)*	99,000	2,053	0			
Bel Syrie - Damascus/Syria	1,045,000 SYP	215,025 SYP	99,976	15,660	0			
Bel Algérie SpA - Algiers/Algeria	2,358,693 DZD	5,588,938 DZD	99,023	21,185	21,185			15,843
II - GENERAL INFORMATION								
Subsidiaries not covered in paragraph I								
a) French subsidiaries (aggregate)				102	102	49		90
b) Foreign subsidiaries (aggregate)				10,085	10,085			3,782
Interests not covered in paragraph I								
a) In French entities (aggregate)								
b) In foreign entities (aggregate)								

** 2008 data.*
(a) French GAAP data for French entities and IFRS data for foreign entities.

INVENTORY OF INVESTMENTS AND PARTICIPATING INTERESTS

(in thousands of euros)		Net carrying amount of the balance sheet 2017	Net carrying amount of the balance sheet 2016
EQUITY INTERESTS			
French entities			
188,415,809	Newton Holding	190,300	190,300
3,706,666	Fromageries Boursin SAS	23,630	23,630
239,635	Société Anonyme des Fermiers Réunis "SAFR"	18,118	18,118
39,426,801	Societe Industrielle Commerciale et de Participation "SICOPA"	780,174	780,174
132,208,521	Fromageries Bel Production France	132,209	132,209
155,865	Societe Financière et Commerciale "SOFICO"	2,376	2,376
19,995	Fromageries Picon	5,638	5,638
2,377	ATAD	83	83
999	Société des Produits Laitiers "SPL"	15	15
3,333	LVQR Diffusion	50	50
50,000	MVQR Gestion	50	50
Entities with a net carrying amount below €15 per category of shares		*4*	*4*
		1,152,647	1,152,647
Foreign entities			
94,796	Bel Egypt Expansion for Cheese Production	8,931	8,931
2,335,653	Bel Algérie SPA	21,170	21,170
594	Bel Tunisie		
1,044,745	Bel Syrie		
10	Bel Vietnam	1,152	1,152
Entities with a net carrying amount below €15 per category of shares		*2*	*2*
		31,255	31,255
TOTAL PARTICIPATING INTERESTS		**1,183,902**	**1,183,902**
OTHER LONG-TERM FINANCIAL ASSETS			
French entities			
50,000	CAP AGRO	5,044	5,044*
	MOM Invest		780
1,120	SOGAL- SOCAMUEL	17	17
80,197	Fromageries Bel	20,969	21,069
Entities with a net carrying amount below €15 per category of shares		*25*	*25*
		26,055	26,935
Foreign entities			
26,044	Parmalat	56	56
		56	56
TOTAL OTHER LONG-TERM FINANCIAL ASSETS		**26,111**	**26,991**
MARKETABLE SECURITIES		**157,614**	**98,181**

* *Data changed from the 2016 Registration Document.*

COMPANY EARNINGS AND OTHER FINANCIAL HIGHLIGHTS OVER THE LAST FIVE YEARS (ARTICLES R. 225-81, R. 225-83 & R. 225-102 OF THE FRENCH COMMERCIAL CODE)

Item	2017	2016	2015	2014	2013
I. SHARE CAPITAL AT YEAR-END					
Share capital	10,308,503	10,308,503	10,308,503	10,308,503	10,308,503
Number of ordinary shares outstanding	6,872,335	6,872,335	6,872,335	6,872,335	6,872,335
II. OPERATIONS AND RESULTS FOR THE FINANCIAL YEAR					
Revenue, net of VAT	1,317,849,203	1,385,125,072	1,434,159,274	1,423,861,417	1,396,926,890
Earnings before tax, profit-sharing, depreciation, amortization and write-downs	125,136,074	116,860,557	127,959,921	126,089,383	120,942,743
Income tax	(18,239,459)	7,654,506	10,069,368	6,579,315	32,504,903
Profit-sharing owed for the financial year	2,246,437	2,885,920	3,258,259	3,279,297	2,870,214
Earnings after tax, profit-sharing, depreciation, amortization and write-downs	133,401,905	101,721,485	116,143,510	97,941,058	83,681,844
Dividends paid out	48,106,345	67,005,266*	61,851,015*	42,952,094*	42,952,094*
III. EARNINGS PER SHARE					
Earnings after tax and profit-sharing, but before depreciation, amortization and write-downs	20.52	15.47	16.68	16.91	12.45
Earnings after tax, profit-sharing, depreciation, amortization and write-downs	19.41	14.80	16.90	14.25	12.18
Dividend per share	7.0	9.75	9.00	6.25	6.25
IV. PERSONNEL					
Average number of employees during financial year	1,024	1,005	994	988	973
Total payroll for the financial year	74,201,969	74,300,273	71,725,992	72,600,991	70,028,440
Amount of employee benefits paid for in the financial year (social security, volunteer work)	38,739,043	38,996,129	38,582,462	38,271,055	35,220,021

* *Theoretical amount since treasury shares held by the Company are not entitled to dividends. The corresponding amount of unpaid dividends is allocated to "Retained earnings".*

STATUTORY AUDITORS' REPORT ON THE ANNUAL FINANCIAL STATEMENTS

This is a free translation into English of the Statutory Auditors' report on the financial statements of the Company issued in French and it is provided solely for the convenience of English speaking users.

This Statutory Auditors' report includes information required by French law, such as information about the appointment of the Statutory Auditors or verification of the Management Report and other documents provided to shareholders.

This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

For the year ended December 31, 2017

Opinion

In compliance with the engagement entrusted to us by your General Meetings, we have audited the accompanying financial statements of Fromageries Bel SA Company for the year ended December 31, 2017.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as at December 31, 2017 and of the results of its operations for the year then ended in accordance with French accounting principles.

The audit opinion expressed above is consistent with our report to the Audit Committee.

Basis for opinion

Audit framework

We conducted our audit in accordance with professional standards applicable in France. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Statutory Auditors' Responsibilities for the Audit of the Financial Statements* section of our report.

Independence

We conducted our audit engagement in compliance with independence rules applicable to us, for the period from January 1, 2017 to the date of our report and specifically we did not provide any prohibited non-audit services referred to in the French Code of ethics (*Code de déontologie*) for Statutory Auditors.

Justification of assessments

In accordance with the requirements of Articles L. 823-9 and R. 823-7 of the French Commercial Code (code de commerce) relating to the justification of our assessments, we inform you of the following assessments that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on specific items of the financial statements.

VALUATION OF EQUITY SECURITIES

NOTE 1.3 "ACCOUNTING RULES AND METHODS - FINANCIAL ASSETS"

Key Audit Point	Audit Response
As of December 31, 2017, equity investments are recorded in the balance sheet at a net book value of €1,184 million, or 40% of total assets. They were recorded on the date of acquisition at their acquisition cost. When the value in use of the securities is lower than their net book value, a provision for depreciation is recorded for the difference in value. The value in use is determined on the basis of cash flow projections from the five-year budget data of the subsidiaries. Given the significance of equity securities in the balance sheet and the sensitivity of the valuation models to the assumptions used in the determination of cash flows, we considered the valuation of the value in use of equity investments as a key point of our audit.	Our assessment of the valuation of the equity securities is based on the process put in place by the Company to determine the value in use of the equity securities. Our work included: • verifying the consistency of the shareholding ratios used by the Company with the financial statements of the various companies; • in situations when the share of net worth is less than the value of the securities, obtaining the cash flow forecasts of the entities concerned and reconciling them to the subsidiaries' business plans; • verifying the consistency of the assumptions used with the Group's and the entities' performance history, and confirm, primarily through interviews with the finance managers in each geographical area, future growth prospects.

Verification of the Management Report and of the other documents provided to shareholders

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

Information given in the Management Report and in the other documents provided to Shareholders with respect to the financial position and the financial statements

We have no matters to report as to the fair presentation and the consistency with the financial statements of the information given in the Management Report of the Board of Directors and in the other documents provided to the Shareholders with respect to the financial position and the financial statements.

Report on corporate governance

We attest that the Board of Directors' report on corporate governance sets out the information required by Articles L. 225-37-3 and L. 225-37-4 of the French Commercial Code.

Concerning the information given in accordance with the requirements of Article L. 225-37-3 of the French Commercial Code (*Code de commerce*) relating to remunerations and benefits received by the directors and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from controlling and controlled companies. Based on this work, we attest the accuracy and fair presentation of this information.

With respect to the information relating to items that your company considered likely to have an impact in the event of a public purchase or exchange offer, provided pursuant to Article L. 225-37-5 of the French Commercial Code, we have verified their compliance with the source documents communicated to us. Based on our work, we have no observations to make on this information.

Other information

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

In accordance with French law, we have verified that the required information concerning the purchase of investments and controlling interests and the identity of the shareholders and holders of the voting rights has been properly disclosed in the Management Report.

Report on other legal and regulatory requirements

Appointment of Statutory Auditors

We have been appointed as Statutory Auditors of the Company Fromageries Bel SA by your General Meetings of June 25, 1998 for Deloitte & Associés, and May 12, 2010 for Grant Thornton.

As at December 31, 2017, Deloitte & Associés was in its 26th year mandate, without any interruption taking into account acquisitions or mergers of firms that took place before that date, and for Grant Thornton in its 8th year mandate, without any interruption.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with French accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is expected to liquidate the Company or to cease operations.

The Audit Committee is responsible for monitoring the financial reporting process and the effectiveness of internal control and risks management systems and where applicable, its internal audit, regarding the accounting and financial reporting procedures.

The financial statements were approved by the Board of Directors.

Statutory Auditors' responsibilities for the audit of the financial statements

Objectives and audit approach

Our role is to issue a report on the financial statements. Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As specified in Article L. 823-10-1 of the French Commercial Code (*Code de commerce*), our statutory audit does not include assurance on the viability of the Company or the quality of management of the affairs of the Company.

As part of an audit conducted in accordance with professional standards applicable in France, the Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- identifies and assesses the risks of material misstatement of the financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtains an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control;
- evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the financial statements;
- assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. This assessment is based on the audit evidence obtained up to the date of his audit report. However, future events or conditions may cause the Company to cease to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the financial statements or, if such disclosures are not provided or inadequate, to modify the opinion expressed therein;
- evaluates the overall presentation of the financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

Report to the Audit Committee

We submit a report to the Audit Committee which includes in particular a description of the scope of the audit and the audit program implemented, as well as the results of our audit. We also report, if any, significant deficiencies in internal control regarding the accounting and financial reporting procedures that we have identified.

Our report to the Audit Committee includes the risks of material misstatement that, in our professional judgment, were of most significance in the audit of the financial statements of the current period and which are therefore the key audit matters that we are required to describe in this report.

We also provide the Audit Committee with the declaration provided for in Article 6 of Regulation (EU) No. 537/2014, confirming our independence within the meaning of the rules applicable in France such as they are set in particular by Articles L. 822-10 to L. 822-14 of the French Commercial Code (*Code de commerce*) and in the French Code of Ethics (*Code de déontologie*) for Statutory Auditors. Where appropriate, we discuss with the Audit Committee the risks that may reasonably be thought to bear on our independence, and the related safeguards.

