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Annual Report 2017

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Where 2016 ended with rising milk prices, the general question was how milk prices would evolve in 2017. It turned out that - influenced by butter and cream prices in particular - we were able to pay good milk prices in 2017. Nevertheless, European stocks of skimmed milk powder continued to weigh on the market, resulting in declining milk prices during the closing months of 2017. Despite of all this, we managed to generate a turnover of more than 1.2 billion euros. This is unique for us as a Belgian company with a cooperative ownership structure. It also helps to put us on the radar of young graduates, and gives us the opportunity to attract young talents more easily.

01 ANNUAL REPORT 2017 FOREWORD

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Our major survey of member circle boards which we organised in the summer of 2017 highlighted the wide diversity among our members dairy farmers. We have members with mixed farms and members with specialised farms. We have members that supply small volumes, and members that supply large and very large volumes. This diversity also brings with it a wide range of needs and requirements. Embedding this diversity to everyone's satisfaction within our cooperative will be an interesting challenge for our Board of Directors.

The survey also raised the issue of reflecting the higher butter and cream prices in the milk price in a manner more in line with the market. There was broad consensus to change the fat/protein value ratio in the milk price from 35/65 to 50/50. This actually became effective in February 2018. There was also consensus to transform our volume premium system into a quantity system based on kilogrammes of fat and protein supplied, accompanied by a capping system for very large volumes and the abolition of negative premiums.

Last year, it became patently clear that there is, and will be, a great demand for different kinds of milk flows, such as pasture milk, GMO-free milk, VLOG milk, etc. It will be a challenge to address this matter in an appropriate way. We cannot turn back the milk flows that already exist, but we must be able to anticipate future and new milk flows. But we do not know yet how, what, and when. We will definitely adopt a position in the course of 2018.

The milk price paid and the market position that we occupied in 2017 clearly show that the path we have chosen of further professionalisation is beginning to pay off.

The new milk powder plant is producing the higher quality that we wanted, and this is beginning to be reflected in our higher prices. Our mozzarella production plant is running at full capacity, which is increasingly reflected in higher valorisation. The sharp growth in demand for mozzarella in the short, medium and long term bodes well for the future. Choosing mozzarella was, and is, a good decision for Milcobel.

These observations vindicate my belief as chairman that, with Milcobel, we can offer our dairy partners a sustainable perspective for the future. A future where the growth of our dairies should not be an obstacle. This is the kind of future that we at Milcobel want as well.

Dirk Ryckaert
Chairman


MAN
1-TSR-444

02 ANNUAL REPORT 2017 CONTENT

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03

ANNUAL REPORT 2017

MILCOBEL IN 2017

**Milk.
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Following a long period of almost continually declining dairy prices and a sudden turnaround in the second half of 2016, 2017 was not easy for the dairy farmers or the industry as a whole. After the steep price rises at the end of 2016 came an inevitable adjustment in early 2017, which however was soon followed by a sharp increase in butter and cream prices, followed then by whole milk powder and cheese. In the first half of 2017, milk production was not yet up to full speed in all countries, which caused a tight supply of milk fat. When milk production recovered in the larger countries under the impact of good prices, the market as well as exports came under pressure by our higher prices and a stronger euro. The price of skimmed milk powder plummeted after the end of the intervention period, especially as virtually nothing was sold of the huge intervention stock, which almost literally weighed on the market. The high fat prices, however, supported the milk price, but when the high fat prices were adjusted and the milk valorisation changed, the focus shifted once more to cheese and whole milk powder, causing those prices to fall swiftly. The value of milk declined in a few months from more than 40 eurocents per litre to less than 30 eurocents per litre, which by the end of 017 was reflected in a rapid decrease in the price of milk. For dairy companies that had quickly converted the increase of year-end 2016 and 2017, the milk price already fell sharply in the fourth quarter; for the others, the prices remained more stable until the end of the year, with an even sharper decrease at the beginning of 2018 (down to 9 eurocents per litre in two months!). As soon as markets improved, Milcobel passed on this improvement to the members as soon as possible, and was thus among those that reported a rapid decrease. Unlike in 2016, Milcobel had some of the best milk prices in 2017.
After a couple of rather disappointing years in 2015 and 2016, the positive picture in 2017 was overshadowed at year-end by the anxiety over what 2018 would bring. As a result of the summer agreement of 2017, the deferred tax liabilities which in the past had been constituted in consolidation were too high and could be partly reversed, and which were reflected in the milk price in the form of a loyalty bonus.

In the cooperative, the positive trend of professionalisation was confirmed by a further improvement in communication and involvement. The strategy for the coming years and its implications for milk supplies were decided on in a constructive manner, and the pricing system was updated following a change in the value ratio between fat

and protein and a more realistic system of volume premiums. Certain 'events' at other dairy companies and milk collectors, in particular, clearly demonstrated once more the security which the cooperative gives to its members. Members who are aware of this are the company's best ambassadors. It was also decided that Milcobel would not proactively promote special requirements as regards to milk production methods. Nevertheless, sustainability guarantees will clearly need to be addressed, while the retail trade is increasingly seeking differentiation through special specifications.

Around one hundred dairy farmers discontinued their operations, which is in line with previous years. At the beginning of 2017 we also saw around a hundred members leave Milcobel to join a different cooperative where they thought the 'grass was greener', which is not the case. Milcobel has been a valuable party for suppliers, admitted after screening, who had found no place elsewhere or were looking for security after takeover or expansion; and to this end, we welcomed 31 new members. At year-end, we had 2,678 active member-suppliers, compared with 2,870 at the end of 2016. With around two hundred fewer members, we nevertheless collected 3.2% more milk, or 1,491 billion litres. The average delivery volume per supplier rose from 503,000 litres to just under 557,000 litres. Despite the weaker year-end, the average milk price for 2017 was 36.76 eurocents per litre, which was one-third more than the 27.65 eurocents per litre in 2016. At corporate level, the accomplishments of the last few years have continued.

We processed around 1.6 billion litres of milk through full capacity utilisation and production under contract for others, with a beneficial effect on the efficiency of our production plants and the price of our own milk.
We are making good progress in the area of Human Resources, both in terms of employer image and internally in terms of improvement processes for the benefit of our staff. In full agreement with the workforce, all plants - except Schoten - changed over to continuous production in some form or other, which had a highly positive effect on output volumes and efficiency. However, curtailing absenteeism and improving work safety will, as in 2017, remain priorities for 2018. There is also an increased focus on Corporate Branding and Talent Management, as in today's labour market, we need to invest in young people whom we train ourselves and give opportunities to.

The various divisions also reported a varied performance. After two excellent years, Ysco went through a difficult period. More expensive ingredients and pressure from customers resulted in somewhat smaller margins, while the production plants - which did not perform quite so well - experienced negative volume effects as Lidl started up its own production by 2018.

Our Consumer Cheese did well through brand growth and improved performance at the Moorslede plant. Margins in Cheese Retail shrank primarily due to management issues concerning pricing, organisation and IT.
In Drinks, there was a shift of focus in terms of portfolio and market positioning, which meant that the result evolved more favourably than expected despite the persistent pressure from retail.
Cheese Ingredients reported a growth of around 15%. Prices were generally good until the fourth quarter, and the production plant performed well. For this activity, this resulted in the best milk valorisation of the group.
Record output volumes were reported in Milk Powder, due in part to the large supply of milk. To some extent we remained unaffected by the indifferent market for skimmed milk powder, and the volume effect amply made up for the remaining start-up problems on the new installation. Nevertheless, the effect of good fat prices was not enough to achieve the group valorisation in terms of milk price in this division.

The organisation was further strengthened and some necessary management changes were implemented. Towards year-end, the change of CEO - which was announced for 2018 - was the most noteworthy development. This led to a clearer division of the group organisation into three Business Units: Ice Cream, CPS (Consumer Products and Service) and DPI (Dairy Products & Ingredients), supported by a number of - adapted - Corporate Support Functions. CPS and DPI were Commercial Units in 2017 and now become full Business Units; in 2018, the group function Dairy Operations will cease to exist.

Outlook for 2018

It is very difficult to make market predictions for 2018. We expect a markedly lower milk price over the whole year than in 2017. Even more so than a year ago, the market remains under threat from the EU's stocks of skimmed milk powder, while milk production in the EU is once again expected to break all records. After the beginning of the year we are seeing prices stabilising, although this trend may very well be reversed during the second and especially the third quarter.

New suppliers keep joining us in 2018 as well. In that respect, the cooperative continues to play its role in guaranteeing a sustainable future for dairy farming.
The persistently solid supply of milk makes the situation difficult in particular for independent buyers without processing activity. Suppliers are more often dismissed from one day to the next, including for reasons - justified or not - connected with customer demands.

In terms of performance, all the elements are there to make the company function even better in every respect,

and to valorise the milk supplied by our members. Even more so than last year, we will fill up capacity to order for colleagues in order to optimise our own transformation cost. Cheese production will increase further, and Drinks should be able to pay the milk price. The necessary adjustments and reinforcements will be made in the organisation and in the business, in order for the overall CPS to have a buffering effect on the milk price. DPI focuses on growth in Mozzarella and valorisation of the new powder tower. In 2018, Ice Cream will have to make up for and digest the loss of a substantial part of the business following the start-up by Lidl of its own production, in the hope of doing better by 2020 than in 2016.

In the course of 2018, the strategic orientations after 2020 will be considered and outlined. Emphasis will be on a modernisation of the ERP system and clear choices regarding various activities. We still believe that Belgian processing of Belgian milk is the best guarantee for our members, coupled with an openness to sound sustainable partnerships with other dairy cooperatives.

Realistically, we must come to the conclusion that choices or non-choices - sometimes made in a distant past - often can no longer be reversed, so we must start from where we are now and adjust our expectations accordingly. The changes of recent years are having their impact.

- Milcobel's mission and its values, with a plan that goes further than the interests of dairy farmers, has been clarified.
- Its strategy with stronger market orientation is in full implementation.
- The organisation has been renewed and strengthened in the past few years, and after recent changes is now perfectly ready for the future.
- The operational efficiency has improved, and although much work still remains to be done, the major quality issues and operational shortcomings have been resolved. ERP has been implemented, and phase 2 will start shortly.
- A great deal of work has also gone into Human Resources. The right skills have been attracted to take the group to the next level and to realise the strategy. A different kind of dialogue with the trade union representatives has been implemented which is more constructive for both sides. Priority now goes to developing our own people and to talent management as already mentioned earlier. Development of both our people and the organisation lies at the heart of our Human Resources approach.

Milcobel is ready for the next phase in its development.

04 ANNUAL REPORT 2017 COOPERATIVE NEWS

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Activities of the member-based structures

2017 was a fairly busy year for the member-based structures. As was already announced at Milcobel's General Assembly on 20 June 2017, an in-depth consultation was organised of the members' circle boards. The purpose of this cooperative strategy exercise was to outline, together with the board members of the members' circles, a course of action to strengthen and increase Milcobel's attractiveness with a view to consolidating the future milk supply and help to further optimise the transformation costs. At the board level of the nine members' circles, a total of 27 board meetings were held in 2017. The council of the cooperative - an advisory body which acts as the link between the members' circle boards and the board of directors - met six times. Two initiatives came from the specially constituted Member Circle for Young Farmers.

Based on an individual survey of the board members of the members' circles, the consultation process mentioned earlier, placed considerable responsibility with the members' circles in order to keep the members closely involved in the decision-making process. Experience has shown that this procedure can indeed result in clear decisions. Those decisions related to the way in which the milk price is paid and to certain elements connected with the cooperative membership.

As regards the way in which the milk price is paid, a modified and market-based fat/protein value ratio was introduced, along with a method for its annual assessment. The system of volume premiums was transformed into a system of tiered quantity premiums based on the monthly quantities of fat and protein supplied. For the first time, a decision was also made on the temporary suspension of milk collection in cases where less than 300 litres per collection is offered. With the approval of the member-based structures, the option has been introduced to supply milk produced under contract along with milk produced by members, on condition that the milk produced under contract is valued at a lower rate than that produced by members, and that those contracts are not with individuals. The results of the consultation also suggest that an extension of the collection area remains possible on condition that collection can still take place within the

customary collection window between dairy farmers and factory. Within that area, the mileage costs (distance from supplier to factory) will in any case still be shared.