Neuilly-sur-Seine, March 23, 2018

The Statutory Auditors

French original signed by

Deloitte & Associés	Grant Thornton
	French member of Grant Thornton International
Pierre-Marie Martin	Virginie Palethorpe

5.6 AUDITING OF ANNUAL FINANCIAL INFORMATION

5.6.1 Statement of verification of historical financial information

See the Statutory Auditors' reports on the consolidated financial statements and the annual financial statements for the year ended December 31, 2017, in paragraphs 5.5.1 and 5.5.2 respectively of this Registration Document.

For previous years, see the following reports included by reference in this Registration Document pursuant to Article 28 of Commission Regulation (EC) No. 809/2004:

- the Statutory Auditors' reports on the consolidated financial statements and the annual financial statements for the year ended December 31, 2016, as well as the financial statements themselves, can be found in paragraphs 4.5.1 ("Consolidated financial statements at December 31, 2016") and 4.5.2 ("Company financial statements at December 31, 2016"), respectively, of the Company's Registration Document filed with the AMF on March 20, 2017 under number D17-0185;
- the Statutory Auditors' reports on the consolidated financial statements and the annual financial statements for the year ended December 31, 2015, as well as the financial statements themselves, can be found in paragraphs 4.5.1 ("Consolidated financial statements at December 31, 2015")and 4.5.2 ("Company financial statements at December 31, 2015"), respectively, of the Company's Registration Document filed with the AMF on April 1, 2016 under number D16-0259

Both of these Registration Documents referred to above are available on the website of the AMF (www.amf-france.org) and on the Company's website (www.groupe-bel.com).

5.6.2 Other information verified by the Statutory Auditors

In the consolidated financial statements

Research and Development expenditure totaled €23,288,000 in 2017.

In the annual financial statements

ARTICLE D. 441 I. - 1°: OPEN TRADE PAYABLES ITEMS WHICH ARE OVERDUED AT THE CLOSING DATE

	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (more than 1 day)
(a) Overdues groups						
Number of invoices	4,887					1,048
Total amount (incl. VAT) (in euros)	136,159,386	6,994,725	753,841	344,757	597,371	8,690,694
Total amount, in % of the annual purchase amount (incl. VAT)	*9.6%*	*0.5%*	*0.1%*	*0.0%*	*0.0%*	*0.6%*
Total amount, in % of the annual turnover amount (incl. VAT)						
(b) Excluded invoices from (a), related to non posted or under litigation trade payables / receivables						
Number of exclusions	186					
Total amount of exclusions (incl. VAT) (in euros)	1,484,946					
(c) Reference payments terms (contractual or legal - art. L 441.6 or art. L 443.1 of French Trade Code)						
Payment terms used to overdues calculation	30/40/50 days end of decade : contractual payments terms					

	0 day (indicative)	1 to 30 days	31 to 60 days	61 to 90 days	91 days and more	Total (more than 1 day)
(a) Overdues groups						
Number of invoices	9,007					1,683
Total amount (incl. VAT) (in euros)	158,499,784	2,853,042	1,745,078	-173,317	296,624	4,721,427
Total amount, in % of the annual purchase amount (incl. VAT)						
Total amount, in % of the annual turnover amount (incl. VAT)	*10.6%*	*0.2%*	*0.1%*	*-0.0%*	*0.0%*	*0.3%*
(b) Excluded invoices from (a), related to non posted or under litigation trade payables / receivables						
Number of exclusions	2,246					
Total amount of exclusions (incl. VAT) (in euros)	24,242,753					
(c) Reference payments terms (contractual or legal - art. L 441.6 or art. L 443.1 of French Trade Code)						
Payment terms used to overdues calculation	30 days, end of decade, invoice date (France): contractual payment terms 60 days, boarding date (Export): contractual payment terms					

In accordance with Article 223c and Article 39.4 of the French General Tax Code, expenses and costs that are not tax-deductible totaled €400,739 and corresponded to €158,012 in tax.

5.6.3 Financial information not included in the financial statements

This paragraph is not applicable.

5.7 DATE OF LATEST FINANCIAL INFORMATION

The most recent financial year for which financial information was audited was the year ended December 31, 2017.

5.8 FINANCIAL INFORMATION FOR INTERIM AND OTHER PERIODS

5.8.1 Quarterly and half-year financial information

None.

5.8.2 Other financial information for interim periods

As no financial position after 31 December 2017 has been published, these paragraphs are not applicable.

5.9 DIVIDEND PAYOUT POLICY

Fromageries Bel paid out the following dividends per share over the past five years:

(in euros by share)	2013	2014	2015	2016	2017 (submitted to the May 14, 2018 CGM)
Net dividend	6.25	6.25	9.00	9.75	7.0

The Combined General Meeting of Tuesday, May 14, 2018, will be asked to approve a dividend of €7.00 per share for the 2017 financial year. The dividends will be distributed on Monday, May 21, 2018.

Future net dividends will depend on the Company's ability to generate profits, its financial position, its growth strategy and any other factor deemed relevant by the Board of Directors.

5.10 LEGAL AND ARBITRATION PROCEEDINGS

Information concerning judicial and arbitration proceedings appears in chapter 2 "Risk factors and insurance" of this Registration Document.

5.11 SIGNIFICANT CHANGE IN THE ISSUER'S FINANCIAL OR TRADING POSITION

Following the acquisition of MOM Group in December 2016, the Group's net debt went from a surplus of €21 million at December 31, 2015 (less than 1% of equity) to a liability of €688 million (41% of equity) at December 31, 2016. At December 31, 2017, the Group's net financial debt amounted to €632 million (37% of equity).

The Group strengthened its liquidity by extending the maturity of its €520 million credit line from 2020 to 2021 and by negotiating an additional credit line of €300 million maturing in 2021, extendible twice for an additional year. These two credit lines were not drawn at December 31, 2017. Furthermore, the €520 million credit line now incorporates environmental and social objectives in line with the Group's sustainable development strategy (see section 3.4).

6

SHAREHOLDING AND SHARE TRANSACTIONS (1)

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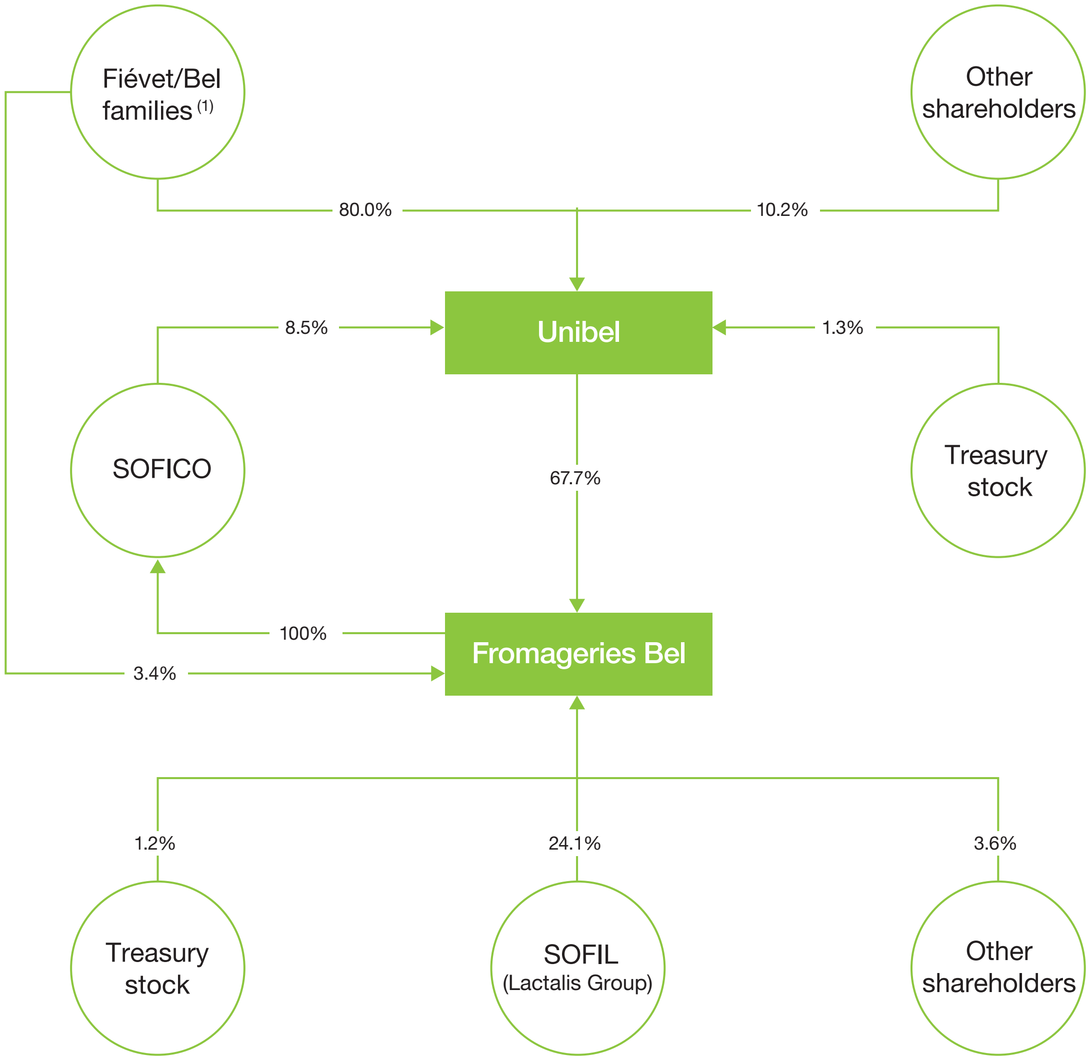
(1) This chapter forms part of the corporate governance report.

6.1 SHAREHOLDING AND SHARE CAPITAL

6.1.1 Shareholding at December 31, 2017 and over the last three years

BEL GROUP SHAREHOLDING ORGANIZATIONAL CHART (AS A% OF SHARE CAPITAL)[1]



(1) *This item includes the signatories of the Unibel shareholders' agreement which came into force on September 23, 2013 and controlled companies.*

To the issuer's knowledge, Fromageries Bel's share capital is broken down between shareholders as follows:

Fromageries Bel at December 31, 2017	Share capital		"Gross" voting rights		AGM voting rights	
	Number	%	Number	%	Number	%
Unibel(a)	4,651,237	67.68%	9,286,134	68.97%	9,286,134	69.38%
Fiévet-Bel family group (b)	237,221	3.45%	474,049	3.52%	474,049	3.54%
CONCERT SUBTOTAL	**4,888,458**	**71.13%**	**9,760,183**	**72.49%**	**9,760,183**	**72.92%**
SOFIL/Lactalis Group (c)	1,653,323	24.06%	3,306,646	24.56%	3,306,646	24.70%
Other shareholders	250,357	3.64%	317,846	2.36%	317,846	2.37%
PUBLIC SUBTOTAL	**1,903,680**	**27.70%**	**3,624,492**	**26.92%**	**3,624,492**	**27.08%**
Treasury stock	80,197	1.17%	80,197	0.65%	-	0.00%
TOTAL	**6,872,335**	**100%**	**13,464,872**	**100%**	**13,384,675**	**100%**

(a) Entity controlled at the highest level by the Fiévet-Bel family.
(b) Signatories of the Unibel shareholders' agreement which came into force on September 23, 2013 and the companies other than Unibel that they control.
(c) Entity controlled at the highest level by the Besnier family and not represented on the Board of Directors.