As regards membership conditions, the long-term nature of a new membership is reflected in the fact that an early exit penalty is due if a member leaves the cooperative during the first five years of membership. A member that gives notice to leave the cooperative - irrespective of whether or not it actually leaves - will from now on lose their entitlement to a loyalty bonus.

Finally, the consultation also revealed that the members continue to attach a lot of importance to strong fieldwork activity and to initiatives in the area of corporate branding and ambassadorship. Further actions are planned in 2018 on both those themes. The activity of the member-based structures also focused on the trend of increasing differentiation of milk flows. Notwithstanding the position of not taking proactive steps, there is a growing awareness that the pursuit of sustainability should be better valorised. Furthermore, efforts in this area can now also be deployed in the commercial relations with the retail sector.

The purpose of the governance reform that was carried out earlier is to achieve a greater degree of professionalism at all levels of activity of the member-based structures. In order to improve the standard of professionalism, interim assessments and training programmes were set up. In 2017, training programmes were set up to support the chairmen of the members' circles in their duties and to increase the knowledge of the board members.

Much attention also continues to go to further improvements in the communication process. Fast and interactive communication between the different levels of the member-based structures is a priority. This is achieved by a systematic debriefing between the board of directors and the chairmen of the members' circles and between the council of the cooperative and all board members of the members' circles. More and more information and documents are made available in digital format to member-suppliers over the closed member portal of the Milcobel website.

Milk supply

There was a further increase in the milk supply by 3.2% to 1,491 million litres in 2017. 31 new milk producers who supplied to several other buyers also came to join the cooperative. They are mostly dairy farmers looking for security after a bad experience with their previous buyer.

We should point out that every new member is first checked and carefully considered by the board of directors. The existing member-suppliers also increased their milk production!

- There were 2,678 member-suppliers in 2017, which is fewer than in the previous years (2,687 in 2015, and 2,871 in 2016). The number of members ceasing their milk production activity (100) is in line with the current decreasing trend. At the beginning of 2017, some 100 suppliers were looking to join another cooperative.

  Despite a -6.3% decrease in membership, the milk supply increased by 3.2%. This puts the average delivery volume at nearly 557,000 litres per dairy farm, or an individual dairy growth of +10.7% compared with the 503,000 litres in 2016. This kind of development increases the tension resulting from the growing differences between dairy profiles.

  It therefore remains a major challenge to deal with this situation in the best possible way within the cooperative. It is actually an area of concern for all cooperatives worldwide.

- The number of Dutch and French member-suppliers remained virtually unchanged in 2017 at 49 and 37 respectively.

Milk quality

In 2017, the quality of the milk supplied was up to the standard that had been attained earlier. This standard means that virtually all the milk is of an impeccable quality and amply satisfies all the relevant quality criteria. This has been achieved through compliance with the solid legal framework, the application of an internal extra-quality system, the implementation of certain special procedures that quickly detect noncompliant milk quality situations, and the constant quality monitoring by the incoming inspection system and field staff.

The majority of suppliers deliver milk that satisfies the strictest quality standards all year round. 98.6% of the milk supplied is free of penalty points, while 90.2% of the collected milk qualifies for an extra-quality premium, and therefore satisfies the strictest quality standards.

Any quality issues and anomalies are essentially confined to a relatively small number of suppliers. Often those are persistent situations where the same problems keep recurring. Tightening up individual responsibility remains important: dealing with recurrent issues with a small number of suppliers cannot be made the responsibility of the cooperative as a whole. For that reason, issues should be proactively addressed in an early warning system and compulsory improvement programmes. This approach is also increasingly confirmed at the sectoral level, resulting in the launch at year-end 2017 of an inter-professional initiative for a thoroughgoing assessment and possible amendment of the existing quality rules.

During 2017, special attention went to monitoring chlorates in milk as part of the sectoral monitoring programme Monimilk. The Monimilk results generally give assurance that the raw milk remains safe in terms of chemical and bacteriological contamination risks.
The entire member population of Milcobel also continues to participate in the Belgian paratuberculosis programme and in the sustainability monitor that forms part of the DQA certification.

External relations

As a major cooperative of dairy farmers, Milcobel continued to participate actively in sectoral dialogue in 2017. This took place primarily under the auspices of the Belgian Dairy Industry Confederation (BCZ) and within the context of inter-professional consultations between the dairy industry and agricultural organisations in Belgium. Milcobel remains an important party in various consultative bodies in the organisation of quality monitoring, the elaboration of sustainability criteria for dairy farming, adjustments to the DQA specifications, and the proactive approach to further minimising the use of antibiotics and residues of inhibitors in milk.

Already at the beginning of January 2013, Milcobel obtained official recognition as a producers' organisation, and in 2017 the application for renewal of this recognition was again filed with the competent authorities in accordance with the regulations. In that way, Milcobel retains its official recognition as a producers' organisation. Milcobel made every effort to help familiarise a wider audience with the cooperative business model, mostly through testimonials. As a matter of fact, more and more people realise that a cooperative business model is synonymous with sustainable enterprise and corporate social responsibility!

The rolling out of new corporate branding initiatives for dairy farming helps to strengthen the ambassadorship's reputation both within and outside the industry.

Sustainability

As the cooperative business model puts an intrinsically strong focus on the long-term perspective, it is obvious that particular attention is paid at all levels of Milcobel to the integration of sustainability initiatives.

In 2013, Milcobel already played a leading role in elaborating and implementing the "sustainability monitor for dairy farming" in the area of milk production; compulsory participation in this monitor has since become part of the delivery conditions for milk. As of 2017, all dairy farms have been audited for the sustainability initiatives they have taken and implemented. It is worth noting that 16 different sustainability initiatives are currently already being implemented per dairy farm.

At year-end 2017, the council of the cooperative indicated that the sustainability monitor should become a more enforceable instrument within Milcobel. The idea is to valorise the sustainability monitor in the debate and the evolution of differentiated milk flows.

As far as the collection of milk is concerned, the logistical organisation continues to aim for full loads with the lowest and best possible ratio between mileage and fuel consumption per unit volume of collected milk. Through Ysco, Milcobel takes part in NexTrust, which is designed to develop trusted collaborative logistics networks. In Cheese Service, lighter trucks and vans are being used in the vehicle fleet.

In the area of milk processing, the “Sustainable Business Charter” programme was rolled out further across all production sites. This is seen as a powerful instrument to give concrete shape to sustainable business and to work towards continually improving environmental, social and economic performance. New goals and priorities are put into practice through regular audits.

In virtually all activities and at all levels, further measures are being taken and/or projects set up with a strong focus on energy saving, water saving and recycling, environmental protection and, not least, ergonomic improvements in working conditions and work safety of employees.

Retaining certification in the context of private specifications applied by buyers-customers also contributes to the sustainability of commercial relations and sales opportunities for our dairy products.

05 ANNUAL REPORT 2017 STRUCTURE

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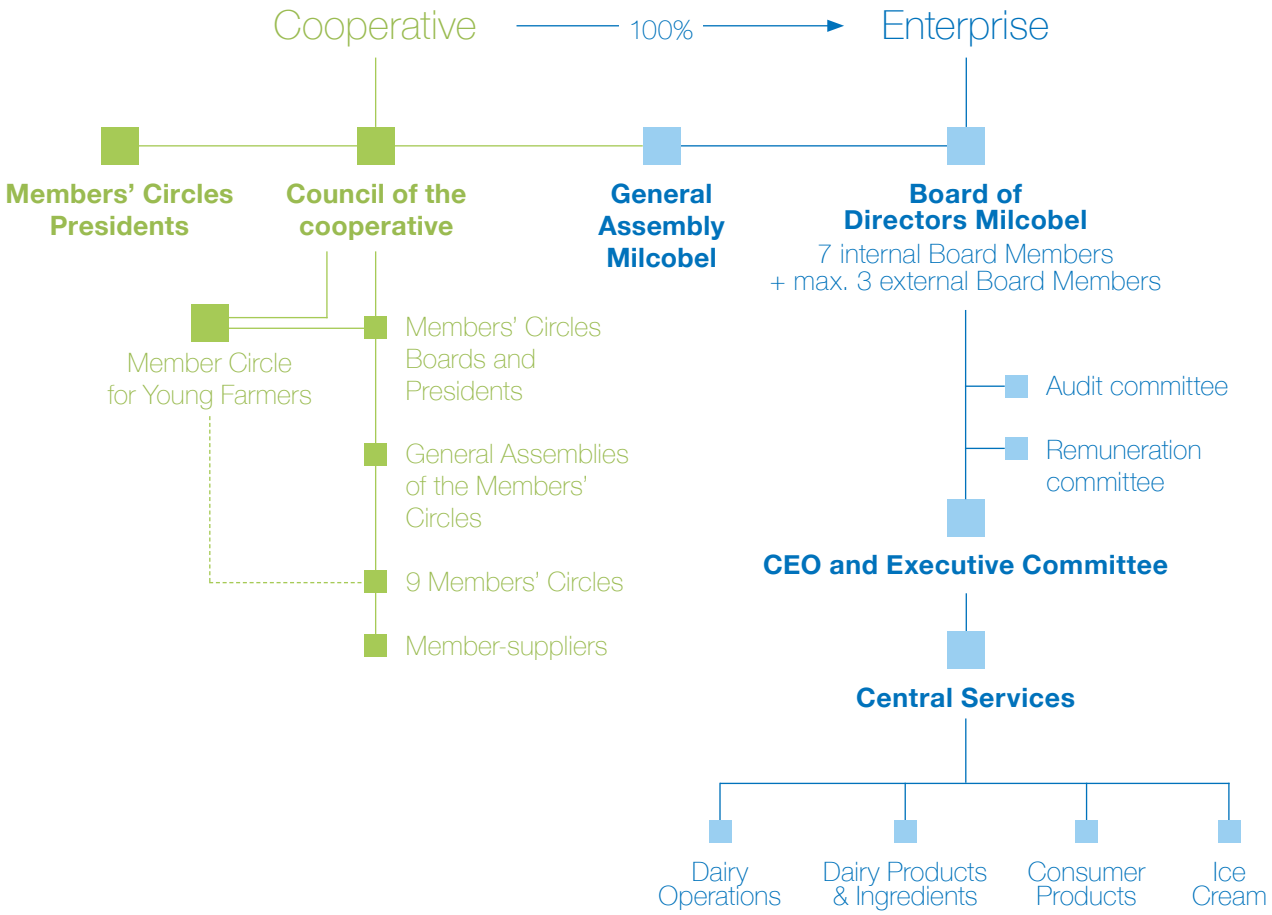
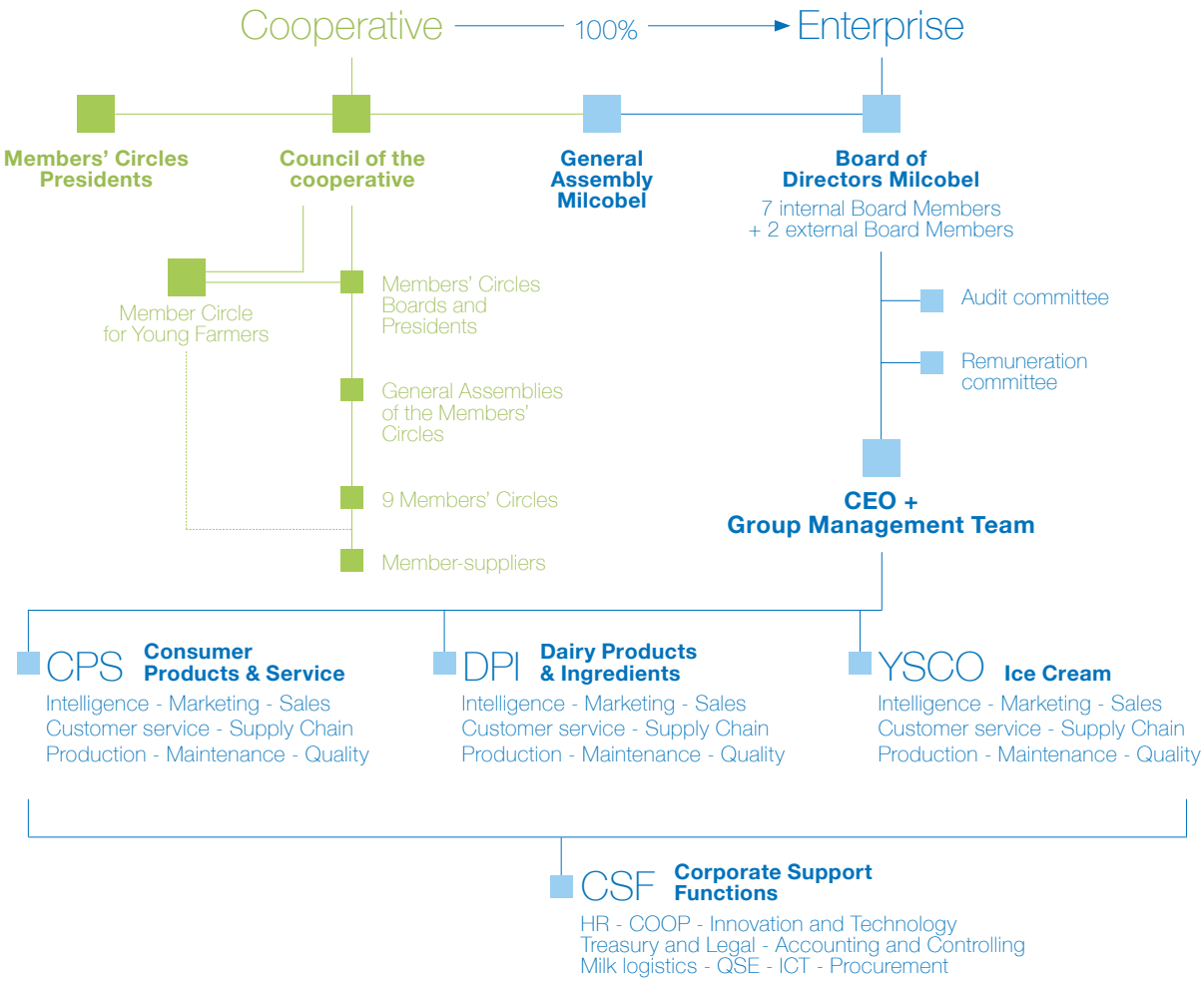
Milcobel structure 2017