No material change occurred in shareholding or voting rights since December 31, 2017.

The share capital is composed of 6,872,335 shares, to which 13,464,872 gross voting rights and 13,384,675 voting rights eligible for Annual General Meetings (AGMs) were attached at December 31, 2017. This difference corresponds to treasury shares.

Of the shares, 97.6% are in registered form and held by 262 shareholders; 97.1% receive double voting rights after being registered continuously for four years. In April 2016, 1,355 shareholders together held 157,680 bearer shares, *i.e.* more than 99% of the existing bearer shares. The issuer does not have any more recent information regarding bearer shareholders.

Unibel, a French *société anonyme* (public corporation) with a Management Board and a Supervisory Board, holds more than two-thirds of the share capital and voting rights (AMF notice No. 210C0461 of May 28, 2010). It is controlled by members of the Fiévet-Bel family group who are bound by an agreement published by the AMF (French financial markets regulator) on September 26, 2013. This agreement is described in AMF notice No. 213C1436 of September 2013 and in Unibel's Registration Document. These shareholders currently control 80% of the share capital and 88% of the gross voting rights of Unibel.

In addition, Société Financière et Commerciale (SOFICO), a wholly-owned subsidiary of Fromageries Bel, holds 8.45% of Unibel treasury shares.

The Lactalis Group, controlled by the Besnier family, holds more than 20% of the share capital and voting rights of Fromageries Bel through its subsidiary Société pour le Financement de l'Industrie Laitière (SOFIL) (AMF notice No. 211C0106 of January 28, 2011).

To the issuer's knowledge, no other shareholder directly or indirectly holds, alone or in concert, more than 5% of the share capital or voting rights, and no shareholder outside the family group or SOFIL holds, alone or in concert, in any way, shape or form, more than 1% of the share capital or voting rights.

No legal or statutory ceilings were exceeded during the year.

Under Articles 787 B, 885 I bis and 885 I quater of the French General Tax Code, lock-up agreements, known as "Dutreil agreements", were signed by shareholders and in particular by members of the Fiévet-Bel family group and Unibel.

The most recent lock-up agreements have the following features:

Lock-up agreement	
Type	Collective
Registration date/start date	12/24/2013
Initial duration of the collective commitment	2 years
Renewal	tacit, every 3 months
% of share capital committed on the signing date	38%
% of voting rights committed on the signing date	39%
Executive signatory	Antoine Fiévet
Signatory holding at least 5% of the share capital	Unibel

"Dutreil agreements" provide direct or indirect shareholders covered by the scope of the agreement with tax exemptions of 75% of the tax base in terms of transfer duties and solidarity wealth tax. In return, beneficiaries of these exemptions commit not to sell or transfer their shares for a minimum individual or collective period of six years.

Changes in the breakdown of share capital over the last three years

The following table indicates the breakdown of share capital and voting rights that can be exercised at AGMs over the last three years.

	12/31/2017			12/31/2016			12/31/2015		
	Shares	**% share capital**	**% of AGM voting rights**	Shares	% share capital	% of AGM voting rights	Shares	% share capital	% of AGM voting rights
Unibel [(a)]	4,651,237	67.68%	69.38%	4,651,237	67.68%	69.43%	4,651,237	67.68%	69.48%
Fiévet-Bel family group [(b)]	237,221	3.45%	3.54%	237,221	3.45%	3.54%	237,221	3.45%	3.54%
CONCERT SUBTOTAL	4,888,458	71.13%	72.92%	4,888,458	71.13%	72.98%	4,888,458	71.13%	73.02%
SOFIL/Lactalis Group [(c)]	1,653,323	24.06%	24.70%	1,653,323	24.06%	24.72%	1,653,323	24.06%	24.74%
Other shareholders	250,357	3.64%	2.37%	246,906	3.59%	2.30%	243,642	3.55%	2.24%
PUBLIC SUBTOTAL	1,903,680	27.70%	27.08%	1,900,229	27.65%	27.02%	1,892,931	27.61%	26.98%
Treasury stock	80,197	1.17%	0.00%	83,648	1.22%	0.00%	86,912	1.26%	0.00%
TOTAL	**6,872,335**	**100%**	**100%**	**6,872,335**	**100%**	**100%**	**6,872,335**	**100%**	**100%**

(a) Entity controlled at the highest level by the Fiévet-Bel family.
(b) Signatories of the Unibel shareholders' agreement which came into force on September 23, 2013, and the companies other than Unibel that they control.
(c) Entity controlled at the highest level by the Besnier family and not represented on the Board of Directors.

6.1.2 Information on control of the share capital

To the Company's knowledge, there are no agreements containing clauses affecting at least 0.5% of shares or voting rights and providing for preferential sale or purchase conditions, nor do any agreements exist whose implementation could, at a later date, lead to a change in control of the Company.

All medium- and long-term financing agreements relating to Fromageries Bel and certain subsidiaries directly or indirectly controlled by Fromageries Bel have a change in control clause stipulating that banks and investors may request the repayment of the advances and credit lines granted, plus interest and all other amounts due, on condition that the majority of lending institutions request this repayment. Change in control is the hypothesis under which the Company's majority shareholders cease to directly or indirectly hold over half of the share capital and voting rights in Fromageries Bel.

No other agreement would be modified or would end in the event of a change in control of the Company.

The family shareholders are represented by Antoine Fiévet, Chairman and Chief Executive Officer, who is also Chairman of the Unibel Management Board, and by Florian Sauvin, Unibel's permanent representative on the Board of Directors, member of the Management Board and Chief Executive Officer of Unibel.

Unibel, the Group's lead holding company, is a Director of the Company. Bruno Schoch, member of Unibel's Management Board, is Deputy General Manager of the Company.

Measures taken to ensure that control is not abused are as follows:

- the Board of Directors has a majority of four independent directors out of seven members: Thierry Billot, Fatine Layt, James Lightburn and Nathalie Roos. The committees of the Board also have a majority of independent members;
- a charter is in place to which all Directors adhere and which defines their duties, specifying, in particular, that Directors must act in the best interest of the Company under all circumstances, that they must represent all shareholders, and that they must abstain in the event of a conflict of interests;
- the Chief Executive Officer's powers are curtailed (see section 4.1.4, "Organization and work performed by the Governance Bodies").

The composition of the administrative and management bodies and the governance principles applied are detailed in section 4.1, "Governance principles" and in section 4.2, "Compensation and benefits".

6.1.3 Share capital

Situation at December 31, 2017

The amount of share capital subscribed and fully paid up was €10,308,502.50 at December 31, 2017. It is divided into 6,872,335 shares with a par value of €1.50.

Each share confers the right to ownership in the Company's assets, a share in the profits, and in the liquidation surplus proportional to the percentage of share capital that it represents.

Equity securities, non-equity shares, options

At December 31, 2017, there were no equity securities, non-equity shares, or options. Information on bonus share award programs in place is detailed in section 6.2.3, "Stock options/ performance shares".

DELEGATIONS AND AUTHORIZATIONS GRANTED BY THE ANNUAL GENERAL MEETING TO THE BOARD OF DIRECTORS (IN ACCORDANCE WITH ARTICLE L. 225-100 OF THE FRENCH COMMERCIAL CODE) CURRENTLY VALID OR TERMINATED DURING THE YEAR

Date of the AGM	Purpose of the delegation	Authorized maximum nominal amount or number of shares	Delegation duration and/or expiry date	Date and terms of use by the Board of Directors
May 12, 2016	Authorization given to the Board of Directors to grant bonus shares already existing or to be issued by the Company for personnel and/corporate officers of the Company and of its subsidiaries.	30,000 shares	38 months, i.e. up to July 11, 2019	(a)
May 11, 2017	Delegation given to the Board of Directors to increase share capital in favor of employees who are members of a company savings scheme, without subscription rights.	Maximum nominal amount of capital increases may not exceed 1% of the share capital at the date on which the decision to increase the share capital was made	26 months, i.e. up to July 10, 2019	None

(a) *Use of this authorization by the Board of Directors is detailed below in section 6.2.3*

Changes in the share capital over the last five years

Date	Type of operation	Number of shares created or canceled	Variation of nominal capital (in euros)	Reserves	At the end of the operation, nominal (in euros)	Number of shares
01/01/2012	Starting position	-	-	-	10,308,502.50	6,872,335
12/31/2017	Final position	-	-	-	10,308,502.50	6,872,335

Exceeding of statutory ceilings

In addition to the ceilings defined in legal and regulatory provisions, Article 10 of Fromageries Bel's Articles of Incorporation states that any individual or legal entity, acting alone or in concert, having obtained, in any manner, alone or in concert, within the meaning of Articles L. 233-7 *et seq.* of the French Commercial Code, a number of securities representing a share equal to 1% of the share capital and/or voting rights at the Annual General Meeting, or any multiple of this percentage, must inform the Company of the total number of shares they possess via registered mail with notice of receipt addressed to the head office within 15 days of crossing the 1% ceiling. This obligation applies under these conditions every time the percentage of share capital and/or voting rights possessed falls below one of these ceilings. Should these stipulations not be complied with, the shares exceeding the ceiling subject to disclosure shall be stripped of their voting rights. If adjusted, the corresponding voting rights may not be exercised until the expiration of the time frame provided for by law and the regulations currently in effect. However, except when one of the ceilings listed in Article L. 233-7 is crossed, this penalty shall only be applied at the request, recorded in the Annual General Meeting minutes, of one or more shareholders holding, together or separately, at least 5% of the share capital and/or voting rights of the Company.

Identifiable bearer securities

For the purpose of identifying holders of securities, the Company has the right, in accordance with Article 9 of its Articles of Incorporation, to request from the central depository the name or company name, nationality and address of holders of securities that grant, immediately or in the long term, voting rights at its own Shareholders' Meetings, as well as the number of securities held by each one, and if applicable, any restrictions that may be attached to the securities.

Failure by holders of securities or their intermediaries to communicate the information above may, subject to the conditions stipulated by the law, lead to the suspension or removal of their voting rights and the right to dividend payments associated with the shares.

These data are processed in compliance with the confidentiality rules established by Article L. 228-2 of the French Commercial Code. In accordance with law 78-17 of January 6, 1978 as amended, shareholders have the right to access, correct or challenge information concerning them and can exercise that right by contacting the General Secretariat at Unibel headquarters.

Changes to shareholders' rights

As the Articles of Incorporation do not set out any specific provisions, any change in rights attached to securities making up the share capital is governed by legal requirements.

Annual General Meetings – Meeting notification method – Terms of admission and conditions for exercising voting rights

Meeting notification methods, terms of admission and conditions for exercising voting rights for the Annual General are governed by law and Articles 20 and 21 of the Company's Articles of Incorporation, and read as follows:

- Ordinary and Extraordinary General Meetings are made up of all shareholders, regardless of the number of shares they hold;
- the Ordinary Annual General Meeting meets at least once a year in the half-year following the closure of each financial year, subject to the extension of this deadline by adjudication;
- Extraordinary General Meetings or Ordinary General Meetings convened extraordinarily may meet during the year;
- Annual General Meetings take place at the head office or in any other location indicated in the notice of meeting;
- the agenda is approved by the party issuing the notice, subject to the exceptions provided for by law. Only items on the agenda may be discussed, except for circumstances permitted by law concerning the removal of Directors and their replacement;
- the right to participate in Annual General Meetings is subject to the registration of securities in the shareholder's name or in the name of the intermediary registered on their behalf, pursuant to article L. 228-1 of the French Commercial Code, by the second business day before the Annual General Meeting at midnight, Paris time, either in the registered securities accounts kept by the Company or in the bearer securities accounts kept by the authorized intermediary;
- regarding bearer securities, the registration of securities in the accounts held by the authorized intermediary is recorded by a registration certificate issued by the latter;
- shareholders may also vote by mail in accordance with applicable laws and regulations.