Milcobel structure 2018




IVECO

06 ANNUAL REPORT 2017 KEY FIGURES

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	2015	2016	2017
Key figures milk flow			
Milk from members' farms	1,225,006,807	1,444,386,747	**1,491,081,940**
Available total incl. third parties	1,265,120,760	1,504,609,965	**1,692,589,622**
Total sales	69,102,277	84,932,843	**106,976,851**
Available for transformation	1,196,018,483	1,419,677,122	**1,586,451,617**
Key figures collection of the members			
Average number of suppliers	2,688	2,871	**2,678**
Quantity of milk supplied	1,225,006,807	1,444,386,747	**1,491,081,940**
Average fat content (g/litre)	42.42	42.62	**42.79**
Average protein content (g/litre)	35.35	35.48	**35.86**
Price paid for milk in millions of euro	357.10	399.32	**548.06**
Euro per litre	0.2891	0.2765	**0.3676**
Key figures Milcobel group (in thousands of euro)			
Turnover	945,051	991,146	**1,210,426**
Investments fixed assets	61,369	39,753	**24,585**
Result	1,598	3,586	**2,144**
Capital and reserves	129,781	136,753	**139,545**
Solvability %	26.4	25.8	**25.6**
Average number of employees	1,967	2,006	**2,002**

07 ANNUAL REPORT 2017 DAIRY PRODUCTS & INGREDIENTS

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In early 2017, there were still large stocks of dairy products worldwide, and Europe proposed a voluntary subsidised milk reduction plan. In combination with the low dairy prices of 2016, this resulted in reduced milk supply and increased demand for dairy. As a result, prices gradually began to rise.

The diminished milk supply also led to a limited supply of butterfat, causing unprecedented price rises for butter and cream in the second and third quarters of the year. The rehabilitation of butter and butterfat in general is structural: butter is appreciated for its taste and its use tends to be more popular. The price of milk protein in the form of skimmed milk powder lagged behind, which resulted in a further accumulation of stocks. An unparalleled dichotomy appeared in the market between very high butterfat prices and low protein prices. The intervention stocks of skimmed milk powder created in the past few years could not be diminished. Certain EU member states even supplied additional quantities of skimmed milk powder for intervention purposes despite the high milk price - mainly as a result of the very high butter prices - at that time. Whole milk powder remained a valid alternative offering a fair return, especially at the beginning of the year. The favourable butterfat prices, in combination with the low protein yields, essentially generated more interest in fat filled powders, which led to a vigorous production growth. DPI saw a considerable

development in this respect, which will continue in 2018. The first POW(d)ER+ products were made and customers for those products were won. Extensive analysis plans and preparations for customer audits were made, and will enable us in 2018 to make significant progress in that respect.

In the mozzarella market, too, we observed a healthier price evolution in the second and third quarters as prices rose. Consumption of mozzarella is steadily increasing in virtually all markets worldwide. Accordingly, the extra volumes of mozzarella produced in 2017 were sold in existing markets as well as in new export markets. Milcobel mozzarella is being acknowledged as reference mozzarella in more and more markets both in and outside Europe. The consistency of quality and service that is offered also makes the difference in growth markets in Asia, the Middle East, and even in Africa. Besides mozzarella, Cheddar, Kashkaval, Cagliata and the South European cheeses also witnessed a favourable price evolution.

Whey prices were high in the first six months of the year, but declined in the second half.

By the end of the year, the milk supply had increased by about 4% as a result of favourable prices.

The EU Commission indicated that it would stop supporting the market and would no longer buy up skimmed milk powder, only sell it. This caused a fall in prices in the fourth quarter, making butter and cheese in particular hit rock bottom, thereby jeopardizing the good results achieved the previous year.

08 ANNUAL REPORT 2017 CONSUMER PRODUCTS & SERVICE

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OUD
Brugge
VIEUX

Annual agreements and long-term contracts in Consumer Products & Service traditionally make it difficult to reflect sharp price rises, quickly in the market. The rise in milk prices over 2017 was essentially driven by the fat component of the milk (butter - cream) and therefore also by the fatty ingredients (whole milk powder - cheese), and weighed on the results of CPS, particularly in consumer cheese.

All our Consumer Cheese sales operations (Moorslede and Bruges) were integrated in Kaasimport Jan Dupont NV. Due to management issues and operational shortcomings, this integration did not occur in 2017, while the synergies have not yet been accomplished. Consequently, there is still room for improvement in the collaboration between Moorslede and Bruges, both at the operational and commercial level.

Our brands continued to do well in the market, with the 'Brugge' brand well on its way to the number one position. Both mid-market brands (which we produce under contract) and premium private label brands under the Belgian flag had a more difficult time. In the traded goods segment (Cheese Service), the mid-market brands and the brands of third parties sold under price competition in particular are experiencing challenging times. The trend remained favourable for exclusive products and real cheese specialities.

To maximise the efficiency of the production plant, we focused on better utilisation of the available capacities; those products are marketed abroad at significantly lower prices than the Belgian products. We compare the milk valorisation with milk powder, but the low prices weigh on the overall results.

In cheese - as in drinks - there is an increasing focus on more sustainable concepts, such as special milk flows and the collective organisation of those flows; this requires further investigation, with emphasis on a sustainable and healthy partnership between cooperative and retail.

In financial terms, the results are substantially lower than in 2016 owing to an inadequate market approach in goods for resale and the rise in milk prices. Although the necessary actions have been taken with respect to price adjustments and better market monitoring, 2018 still looks to be a difficult year in view of the overproduction of milk, which is reflected in low prices for the foreign products. Nevertheless, our brands are holding their ground.

In Drinks, the strategy outlined last year was put into practice, with several product categories being phased out in 2017, and the margin being improved by more transparent pricing and diminished brand marketing; at the same time, a substantial part of the milk price rise could be passed on. The recovery of this business should be consolidated in 2018. We are also making a greater effort to utilise the capacity of the production plant and implement fair pricing for white drinking milk to retail, as brands and flavoured drinks involve a great deal of complexity and cost due to the many ingredients needed and recipes.

The Cheese branches performed well. Camal, in Barchon, is consolidating its market position year by year, and this is reflected in solid financial figures. Dupont Nederland continued to grow, and its position vis-à-vis retail is becoming solid. However, as is the case in the cheese trade in Bruges, care must be taken not to become involved in unproductive ‘fringe’ business and complexity. The financial targets were reached there too.

09 ANNUAL REPORT 2017 ICE CREAM

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2017 was a good year for Ysco, but still fell short of 2015 and 2016.

As far as sales are concerned, we nearly equalled the record volume of 2016: a very good spring and an exceptional record month mid-year gave us a substantial margin on 2016. Unfortunately, the autumn season fell far short of the first half of the year, and ultimately we had to be satisfied with almost the same sales volume as in 2016.

The results for 2017 were far behind the 2016 figures. The two main reasons were:

a) higher prices of ingredients
b) higher vanilla prices

In 2018, the start-up of the Lidl production plant will create a new challenge with lower volumes being projected. Nevertheless, increased efficiency, fair pricing and lower prices of ingredients should bring us close to the results of 2017.


Create
your own
milky way

10 ANNUAL REPORT 2017 HUMAN RESOURCES

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In a labour market marked by a long-announced raging 'War for Talent', more than 130 new people were hired during the past year in Belgium alone under an open-ended employment contract. The fact that Milcobel has succeeded in acquiring an image as an attractive employer among young prospective employees is evidenced by the fact that nearly half of those new recruits are under the age of 30.
This helps Milcobel to maintain a balanced age distribution in its human capital, where youthful enthusiasm, knowledge and experience complement each other to become a rich resource pool that guarantees Milcobel's future performance.

Focus in 2017 continued to be placed on the modernisation of Talent Management within Milcobel, with investment in Employer Branding, an effective recruitment policy, a young graduate programme, numerous training and development initiatives, and a motivating remuneration policy. Those efforts were not in vain.

In 2018, Milcobel wants to invest even more in employer branding in order to clearly project itself as an attractive, modern and sustainable employer. 'Make your own milky way' clearly indicates that Milcobel offers scope for enthusiasm, competence, initiative and autonomy in a solid Belgium-based cooperative set-up.


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ANNUAL REPORT 2017

WHO IS WHO IN MILCOBEL?

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BOARD OF DIRECTORS

Dirk Ryckaert	Chairman
Jan Wallays	Deputy Chairman Enterprise Affairs
Geert Vermander	Deputy Chairman Cooperative Affairs
Betty Eeckhaut	
Luc Van Laer	
Lucas Van Dessel	
Kris D'haemer	
Jan Vandenwyngaerden	External Director
Carl Verstraelen	External Director

AUDIT COMMITTEE

Jan Wallays
Kris D'haemer
Carl Verstraelen

REMUNERATION COMMITTEE

Dirk Ryckaert
Jan Wallays
Jan Vandenwyngaerden

STATUTORY AUDITORS

PricewaterhouseCoopers
Represented by Griet Helsen

12 ANNUAL REPORT 2017 GROUP STRUCTURE

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Members

MILCOBEL
cvba

- **Dupont-cheese** NL bv
- **Kaasimport J. Dupont** nv
  - Cheeseline nv
  - Vanden-broucke Lemaitre bvba
- **Belgomilk** cvba
  - 50% Fassbel nv
  - 50% Prodinco
- **Camal** sa

- **Ysco** nv
  - Ysco France Holding sasu
  - Ysco France sasu
- **Milcobel Ndl** bv
- **BMF Lait** sarl
- **Milcobel 3F** cvba
- 20% **Héritage 1466** sa [1]