If unable to attend the Annual General Meeting in person, any shareholder may participate either by:

- voting by mail, or
- designating a representative of his or her choice, such as the Chairman, the shareholder's spouse or civil partner, another shareholder or any other person (individual or legal entity), under the terms and conditions set forth by the legal and regulatory provisions in force, even without appointing a proxy.

If power of representation is given by a shareholder without indicating a specific proxy, the Chairman of the Annual General Meeting shall vote in favor of adopting draft resolutions presented or approved by the Board of Directors and shall vote against adopting any other draft resolutions.

The forms for designating a proxy and voting by mail are drawn up and made available to shareholders pursuant to current legislation.

6.1.4 Voting rights

On December 2, 1935, the Extraordinary General Meeting instituted double voting rights.

In accordance with Article 24 of the Articles of Incorporation, a double voting right that is conferred on bearer shares, in view of the percentage of share capital they represent, is granted to fully paid-up shares having proof of being registered under the same shareholder for at least four years.

The double voting right automatically ceases for any share that is converted to bearer form or transferred. However, transfer following inheritance, liquidation of marital property between spouses, or *inter vivos* donations for a spouse or relative entitled to inherit shall not interrupt the aforementioned four-year time frame and the acquired rights shall be retained.

Furthermore, in the event of a capital increase by incorporation of reserves, profits or share premiums, the double voting right may be conferred, as from their issue, to registered shares granted freely to a shareholder in connection with old shares that received this right.

The double voting right may be removed by a decision of the Extraordinary General Meeting after approval by the Special Meeting of Beneficiary Shareholders.

In the event of the division of share ownership, the voting rights attached to the shares belong to the bare owner (*nu-propriétaire*), with the exception of decisions relating to the allocation of profits, which fall to the beneficial owner (*usufruitier*).

6.2 STOCK EXCHANGE

Fromageries Bel was listed on the Paris stock exchange on December 11, 1946.

Currently, 6,872,335 Fromageries Bel shares are listed on the double fixing market on Euronext Paris, compartment A.

Fromageries Bel shares are eligible on the long-only Deferred Settlement Service (SRD), so-called because taking into account the limited liquidity of the security, short selling is not allowed.

ISIN code: FR 0000121857 – Ticker symbol: FBEL.

6.2.1 Changes in Fromageries Bel share price and trading volumes

	(in euros)			Number of securities traded	Volume (in thousands of euros)	Average price (in euros)	CAC All tradable closing price
	Highest	Lowest	Last				
2011	**177.00**	**138.99**	**174.90**	**30,371**	**4,817**	**158.61**	**2,654**
2012	**192.88**	**170.00**	**181.10**	**24,993**	**4,585**	**183.46**	**2,511**
2013	**300.00**	**180.00**	**271.01**	**27,210**	**6,985**	**256.71**	**2,983**
2014	**314.00**	**265.20**	**292.00**	**80,573**	**22,618**	**280.71**	**3,316**
2015	**440.00**	**285.00**	**436.90**	**26,147**	**8,390**	**334.19**	**3,721**
January 2016	440.00	405.00	435.00	1,550	671	431.35	3,369
February 2016	450.00	412.80	450.00	797	343	435.17	3,247
March 2016	476.00	442.05	476.00	1,724	802	462.68	3,433
April 2016	490.00	458.00	469.80	633	297	472.00	3,453
May 2016	503.01	470.00	488.89	2,592	1,282	489.36	3,409
June 2016	577.00	488.00	510.01	1,026	524	513.34	3,339
July 2016	519.00	472.10	478.01	519	251	500.79	3,355
August 2016	508.98	472.61	508.00	829	403	491.93	3,451
September 2016	509.00	486.10	503.99	879	436	500.42	3,480
October 2016	505.00	490.00	497.00	909	451	498.66	3,504
November 2016	505.00	480.00	487.99	1,679	827	487.99	3,497
December 2016	505.00	480.30	489.10	2,110	1,048	496.64	3,690
2016	**577.00**	**405.00**	**489.10**	**15,247**	**7,336**	**481.11**	**3,436**
January 2017	518.00	489.10	510.00	2,240	1,129	503.87	3,777
February 2017	516.00	495.20	507.00	621	316	508.63	3,780
March 2017	529.49	505.00	515.00	1,130	585	517.27	3,900
April 2017	550.00	516.01	550.00	1,984	1,054	531.16	4,004
May 2017	575.00	537.00	549.90	825	456	552.42	4,182

	(in euros)			Number of securities traded	Volume (in thousands of euros)	Average price (in euros)	CAC All tradable closing price
	Highest	Lowest	Last				
June 2017	563.99	533.00	549.00	1,290	701	543.50	4,137
July 2017	625.99	553.00	590.00	510	294	577.42	4,062
August 2017	590.00	540.00	540.00	599	339	565.73	4,028
September 2017	557.99	512.00	515.00	812	437	537.70	4,100
October 2017	532.00	496.11	499.99	1,923	980	509.54	4,233
November 2017	501.00	461.06	483.50	3,083	1,496	485.14	4,226
December 2017	499.99	466.11	489.98	2,543	1,218	478.86	4,218
2017	**625.99**	**466.11**	**489.98**	**17,560**	**9,005**	**512.81**	**4,054**
January 2018	505.00	476.00	486.00	2,785	1,384	496.83	4,316
February 2018	505.00	478	486.00	1,395	678.00	486,07	4,147

6.2.2 Summary of transactions by executives and similar persons

No transactions by executives and similar persons involving the Company's shares were recorded in 2017 in accordance with Article 621-18-2 of the French Monetary and Financial Code and Article 223-26 of the AMF General Regulation.

Executive	Type of operation	Number of operations	Amount of operations (in thousands of euros)
	None		

6.2.3 Stock options – performance shares

To date, the Group has never used stock options.

However, bonus issue plans under performance conditions have been implemented since 2007. Since April 2011, beneficiaries of the first plan have been free to sell the shares they were awarded.

A plan has been put in place each year since this date. The following table summarizes the plans affecting 2017.

FROMAGERIES BEL BONUS ISSUE PLANS

Plan no.	7	8	9	10	11
AGM authorization	05/10/2012	05/10/2012	05/12/2015	05/12/2016	05/11/2017
Award date	08/29/2013	08/27/2014	07/29/2015	07/29/2016	07/28/2017
Vesting date	08/30/2015	08/29/2016	07/30/2017	07/29/2019	07/28/2020
Availability date	08/30/2017	08/29/2018	07/30/2019	07/29/2019	07/28/2020
Number of securities attributed	5,130	5,447	5,527	6,717 [(a)]	8,241 [(a)]
Number of securities transferred (transferable)	4,822	5,049	5,068 [(a)]	4,318 [(a)]	7,774 [(a)]
Number of employee beneficiaries	84	96	102	107 [(a)]	106 [(a)]

(a) Subject to attendance and performance conditions.

In 2017, the vesting period for the 2015 bonus issue plan no. 9 ended after two years. Based on achieving 100% of the target Return On Capital Employed (ROCE) and Earnings Before Interest, Taxes, Depreciation & Amortization (EBITDA) measured over two years, the ownership of 5,068 existing shares was transferred to 102 beneficiaries.

The Board of Directors voted the bonus issue plan on July 28, 2017. Under the plan, 8,241 shares were awarded to 106 beneficiaries. These shares will be transferred to the beneficiaries on July 29, 2020 based on ROCE and EBITDA performances for 2017, 2018 and 2019, on organic growth of sales, on the proportion of innovations in sales in 2019, and on attendance. With these shares, 3,514 performance units valued at the average share price between January and June 2017, *i.e.* €527, and subject to the same performance conditions were allocated for payment in July 2019.

No corporate officer was transferred bonus shares.

The ten largest awards to employees represented 2,650 shares.

After taking into account known results and departures, a total of 12,092 existing shares could still be awarded under the plans underway at December 31, 2017.

At December 31, 2017, employees held no stake in Fromageries Bel's share capital within the meaning of article L. 225-102 of the French Commercial Code.

6.2.4 Share buyback program: report and description

Report on share buyback programs

The Combined General Meeting of May 11, 2017 authorized the Board of Directors to implement a share buyback program in accordance with applicable regulations, for a period of 18 months from said Meeting (*i.e.*, until November 10, 2018). This authorization replaced the one granted by the Annual General Meeting of May 12, 2016.

In 2017, Fromageries Bel acquired 1,617 treasury shares at an average share price of €515.28 for a total amount of €833,000 at a cost of €3.335.83.

A total of 5,068 shares, representing 0.07% of the share capital, were transferred to the beneficiaries of the ninth bonus share plan.

No treasury shares were reallocated for another purpose in 2017.

Number of treasury shares at December 31, 2017

Number of shares held in treasury	80,197
% of capital held in treasury	1.17%
Market value	€20,970,000
Net carrying value	€20,970,000
Par value	€120,000

Description of the share buyback program submitted to the Combined General Meeting of May 14, 2018

Pursuant to Article 241-2 of the AMF General Regulation and Regulation (EU) no. 596/2014 of April 16, 2014, this description outlines the purposes and terms of the Company's share buyback program. This program will be put to the Annual General Meeting of May 14, 2018 for authorization.

Objectives of share capital held on February 28, 2018

Number of shares held directly and indirectly: 81,695, representing 1.17% of the share capital.

Number of shares held broken down by objective:

Supporting the stock price via a liquidity contract	None
Acquisition	None
Covering stock options or other employee shareholding plans	**81,695**
Covering marketable securities entitling the allocation of shares	None
Cancellation	None

Since Fromageries Bel does not use derivatives, there are no open buy or sell positions.

At the end of 2017, 12,092 bonus shares were still likely to be transferred under the bonus share plans in place, subject to performance and attendance conditions. This figure should be compared with 81,695 treasury shares held today.

New share buyback program

- Subject to program approval by the Annual General Meeting of May 14, 2018.
- Securities concerned: ordinary shares.
- Maximum share of capital for which the buyback is authorized: 10% of share capital (*i.e.* 687,233 shares at the date of this report), this limit being set on the day of the buyback in order to take into account potential capital increases or decreases that could take place throughout the duration of the program. The number of shares taken into account to calculate this limit corresponds to the number of purchased shares less the number of shares resold during the program for liquidity purposes.