[1] As to asset mutation

13 ANNUAL REPORT 2017 FINANCIAL REPORT

**Milk.
Our profession,
our future.**

A. Consolidated accounts

1. Consolidated balance sheet after appropriation

ASSETS

(in €)	Codes	PERIOD 2017	PERIOD 2016
FIXED ASSETS	**21/28**	**253,009,739.26**	**260,338,817.59**
Intangible fixed assets	21	7,525,973.96	8,427,950.69
Positive consolidation differences	9920	335,724.67	705,085.67
Tangible fixed assets	22/27	244,049,237.14	250,091,851.15
Land and buildings	22	70,419,395.44	73,237,164.03
Plant, machinery and equipment	23	157,722,595.30	160,331,187.14
Furniture and vehicles	24	7,486,599.63	8,353,590.05
Leasing and other similar rights	25	-	
Other tangible fixed assets	26	183,249.71	249,059.71
Assets under construction and advance payments	27	8,237,397.06	7,920,850.22
Financial fixed assets	28	1,098,803.49	1,113,930.08
Companies accounted for using the equity method	9921	975,141.20	994,830.79
Participating interests	99211	975,141.20	994,830.79
Other enterprises	284/8	123,662.29	119,099.29
Participating interests and shares	284	7,556.58	1,556.58
Amounts receivable	285/8	116,105.71	117,542.71
CURRENT ASSETS	**29/58**	**291,927,623.56**	**268,438,334.93**
Amounts receivable after more than one year	29	2,116,157.12	2,995,439.83
Other amounts receivable	291	2,116,157.12	2,995,439.83
Stocks and contracts in progress	3	129,880,238.69	127,689,770.46
Stocks	30/36	129,880,238.69	127,689,770.46
Raw materials and consumables	30/31	20,165,398.82	19,047,038.66
Finished goods	33	93,721,287.57	94,571,092.90
Goods purchased for resale	34	15,993,552.30	14,071,638.90
Amounts receivable within one year	40/41	158,610,273.24	136,157,401.71
Trade debtors	40	148,001,942.37	127,592,192.48
Other investments and deposits	41	10,608,330.87	8,565,209.23
Cash at bank and in hand	54/58	249,827.49	477,903.03
Deferred charges and accrued income	490/1	1,071,127.02	1,117,819.90
TOTAL ASSETS	**20/58**	**544,937,362.82**	**528,777,152.52**

LIABILITIES

(in €)

	Codes	PERIOD 2017	PERIOD 2016
EQUITY	**10/15**	**139,544,453.57**	**136,753,623.36**
Capital	10	49,110,156.20	46,771,057.13
Issued capital	100	49,113,357.50	46,774,565.00
Uncalled capital	101	3,201.30	3,507.87
Share premium account	11	31.26	31.26
Consolidated reserves	9910	86,972,770.20	86,699,789.46
Translation differences	9912	2,730.77	2,730.77
Investment grants	15	3,458,765.14	3,280,014.74
MINORITY INTERESTS	**9913**	**62,980.47**	**64,575.86**
PROVISIONS, DEFERRED TAXES AND LATENT TAXATION LIABILITIES	**16**	**23,991,485.36**	**31,158,910.95**
Provisions for liabilities and charges	160/5	4,245,884.34	4,547,201.96
Pensions and similar obligations	160	2,985,879.09	3,296,145.07
Other liabilities and charges	163/5	1,260,005.25	1,251,056.89
Deferred taxes	168	19,745,601.02	26,611,708.99
AMOUNTS PAYABLE	**17/49**	**381,338,443.42**	**360,800,042.35**
Amounts payable after more than one year	17	126,494,530.00	148,665,877.00
Financial debts	170/4	126,244,530.00	148,165,877.00
Credit institutions	173	126,244,530.00	148,665,877.00
Other amounts payable	178/9	250,000.00	500,000.00
Amounts payable within one year	42/48	254,058,735.27	211,648,359.46
Current portion of amounts payable after more than one year falling due within one year	42	28,090,280.67	34,750,402.88
Financial debts	43	62,465,148.94	26,629,394.94
Credit institutions	430/8	62,465,148.94	26,629,394.94
Trade debts	44	141,396,972.49	129,294,815.09
Suppliers	440/4	141,396,972.49	129,294,815.09
Taxes, remuneration and social security	45	20,359,314.53	18,975,316.50
Taxes	450/3	2,083,086.43	2,284,044.84
Remuneration and social security	454/9	18,276,228.10	16,691,271.66
Other amounts payable	47/48	1,747,018.64	1,998,430.05
Accrual and deferred income	492/3	785,178.15	485,805.89
TOTAL LIABILITIES	**10/49**	**544,937,362.82**	**528,777,152.52**

2. Consolidated income statement

(in €)	Codes	PERIOD 2017	PERIOD 2016
Operating income	70/76	1,222,644,793.57	1,017,369,667.47
Turnover	70	1,210,426,497.06	991,146,284.28
Stocks of finished goods, work and contracts in progress: increase (decrease)	71	-849,805.33	10,413,571.66
Other operating income	74	13,027,556.90	15,678,998.62
Non-recurring operating income	76	40,544.94	130,812.91
Operating charges	60/66	1,219,036,802.41	1,004,205,152.84
Raw materials, consumables	60	927,721,509.79	728,643,939.96
Purchases	600/8	930,761,783.35	730,230,846.91
Stocks: decrease (increase)	609	-3,040,273.56	-1,586,906.95
Services and other goods	61	145,088,801.01	135,619,384.95
Remuneration, social security costs and pensions	62	112,374,845.96	109,604,212.27
Depreciation of and amounts written off formation expenses, intangible and tangible fixed assets	630	31,042,865.48	27,434,629.97
Amounts written off stocks, contracts in progress and trade debtors: Appropriations (write-backs)	631/4	96,833.55	55,479.04
Provisions for liabilities and charges: Appropriations (uses and write-backs)	635/7	-301,317.62	-687,675.38
Other operating charges	640/8	2,815,394.79	3,330,198.20
Non-recurring operating charges	66	197,869.45	204,983.83
OPERATING PROFIT (OPERATING LOSS)	**9901**	**3,607,991.16**	**13,164,514.63**
Financial income	75/76B	1,791,782.71	1,982,474.44
Recurring financial income	75	1,791,782.71	1,982,474.44
Income from financial fixed assets	750	29,026.57	161,713.53
Income from current assets	751	43,286.43	35,652.07
Other financial income	752/9	1,719,469.71	1,785,198.84
Financial charges	65/66B	9,853,866.72	11,628,570.91
Recurring financial charges	65	9,853,866.72	11,628,570.91
Debt charges	650	7,384,567.03	6,919,541.22
Amounts written off positive consolidation differences	9961	369,361.00	630,755.60
Other financial charges	652/9	2,099,938.69	4,078,274.09
Non-recurring financial charges	66/B	16.58	
GAIN (LOSS) FOR THE PERIOD BEFORE TAXES	**9903**	**-4,454,109.43**	**3,518,418.16**