- As the Company may not hold more than 10% of its share capital, given the number of shares already held (81,695 shares, *i.e.*, 1.17% of share capital), the maximum number of shares that may be purchased is 603,585 shares (*i.e.*, 8.78% of share capital) unless the securities already held are sold, transferred or canceled.
- Maximum purchase price: €600.
- Maximum amount for the program: €412,339,800.
- Terms of the buyback: shares may be purchased by any means, including the acquisition of blocks of securities, and at any time decided by the Board of Directors. The Company reserves the right to use options or derivatives, pursuant to the applicable regulations. These transactions may also be carried out during a public offering in compliance with the regulations in effect.
- Objectives:
  - ensure the coverage of stock option plans and/or free share award plans (or similar plans) for employees and/or corporate officers of the Group as well as any allocations of shares for a company or group savings scheme (or similar plan) for employee profit-sharing and/or any other forms of share allocations to employees and/or corporate officers of the Group;
  - keep the shares purchased and later exchange or purchase them as part of potential external growth transactions, it being specified that the shares acquired for this purpose may not exceed 5% of Company capital;
  - ensure the coverage of securities entitling the allocation of Company shares under current regulations;
  - potentially cancel the shares purchased in accordance with the authorization to be granted by the Extraordinary General Meeting;
  - perform operations on the secondary market or ensure the liquidity of the share using an investment service provider under a liquidity contract in conformity with the AMAFI Ethics Charter permitted by regulations, if such a contract were to be put in place.
- Program duration: 18 months from the Annual General Meeting of May 14, 2018 *i.e.* until November 13, 2019.

7

COMBINED GENERAL MEETING OF MAY 14, 2018

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7.1 AGENDA

Ordinary items

1. Approval of the annual financial statements for the year ended December 31, 2017 and approval of non-deductible expenses and charges
2. Approval of the consolidated financial statements for the year ended December 31, 2017
3. Allocation of income and setting of the dividend
4. Statutory Auditors' Special Report on regulated agreements and commitments and report on the absence of new agreements
5. Expiry of Antoine Fiévet's term of office as Director and renewal of his term of office
6. Expiry of Nathalie Roos' term of office as Director and renewal of her term of office
7. Expiry of Thierry Billot's term of office as Director and renewal of his term of office
8. Approval of the principles and criteria for the determination, distribution and allocation of the fixed, variable and extraordinary components of the total compensation and benefits of any kind attributable to the Chairman and CEO
9. Approval of the principles and criteria for the determination, distribution and allocation of the fixed, variable and extraordinary elements comprising the total compensation and benefits of any kind granted to the Deputy General Manager
10. Approval of fixed, variable and extraordinary elements of total remuneration and benefits of any kind paid or allocated for the past fiscal year to Antoine Fiévet, Chairman and CEO
11. Approval of fixed, variable and extraordinary elements of total remuneration and benefits of any kind paid or allocated for the past fiscal year to Bruno Schoch, Deputy General Manager
12. Authorization to be granted to the Board of Directors for the Company to buy back its own shares in accordance with Article L. 225-209 of the French Commercial Code, duration of the authorization, terms and ceiling

Extraordinary items

13. Authorization to be granted to the Board of Directors to cancel the shares purchased by the Company in accordance with Article L. 225-209 of the French Commercial Code, duration of the authorization and ceiling
14. Authorization to be granted to the Board of Directors to freely grant existing and/or future shares to employed staff and/or certain corporate officers of the Company or affiliated companies, shareholders' waiver of their preferential subscription right, duration of the authorization, ceiling and duration of vesting periods, in particular in the event of disability and retention period
15. Powers to carry out formalities

7.2 TEXT OF THE DRAFT RESOLUTIONS

Ordinary items

First resolution – Approval of the annual financial statements for the year ended December 31, 2017 – Approval of non-deductible expenses and charges

Having reviewed the Board of Directors' Report and the Statutory Auditors' Reports for the year ended December 31, 2017, the Annual General Meeting approves the annual financial statements for the year then ended, as presented, showing a profit of €133,401,904.85.

The Annual General Meeting approves the amount of expenses and costs referred to in Article 39.4 of the French General Tax Code, totaling €400,739.43, as well as the corresponding amount of tax.

Second resolution – Approval of the consolidated financial statements for the year ended December 31, 2016

Having reviewed the Board of Directors' Report and the Statutory Auditors' Reports on the consolidated financial statements for the year ended December 31, 2017, the Annual General Meeting approves the financial statements, as presented, showing a profit of €179,970,000 (Group share).

Third resolution – Allocation of income for the year and setting of the dividend to be distributed

At the proposal of the Board of Directors, the Annual General Meeting decides to allocate the income for the year ended December 31, 2017 as follows:

Starting point	
Retained earnings previously brought forward	€376,427,271.74
Profit for the year	€133,401,904.85
Distributable profit	€509,829,176.59
Allocation of income	
Distribution of a gross dividend of €7.00 per share, i.e., a maximum dividend to distribute equal to	€48,106,345.00
Retained earnings to carry forward after allocation	€461,722,831.59
Total	€509,829,176.59

The Annual General Meeting notes that the overall gross dividend per share is set at €7.00.

When it is paid to natural persons residing in France for tax purposes, the dividend is either subject to a single taxation on the gross dividend at the flat rate of 12.8% (Article 200 A of the French General Tax Code), or, at the tax payer's express, irrevocable and comprehensive choice, to graduated income tax after a 40% standard deduction (Article 200 A, 13, and 158 of the French General Tax Code). The dividend is also subject to social contributions at a rate of 17.2%.

The ex-dividend date is set at May 18, 2018.

Dividends will be paid on May 22, 2018.

As the Fromageries Bel shares that may be held by the Company on the ex-dividend date are not intended for this purpose, the sums corresponding to the unpaid dividends for these shares shall be allocated to retained earnings.

In compliance with the provisions set out in Article 243 bis of the French General Tax Code, the Annual General Meeting notes that the distributed dividends and income for the last three years were as follows:

	Earnings eligible for the standard deduction		Earnings not eligible for the standard deduction
For the year	Dividends	Other distributed earnings	
2016	€67,005,266.25 or €9.75 per share		
2015	€61,851,015 or €9.00 per share	-	-
2014	€42,952,093.75 or €6.25 per share	-	-

* *Including the amount of the dividend corresponding to treasury shares not paid out and allocated to retained earnings.*

Fourth resolution – Statutory Auditors' Special Report on regulated agreements and undertakings, and the absence of new agreements

Having reviewed the Statutory Auditors' Special Report mentioning the absence of any new agreement such as those referred to in Articles L. 225-38 et seq. of the Commercial Code, the Annual General Meeting unconditionally acknowledges it.

Fifth resolution – Renewal of Antoine Fiévet's term of office as Director and renewal of his term of office

Having noted that Antoine Fiévet's term of office expires at the end of this Meeting, the Annual General Meeting decides to renew his term as Director for a four-year period, to expire at the end of the Annual General Meeting in 2022 to approve the financial statements for the financial year then ended.

Sixth resolution – Renewal of Nathalie Roos's term of office as Director and renewal of her term of office

Having noted that Nathalie Roos's term of office expires at the end of this Meeting, the Annual General Meeting decides to renew her term as Director for a four-year period, to expire at the end of the Annual General Meeting in 2022 to approve the financial statements for the financial year then ended.

Seventh resolution – Renewal of Thierry Billot's term of office as Director and renewal of his term of office

Having noted that Thierry Billot's term of office expires at the end of this Meeting, the Annual General Meeting decides to renew his term as Director for a four-year period, to expire at the end of the Annual General Meeting in 2022 to approve the financial statements for the financial year then ended.

Eighth resolution – Approval of the determining principles and criteria for the distribution and award of the fixed, variable and extraordinary components constituting the total compensation and benefits of any kind attributable to the Chairman and CEO

The General Meeting, acting in application of paragraphs 1 and 3 of Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, distribution and allocation to the Chairman and CEO of fixed, variable and extraordinary elements of attributable total remuneration and benefits of any kind for his term of office, as presented in the report provided for in the last paragraph of Article L. 225-37 of the French Commercial Code, presented in the report presenting the resolutions to the Shareholders' General Meeting.

Ninth resolution – Approval of the principles and criteria for the determination, distribution and award of the fixed, variable and extraordinary components constituting the total compensation and benefits of any kind attributable to the Deputy General Manager

The General Meeting, acting in application of paragraphs 1 and 3 of Article L. 225-37-2 of the French Commercial Code, approves the principles and criteria for the determination, distribution and allocation to the Deputy General Manager of fixed, variable and extraordinary elements of attributable total remuneration and benefits of any kind for his term of office, as presented in the report provided for in the last paragraph of Article L. 225-37 of the French Commercial Code, presented in the report presenting the resolutions to the Shareholders' General Meeting.

Tenth resolution – Approval of fixed, variable and extraordinary elements of total remuneration and benefits of any kind paid or allocated for the past fiscal year to Antoine Fiévet, Chairman and CEO

The General Meeting, acting in application of Article L. 225-100 paragraph II of the French Commercial Code, approves the fixed, variable and extraordinary elements of total remuneration and benefits of any kind paid or attributed to Antoine Fiévet, Chairman and CEO, for the past year for his term of office, as presented in the report presenting the resolutions of the Shareholders' General Meeting.

Eleventh resolution – Approval of fixed, variable and extraordinary elements of total remuneration and benefits of any kind paid or allocated for the past fiscal year to Bruno Schoch, Deputy General Manager

The General Meeting, acting in application of Article L. 225-100 paragraph II of the French Commercial Code, approves the fixed, variable and extraordinary elements of total remuneration and benefits of any kind paid or attributed to Bruno Schoch, Deputy General Manager, for the past year for his term of office as presented in the report presenting the resolutions of the Shareholders' General Meeting.

Twelfth resolution – Authorization to be granted to the Board of Directors to have the Company buy back its own shares as provided for under Article L. 225-209 of the French Commercial Code, duration of the authorization, purposes, terms and ceiling

Having reviewed the Board of Directors' report, the Annual General Meeting authorizes the Board, for a period of eighteen months, in accordance with the provisions of Articles L. 225-209 et seq. of the French Commercial Code, to purchase on one or more occasions and at the time or times it shall deem fit, shares in the Company representing up to a maximum of 10% of share capital, and where applicable, adjusted to take into account potential capital increases or decreases that could take place during the program.

This authorization terminates the authorization given to the Board of Directors by the Annual General Meeting on May 11, 2017 in its fifth ordinary resolution.

Buybacks may be carried out to:

- support the secondary market or the liquidity of Fromageries Bel stock through an investment service provider via a liquidity contract, in compliance with the AMAFI Code of Conduct, as recognized by the regulations; in this regard, it is specified that the number of shares taken into account to calculate the aforementioned limit corresponds to the number of purchased shares, less the number of shares resold;
- keep the purchased shares for subsequent use in exchange or payment for potential external growth transactions;
- ensure coverage for stock option plans and/or free share award plans (or similar plans) for employees and/or corporate officers of the Group as well as any allocations of shares for a company or group savings scheme (or similar plan) for employee profit-sharing and/or any other forms of share allocations to employees and/or corporate officers of the Group;
- ensure coverage for securities entitling the allocation of Company shares under current regulations;
- potentially cancel the shares purchased in accordance with the authorization granted or to be granted by the Extraordinary General Meeting.

These buybacks may be carried out in any form, including in blocks of shares, and at the time of the Board of Directors' choosing.

The Company reserves the right to use options or derivatives, pursuant to the applicable regulations.

The maximum purchase price is set at €600.00 per share. In the event of a transaction on the share capital, notably a stock split or reverse stock split or free share awards to shareholders, the aforementioned amount will be adjusted proportionally (multiplier coefficient equal to the ratio between the number of shares making up the share capital before the transaction and the number of shares after the transaction).

The maximum amount of the transaction is set at €412,339,800.

The Annual General Meeting confers all powers to the Board of Directors to carry out these transactions, to determine the terms and conditions, to enter into any agreement and to carry out any required formalities.

Extraordinary items

Thirteenth resolution – Authorization to be granted to the Board of Directors to cancel the shares purchased by the Company in accordance with Article L. 225-209 of the French Commercial Code, duration of the authorization and ceiling

Having reviewed the Board of Directors' Report and the Statutory Auditors' Report, the Annual General Meeting:

1) authorizes the Board of Directors to cancel, at its sole discretion, on one or several occasions, subject to a limit of 10% of share capital calculated on the day the cancellation decision is made, deducting any potential shares canceled during the previous twenty-four months, the shares that the Company holds or might hold following the buybacks carried out under Article L. 225-209 of the French Commercial Code, and to reduce the share capital proportionally in accordance with the legal and regulatory provisions in effect;

2) grants this authorization for a period of twenty-four (24) months as from this Meeting;

3) fully empowers the Board of Directors to carry out the transactions required for such cancellations and corresponding reductions of share capital, to amend the Company's Articles of association accordingly and to accomplish any formalities required.

Fourteenth resolution – Authorization to be granted to the Board of Directors to freely award existing and/or future shares to employed staff and/or certain corporate officers of the Company or affiliated companies, shareholders' waiver of their preferential subscription right, duration of the authorization, ceiling, duration of vesting periods, in particular in the event of disability and retention period

Having reviewed the Board of Directors' report and of the special Statutory Auditors' report, the General Meeting authorizes the Board of Directors to assign ordinary Company shares, whether existing or to be issued, in one or more times, to:

- employed staff of the Company or of directly or indirectly affiliated companies within the meaning of Article L. 225-197-2 of the French Commercial Code, and/or
- corporate officers meeting the conditions established by Article L. 225-197-1 of the French Commercial Code

The total number bonus shares under this authorization may not represent more than 30,000 Company shares with par value of €1.50.

The allocation of shares to the beneficiaries will be final at the end of a vesting period, the duration of which will be set by the Board of Directors and may not be less than one year. Beneficiaries may keep the shares for a period established by the Board of Directors that is at least equal to that required for the total duration of the vesting and retention periods is not less than two years.

By way of exception, the final allocation will be made before the end of the vesting period in the event of beneficiary disability equal to category two or three provided for under Article L. 341-4 of the French Social Security Code.

The Board of Directors is given all powers to:

- set the share allocation conditions and criteria, as applicable;
- determine the identity of the beneficiaries and number of shares allocated to each of them.

If appropriate:

- determine the existence of sufficient reserves and at each allocation, transfer to an unavailable reserve account the sums necessary to settle the new shares to be allocated;
- decide, at the appropriate time, a capital increase or capital increases through incorporation of reserves, premiums or profits at the time new bonus shares are allocated;
- purchase necessary shares for the share buyback program and assign them to the stock award plan;
- determine the impacts, on beneficiaries' rights, of transactions that modify capital or that might affect the value of the shares granted and that are performed during the vesting period, consequently modifying or adjust the number of shares awarded to maintain the beneficiaries' rights if necessary;
- decide whether to set a retention obligation following the vesting period, determine its duration and take all necessary measures to ensure it is respected by the beneficiaries, and;
- generally, do all that is necessary under the legislation in force to implement this authorization.

This authorization implies waiver by the shareholders of their preferential subscription right to new shares issued through incorporation of reserves, premiums and profits.

It is granted for a period of thirty-eight months (38) as from the date of this Meeting.

It revokes any unused part of any prior authorization having the same purpose.

Fifteenth resolution – Powers to carry out formalities

The Annual General Meeting gives all powers to anyone possessing an original, a copy or an excerpt of these Meeting minutes to carry out any filing and disclosure formalities required by law.

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ADDITIONAL INFORMATION

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8.1 INDIVIDUAL RESPONSIBLE FOR THE REGISTRATION DOCUMENT AND THE ANNUAL FINANCIAL REPORT

Name and position

Antoine Fiévet, CEO of Fromageries Bel.

Officer's statement

After having taken all reasonable measures to this effect, I hereby certify that, to the best of my knowledge, the information contained in this registration document is accurate and contains no omission of a nature that would alter its scope.

I certify that, to the best of my knowledge, the accounts have been established in accordance with applicable accounting standards and provide a true view of the assets, financial situation and results of both the Company and the undertakings included in the consolidation scope, and that the Management Report in this Registration Document, in the chapters and paragraphs listed in the cross-reference tables in Chapter 8, presents a true picture of the Company's business, performance and financial situation and that of all undertakings included in the consolidation scope, and includes a description of the main risks and uncertainties they face.

I have received a letter from the statutory auditors stating that they have completed their work, which included checking the information relating to the financial position and the financial statements provided in this Registration Document, and reading the entire annual report.

The statutory auditors' report on the historical financial information presented in this document appears in sections 5.5.1, "Consolidated financial statements at December 31, 2017", and 5.5.2, "Financial statements at December 31, 2017".

Paris, March 29, 2018

The Chairman and Chief Executive Officer

Antoine Fiévet

8.2 INFORMATION ON THE COMPANY

Corporate name, trade name and acronym

Fromageries Bel

This name may or may not be followed by the reference: The Laughing Cow.

Acronym: F.B.S.A.

Registration number and place

Company register number and place: 542 088 067 Nanterre

NAF/APE code: 1051 C – Cheese making

Date of incorporation and duration

Date of incorporation: November 16, 1922

Date of expiry: December 31, 2040, except for early dissolution or continuance decided by the Extraordinary General Meeting.

Registered office, legal form and applicable legislation

Registered office: 2 allée de Longchamp, 92150 Suresnes, France

Telephone: +33 (0)1 84 02 72 50

Legal form: limited liability company with Board of Directors

Fromageries Bel is a limited liability company (*société anonyme*) under French law, subject to all of the texts governing commercial companies in France, and in particular to the provisions established by the French Commercial Code and to the provisions of its Articles of Association.

Financial period

January 1 to December 31 of each year

Company purpose

(Excerpt from the Articles of Association – Article 2)

The purpose of the Company, in all countries, is to:

- sell, manufacture and process any types of dairy products, their derivatives and their components;
- sell, manufacture and process any types of food products, their derivatives and their components;
- perform any financial operations such as acquiring, managing, and in some cases reselling all types of equity stakes in French or foreign companies;
- build, purchase, sell, lease, transform and appropriate any buildings and premises necessary for operations;
- study, create, take over, purchase, lease, use or represent any patents, manufacturing processes or brands;
- take a stake in any company or companies whose purpose is to manufacture and sell any type of chemicals.

In general, any industrial, commercial, financial, stock and real estate transactions that may be related directly or indirectly to the company purpose or likely to foster its development, such as the dissemination or sale of objects of an advertising nature or intended to promote sales.

This may be done, in any direct or indirect way, by any means deemed appropriate, with no restriction as intermediary or by intervention and, in particular, by designing and founding new companies or taking stakes in any existing firms in the form of shareholdings, granting of licenses, or through subscriptions or purchases of securities, shares and ownership interests, or by merging or taking over any companies.

Condition, establishment and distribution of profits

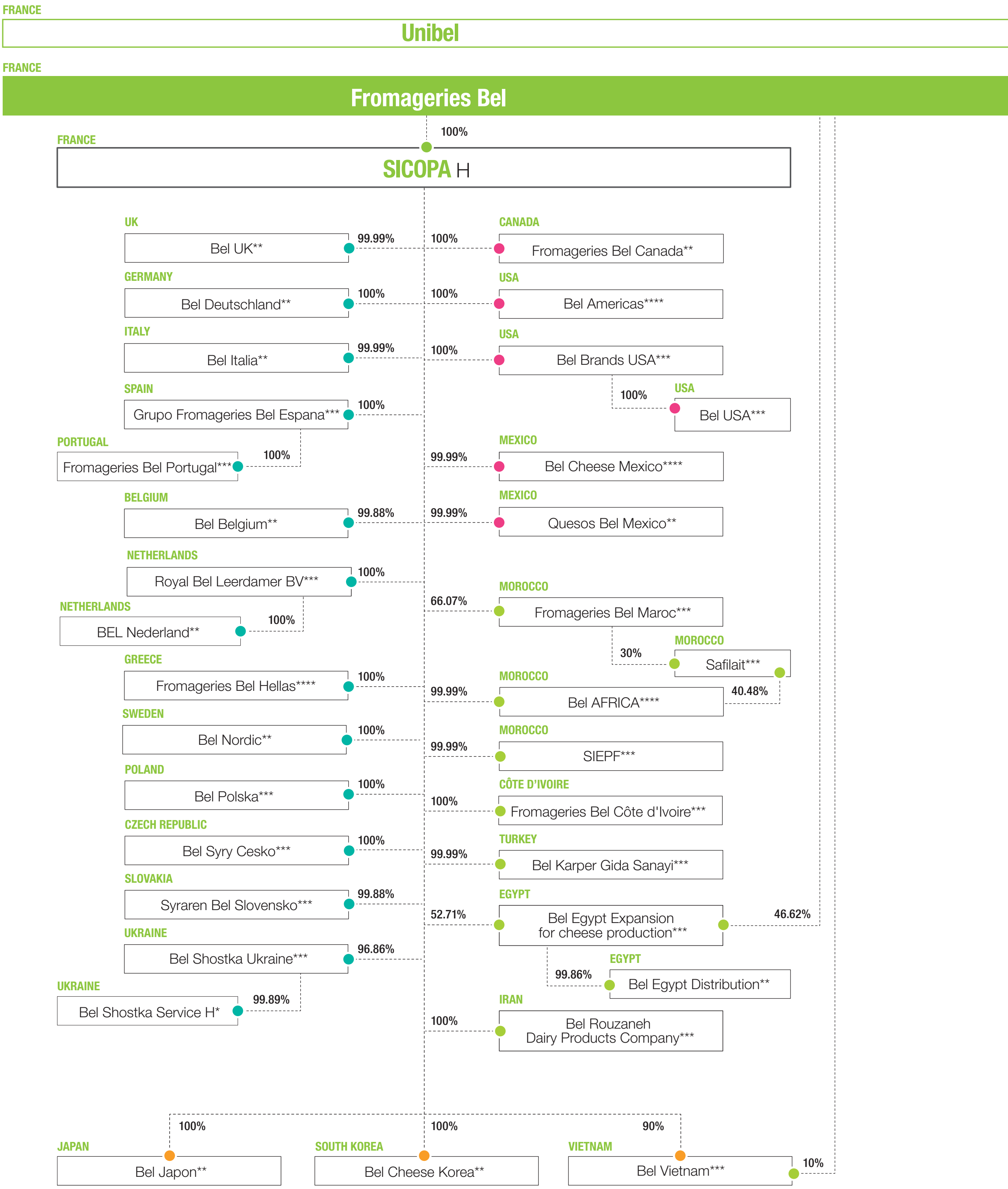
(Excerpt from the Articles of Association – Article 26)

If the distributable profits determined in accordance with the law and established at the Annual Ordinary General Meeting after approval of the accounts are sufficient, the General Meeting may decide to assign them to one or several reserve positions (for which it determines the assignment or use), to carry them forward or to distribute them to shareholders as a dividend.

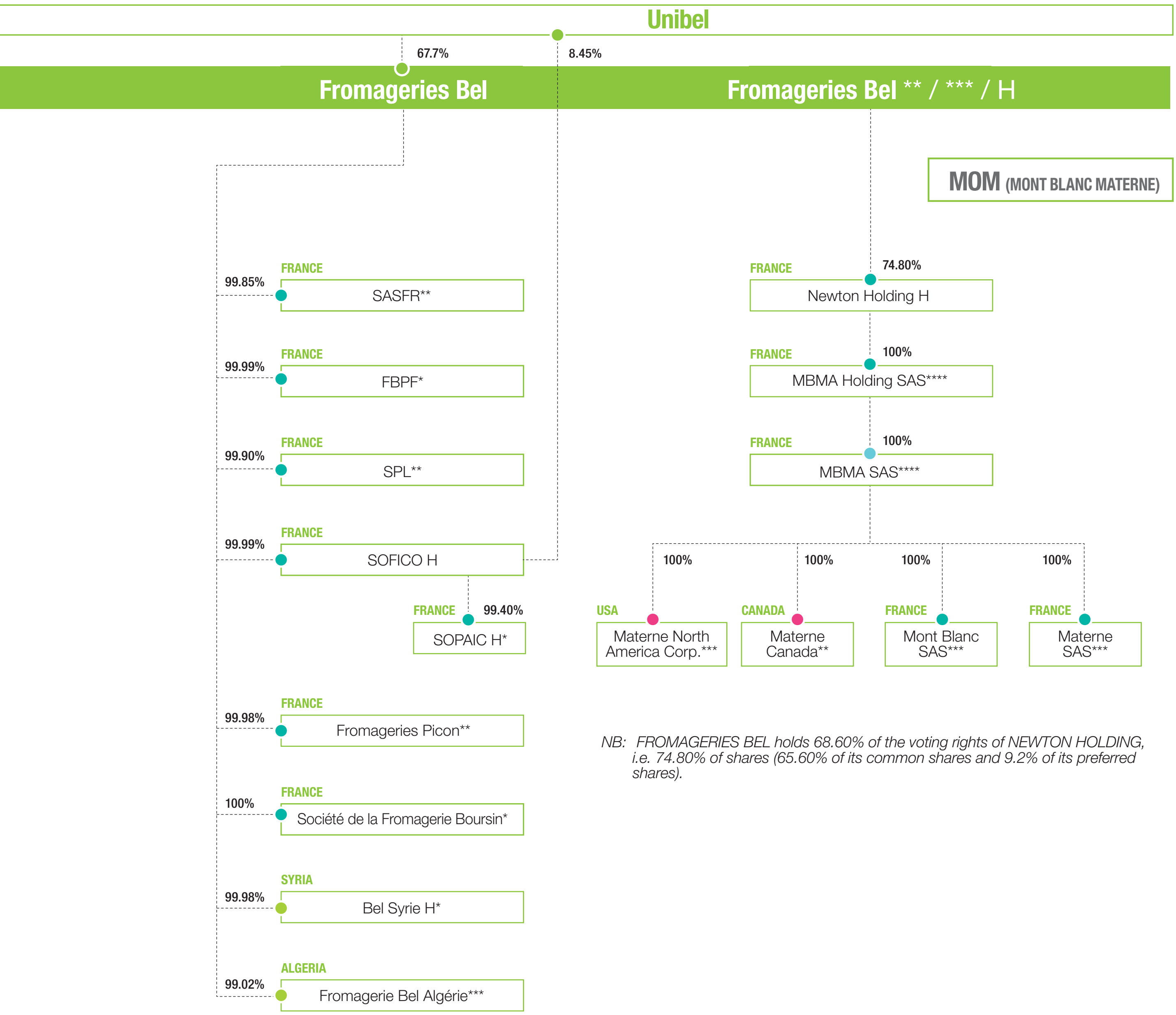
The Annual General Meeting may grant each shareholder the choice between payment in cash and/or in shares, for all or part of the dividend to be distributed or for an interim dividend.

The Meeting may also withdraw all amounts on the reserve funds at its disposal in order to distribute them to shareholders, indicating expressly the positions on which the withdrawals are made. However, dividends are drawn first from distributable profits of the financial period.

8.3 INFORMATION ON SUBSIDIARIES AND INTERESTS



NB: Only consolidated companies and interests of over 2% are shown. The Group's total controlling interest in each subsidiary, as a percentage, is listed in Note 10 to the consolidated financial statements published in section 5.5.1. Voting rights held are the same as interests held.



NB: *FROMAGERIES BEL holds 68.60% of the voting rights of NEWTON HOLDING, i.e. 74.80% of shares (65.60% of its common shares and 9.2% of its preferred shares).*

* Production	Europe
** Sales	Americas
*** Production and sales	Asia-Pacific
**** Administrative services	Middle East – Greater Africa
H Holding company	
H* No activity in 2017	

8.4 IMPORTANT CONTRACTS

Contracts concluded by the Company and its subsidiaries in the ordinary course of business are not included below.

The Group has undertaken to acquire the shareholdings held by third parties who are shareholders in some consolidated companies should they wish to exercise their put option. The exercise price of these options generally depends of the profitability and the financial situation of the entity concerned on the date the option is exercised.

The Group is held to agreements with some minority shareholders of its consolidated subsidiaries that allow for the buyback of their shares under certain conditions.

On August 10, 2015, the Group signed purchase and sale agreements with the minority shareholders of Safilait. Under the terms of said agreements, the Group committed to purchase their shares between 2020 and 2026. The purchase price will be determined by Safilait's profitability and financial position on the date of execution of these agreements.

For more information, see Note 2 of the Annex to the consolidated accounts in section 5.5.1.

The reader is invited to consult section 5.4.2 of this registration document, "Source and amount of Group consolidated cash flows", for the amount of the commitments recorded at December 31, 2017.

Information on the existing service contract between Unibel and Fromageries Bel is provided in section 4.5.2, "Related Parties".

8.5 DOCUMENTS ACCESSIBLE TO THE PUBLIC

Group information is available on the corporate website www.groupe-bel.com, under the Finance heading.

The Articles of Association, minutes of the General Meetings, statutory auditors' reports and other corporate documents may be consulted at the company's registered office at the secretariat of the Board of Directors, at 2 allée de Longchamp, 92150 Suresnes, France.

8.6 CROSS REFERENCES

8.6.1 Cross references with Annex 1 of Commission Regulation (EC) No. 809/2004

This cross-reference table presents the topics in Annex 1 of Commission Regulation (EC) No. 809/2004 and refers to the paragraphs in the Registration Document mentioning the corresponding information.

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16	**Board practices**	**4**
16.1	Terms of office	4.1.2 and 4.1.4
16.2	Service contracts binding the members of administration, management or supervisory bodies	4.1.3
16.3	Information on committees	4.1.4
16.4	Compliance with the corporate governance regime in force	4.1.1
17	**Employees**	**3.6**
17.1	Number and breakdown of staff	3.6.1
17.2	Shareholdings and stock options	3.2.2 and 5.2.3
17.3	Arrangement for involving employees in capital	5.2.3
18	**Major shareholders**	**6.1**
18.1	Distribution of capital	6.1.1
18.2	Different voting rights	6.1.4
18.3	Company control	6.1.2
18.4	Shareholders' agreements that may lead to a change of control	6.1.1, 6.1.2 and 6.2.2

		Chapters or paragraphs in the registration document
19	**Related party transactions**	**3.5 and Note 8.2 of paragraph 4.5.1**
20	**Financial information concerning Company assets, financial position and profits and losses**	**5**
20.1	Historical financial information	5.1
20.2	Pro forma financial information	5.2
20.3	Financial statements (annual own and consolidated accounts)	5.5
20.4	Auditing of historical annual information	5.6.1
20.4.1	Statements	
20.4.2	Other audited information	
20.4.3	Other unaudited information	
20.5	Age of latest financial information	5.7
20.6	Interim and other financial information	5.8
20.7	Dividend policy	5.9
20.8	Legal and arbitration proceedings	5.10
20.9	Significant change in the financial or trading position	5.11
21	**Additional Information**	
21.1	Share capital	6.1.3 and 6.2.4
21.1.1	Issued capital	6.1.3
21.1.2	Shares not representing capital	6.1.3
21.1.3	Shares held by or on behalf of the Company or its subsidiaries	6.1.1
21.1.4	Securities	N/A
21.1.5	Conditions of acquisition	6.1.3
21.1.6	Options and agreements to be put under option, conditions on capital	6.1.2
21.1.7	History of share capital	6.1.3
21.2	Memorandum and articles of association	4.1.2, 4.1.3, 6.1.3, 6.1.4 and 8.2
21.2.1	Company purpose	8.2
21.2.2	Provisions concerning management and supervisory bodies	4.1.2 and 4.1.3
21.2.3	Provisions concerning each class of shares	N/A
21.2.4	Possible changes to shareholders' rights	6.1.3
21.2.5	Notices and admission to general meetings	6.1.3
21.2.6	Statutory provisions that would have an effect in the event of a change of control	6.1.4
21.2.7	Threshold above which shareholder ownership must be disclosed	6.1.3
21.2.8	Statutory restrictions governing changes in capital	
22	**Material contracts**	**8.4**
23	**Third party information, expert statements**	**N/A**
23.1	**Identity**	**N/A**
23.2	**Statement**	**N/A**
24	**Documents on display**	**8.5**
25	**Information on holdings**	**8.3**

8.6.2 Cross references with the Annual Financial Report and other elements

In order to facilitate reading, the cross-reference table below identifies information making up the annual financial report to be published by listed companies in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the French General Regulations of the Financial Markets Authority.

		Chapters or paragraphs in the registration document
ANNUAL FINANCIAL REPORT		
1	**Annual financial statements**	**5.5.2**
2	**Consolidated accounts**	**5.5.1**
3	**Management Report (within the meaning of the Monetary and Financial Code)**	
	3.1 Information contained in Articles L. 225-100 and L. 225-100-2 of the French Commercial Code	
	• Analysis of business development	1.3
	• Analysis of results	5.3.2
	• Analysis of the financial situation	5.3.1
	• Business indicators (performance key indicators of a financial and, where appropriate, non-financial nature)	3.6
	• Main risks and uncertainties	Chapter 2
	• Internal control and risk management procedures related to the preparation and processing of the company and the group's accounting and financial information	
	• Objective and coverage policy for transactions for which company and group accounting is used	
	• Company and group exposure to price, credit, liquidity and cash flow risks	
	• Use of company and group financial instruments	
	• Financial risks related to the effects of climate change and the presentation of company and group measures taken to limit them (low carbon strategy)	
	3.3 Information contained in Article L. 225-211 of the French Commercial Code	
	• Company purchase of its own shares	6.2.4
4	**Declaration of physical persons responsible for the Annual Financial Report**	**8.1**
5	**Statutory auditors' reports on the annual and consolidated accounts**	**5.5.1 and 5.5.2**
OTHER DOCUMENTS INCLUDED IN THE REGISTRATION DOCUMENT		
1	**Description of the share repurchase program**	**6.2.4**

8.6.3 Cross references with the Board's Management Report to the Annual General Meeting

This registration document represents the Board's Management Report to the General Meeting: the appendix below refers more precisely to the elements required by Articles L. 225-100 *et seq.*, L. 232-1, R. 225-102 *et seq.* of the French Commercial Code.

COMPANY AND GROUP MANAGEMENT REPORT	Chapters or paragraphs in the registration document
Company and Group situation and activity during the course of the fiscal year	1.1, 1.3 and 5.5.2
Company and Group activity and results by branch of activity	
Analysis of the development of Company and Group business, results, financial situation	1.3, 5.3 and 5.5.2
Company and Group performance indicators of a financial and, where appropriate, non-financial nature	3
Foreseeable developments of the Company and Group situation and prospects	1.2 and 1.4
Important events occurring since the Company and Group closing date	5.5.2 Note 31
Company and Group research and development activities	1.1.4 and 5.6.2
Significant shareholdings and control	5.5.2
Notice of shareholding of more than 10% in the capital of another joint-stock company	8.3
Calculation elements and result of possible adjustment for securities in case of a transaction maintaining the preferential subscription right, free allocation of shares, distribution of reserves or issue premiums, change in the distribution of profits or amortization of capital	N/A
Calculation elements and result of adjustment of the bases for the exercise of stock options and stock or securities purchases granting access to share capital in the event the Company purchases its own shares at a price higher than the stock price	N/A
Injunctions or financial penalties for anti-competitive practices	N/A
Information on payment deadlines for Company suppliers or customers (and breakdown of the balance of supplier and customer debts)	5.6.2
Information on the use of Company and Group financial instruments	5.5.1 Note 4.15
Description of main Company and Group risks and uncertainties	Chapter 2
Internal control and risk management procedures related to the preparation and processing of the Company and the Group's accounting and financial information	
Objective and hedging policy for transactions for which Company and Group hedge accounting is used	
Exposure to price, credit, liquidity and cash flow risks	2.4 and 5.5.1 Note 4.15 and 5.5.2 Note 1.10
Financial risks related to the effects of climate change and the presentation of Company and Group measures taken to limit them (low carbon strategy)	
Information relating to the distribution and evolution of share ownership	6.1
Self-management	6.1
Employee equity participation on the last day of the financial period	6.2.3
Summary of transactions performed by management on Company securities	6.2.2
Information provided for in Article L. 225-211 of the French Commercial Code in the case of transactions performed by the Company on its own shares	6.2.4
Non-tax-deductible expenses	5.6.2
Amount of dividends distributed over the last three financial periods	5.9
Option exercise conditions for corporate officers	N/A

COMPANY AND GROUP MANAGEMENT REPORT	Chapters or paragraphs in the registration document
Conservation conditions of bonus shares attributed to corporate officers	4.2.1 and 4.1.3
Table of results over the past five years	
List of branches	
Amount of intercompany lending	
Information on the operation of a facility covered by the Seveso Directive (art. L. 515-8 of the French Environment Code)	
Vigilance plan	3.2.1
Consideration of the social and environmental consequences of the activity (see specific cross-reference table)	
DOCUMENTS ATTACHED TO THE MANAGEMENT REPORT	
Report on corporate governance	
Corporate officer remuneration policy (principles and criteria)	4.2.2
Total remuneration and benefits of any kind paid to each corporate officer by the company, controlled companies or controlling company during the financial period	4.2.2
Commitments related to the taking of office, termination of duties or change of position	
Board composition and working	
• List of all terms of office and duties exercised in any company by each corporate officer during the financial period	4.1.2
• Agreements signed between a corporate officer or shareholder holding more than 10% of voting rights of a subsidiary (excluding common agreements)	4.5.1 and 4.1.3
• Choice of one of the two general management methods on the occasion of the first report or in the case of modification	4.1.2 and 4.1.4
• Board composition, conditions of preparation and organization of work	4.1.4
• Application of the gender balance principle within the Board	
• Restrictions to the powers of general management	4.1.4
• Reference to a corporate governance code, or justification and indication of the rules adopted in addition to legal requirements	4.1.1
• Specific means of shareholder participation in the General Meeting or the provisions of the articles of association providing for these methods	6.1.3
• Summary of valid delegations granted by the General Meeting of Shareholders for capital increases	6.1.3
Elements likely to have an impact in the event of a public offer (Article L. 225-37-5 of the French Commercial Code)	

8.6.4 Cross references with corporate social responsibility information

This table shows the cross-references between the headings of Article R. 225-105-1 of the French Commercial Code, the Global Reporting Initiative (GRI) guidelines and the CSR report appearing in Chapter 3.

Employee-related information		Paragraph(s) of the Registration Document	
a) Employment	Total workforce	3.2.6	Building an inclusive employment model for employees
	Total workforce and employee breakdown by gender, age and region	3.2.6	Building an inclusive employment model for employees
		3.2.8	Promoting equal opportunity and diversity within the Group
	Hiring and redundancies	3.2.6	Building an inclusive employment model for employees
	Remuneration and changes [1]	3.2.10	Maintaining a positive company climate
b) Organization of work	Organization of working time	3.2.7	Guaranteeing health, safety and well-being at work
	Absenteeism [2]	3.2.7	Guaranteeing health, safety and well-being at work
c) Labor relations	Organization of labor relations: staff information and consultation rules and procedures and negotiation with staff	3.2.1	Ethics at the heart of the Group's activities (Code of best business practices)
		3.2.10	Maintaining a positive company climate
	Review of collective agreements	3.2.10	Maintaining a positive company climate
d) Health and safety	Health and safety conditions	3.2.7	Guaranteeing health, safety and well-being at work
	Review of agreements signed with trade unions or staff representatives regarding health and safety at work	3.2.10	Maintaining a positive company climate
	Frequency and severity of workplace accidents and accounting for work-related illnesses	3.2.7	Guaranteeing health, safety and well-being at work
e) Training	Training policies implemented	3.2.9	Developing our employees' talents
	Total number of training hours	3.2.9	Developing our employees' talents
f) Equal treatment	Measures taken in favor of gender equality	3.2.8	Promoting equal opportunity and diversity within the Group
	Measures favoring the employment and integration of disabled persons	3.2.8	Promoting equal opportunity and diversity within the Group
	The non-discrimination policy	3.2.1	Ethics at the heart of the Group's activities (Code of best business practices)
		3.2.8	Promoting equal opportunity and diversity within the Group

Employee-related information		Paragraph(s) of the Registration Document	
g) Promotion of and compliance with fundamental ILO conventions	Respect for freedom of association and the right to collective bargaining	3.2.1	Ethics at the heart of the Group's activities (Code of best business practices)
		3.2.2	Stronger monitoring in the fight against corruption and to ensure respect for
		3.2.10	Maintaining a positive company climate
	Eliminating employment and occupational discrimination	3.2.1	Ethics at the heart of the Group's activities (Code of best business practices)
		3.2.2	Stronger monitoring in the fight against corruption and to ensure respect for
		3.2.8	Promoting equal opportunity and diversity within the Group
		3.2.9	Developing our employees' talents
	Eliminating forced and compulsory labor	3.2.1	Ethics at the heart of the Group's activities (Code of best business practices)
		3.2.2	Stronger monitoring in the fight against corruption and to ensure respect for
	Effective abolition of child labor	3.2.1	Ethics at the heart of the Group's activities (Code of best business practices)
		3.2.2	Stronger monitoring in the fight against corruption and to ensure respect for

(1) The Group considers that the average salary per employee indicator is not representative of its salary policy. Fluctuations may be due solely to geographical differences of the workforce.
(2) The Group has chosen to monitor absenteeism due to illness as a performance indicator of its People First policy. It wants to ensure that working conditions do not become a factor of absenteeism. It considers 2.5% absenteeism a critical threshold that should not be crossed.

Environmental information		Paragraph(s) of the Registration Document	
a) General environmental policy	Company organization to address environmental issues and, when required, environmental assessment or certification measures	3.1	A policy with a central place in the Group's strategy
		3.2.1	Ethics at the heart of the Group's activities
		3.3	Committing to sustainable farming
		3.5	Reducing the environmental footprint
		3.5.1	Pursuing an ambitious environmental policy
	Employee training and information actions taken in the area of environmental protection	3.1	A policy with a central place in the Group's strategy
		3.2.9	Developing our employees' talents
		3.5.1	Pursuing an ambitious environmental policy
	Resources devoted to preventing environmental risks and pollution	1.5.2	Investments
		3.5.1	Pursuing an ambitious environmental policy
	Amount of provisions and guarantees for environmental risks	1.5.2	Investments
b) Pollution	Measures to prevent, reduce or redress air, water and soil emissions that harm the environment	3.5	Reducing the environmental footprint
	Dealing with noise pollution and any other form of pollution specific to an activity	3.2.5	Contributing to the vitality of host regions
c) The circular economy	Waste prevention, recycling and disposal	3.5.6	Being part of the circular economy
	Fighting food waste	3.5.6	Being part of the circular economy
	Water consumption and water supply depending on local constraints	3.5.3	Using water sustainably
	Raw material consumption and measures taken for more efficient use	3.5.6	Being part of the circular economy
	Energy consumption and measures taken to improve energy efficiency and use of renewable energies	3.5.2	Reducing greenhouse gas emissions
	Land use	3.2.5	Contributing to the vitality of host regions
d) Climate change	Greenhouse gas emissions	3.3.1	Taking action for a sustainable upstream dairy
		3.5.2	Reducing greenhouse gas emissions
	Adapting to the consequences of climate change	3.3.1	Taking action for a sustainable upstream dairy
		3.5.3	Using water sustainably
e) Protecting biodiversity	Measures taken to protect or promote biodiversity	3.2.5	Contributing to the vitality of host regions

Information on societal commitments in favor of sustainable development		Paragraph(s) of the Registration Document	
a) Territorial, economic and social impact of the Company's business	Employment and regional development	1	Presentation of the Group and its business (key figures - Sharing the value created)
		3.2.5	Contributing to the vitality of host regions
	On local populations	3.2.5	Contributing to the vitality of host regions
b) Dealings with people or organizations benefiting from the Company's activity	Conditions for dialogue with stakeholders	3.1	A policy with a central place in the Group's strategy
		3.2.	Working for the well-being of all
		3.3.1	Taking action for a sustainable upstream dairy
	Partnerships and patronage	3.2.3	Promoting good social and environmental practices with partners
		3.2.5	Contributing to the vitality of host regions
c) Subcontracting and suppliers	Factoring social and environmental challenges into the purchasing policy	3.2.3	Promoting good social and environmental practices with partners
	Volume of subcontracting, CSR in dealings with suppliers and subcontractors	3.2.3	Promoting good social and environmental practices with partners
d) Fair practices	Actions taken to prevent corruption	3.2.1	Ethics at the heart of the Group's activities
		3.2.2	Stronger monitoring in the fight against corruption and to ensure respect for
	Measures taken to protect consumer health and safety	3.2.1	Ethics at the heart of the Group's activities
		3.2.4	Providing fair and helpful information to consumers
		3.4.1	Guaranteeing optimal food quality and safety
		3.4.2	Guaranteeing the nutritional quality of our products
e) Other actions in favor of human rights	Other actions taken in favor of human rights	3.2.1	Ethics at the heart of the Group's activities
		3.2.2	Stronger monitoring in the fight against corruption and to ensure respect for

Sharing smiles

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