	Codes	PERIOD 2017	PERIOD 2016
Transfer from deferred taxes and latent taxation liabilities	780	7,441,236.22	2,001,383.62
Transfer to deferred taxes and latent taxation liabilities	680	575,128.24	1,637,146.45
Income taxes	67/77	331,985.84	286,637.89
Taxes	670/3	355,150.21	299,586.41
Adjustment of income taxes and write-back of tax provisions	77	23,164.37	12,948.52
GAIN (LOSS) FOR THE PERIOD	**9904**	**2,080,012.71**	**3,596,017.44**
Share in the result of the companies accounted for using the equity method	9975	64,643.80	-10,137.40
Profits	99751	64,643.80	-
Losses	99651	-	10,137.40
CONSOLIDATED RESULT	**9976**	**2,144,656.51**	**3,585,880.04**
Of which:			
Share of third parties	99761	-1,595.39	-1,550.03
Share of the group	99762	2,146,251.90	3,587,430.07

3. Notes on the consolidated annual accounts

1. List of the consolidated subsidiary companies and companies included using the equity method

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Method used (1)	Proportion of capital held (2) (in %)	Change of percentage of capital held (as compared to the previous period)
B.M.F. Lait sarl. – Rue de la Gare 3087 59299 Boeschepe – France	F	100.00	0.00
Milcobel Nederland b.v. – Demerstraat 29 4635 BT Huijbergen - The Netherlands	F	100.00	0.00
Milcobel 3 F CVBA – Fabriekstraat 141 9120 Beveren-Waas – Belgium – 0424.899.491	F	100.00	0.00
Cheeseline NV – Lieven Bauwensstraat 9 8200 Sint-Andries – Belgium – 0441.187.078	F	100.00	0.00
Fassbel NV – Fabriekstraat 141 9120 Beveren-Waas – Belgium – 0476.830.917	F	50.00	0.00
Kaasimport Dupont NV – Lieven Bauwensstraat 9 8200 Sint-Andries – Belgium – 0405.109.216	F	100.00	0.00
Ysco NV – Fabriekstraat 141 9120 Beveren-Waas – Belgium – 0472.336.451	F	100.00	0.00
Ysco France sas – Avenue de la 2e DB 53 61208 Argentan - Cedex – France	F	100.00	0.00
Ysco holding France sas – Rue de la Gare 3087 59299 Boeschepe – France	F	100.00	0.00
Belgomilk CVBA – Fabriekstraat 141 9120 Beveren-Waas – Belgium – 0870.017.447	F	100.00	0.00

NAME, full address of the REGISTERED OFFICE and for the enterprise governed by Belgian law, the COMPANY NUMBER	Method used (1)	Proportion of capital held (2) (in %)	Change of percentage of capital held (as compared to the previous period)
Camal sa – Route de Légipont 12 4671 Barchon – Belgium – 0412.859.912	F	100.00	0.00
Héritage 1466 sa – Rue de Charneux 32 4650 Herve – Belgium – 0425.964.513	E4	20.00	0.00
DupontCheese Nederland b.v. – Escudoweg 1 2153 PC Nieuw-Vennep – The Netherlands – 800505177B01	F	100.00	0.00
Vandenbroucke-Lemaître BVBA – Dirk Martensstraat 14 8200 Sint-Andries – Belgium – 0415.616.492	F	92.00	0.00

(1) F: Full consolidation
E4: Joint subsidiary enterprise accounted for using the equity method where its activities cannot be closely integrated into the activities of the enterprise having the joint control (article 134, second al. of the aforementioned Royal Decree).

(2) Proportion of capital of those enterprises being held by the enterprises included in the consolidated accounts and persons acting in their own names but on behalf of these enterprises.

2. Consolidation criteria and changes in the consolidation scope

Information and the criteria governing the application of full consolidation, proportional consolidation and the equity method as well as those cases in which these criteria are departed from, and justification for such departures (Pursuant to Article 165, I. of the Royal Decree of 30 January 2001 in implementation of Company Law).

The full consolidation method was applied to all companies which are controlled directly or indirectly by the consolidating company, by law or in fact, and to companies over which control is shared. These companies have been included in the consolidated annual accounts using the full consolidation method or the equity method, according to the degree of integration into Milcobel. The participations in affiliated companies have been valued and included in the accounts using the equity method.

3. Valuation rules

Specification of the criteria of signicative importance for valuation of the various items in the consolidated financial statements, in particular:

- the application and adjustments of depreciation, amounts written down and provisions for liabilities and charges, and revaluations (pursuant to article 165, VI.a. of the Royal Decree of 30 January 2001 in implementation of Company Law).
- the bases of translation applied to express in the consolidated accounts items which are, or originally were, expressed in a currency other than the currency in which the consolidated accounts are stated, and the translation in the consolidated accounts of the accounting statements of subsidiaries and associated enterprises governed by foreign law (pursuant to Article 165, VI.b. of the aforementioned Royal Decree).

ASSETS

Establishment costs

The establishment costs are depreciated on a straight-line basis at 20%.

Intangible fixed assets

The acquisitions and brought in intangible fixed assets are booked on the asset side of the balance sheet at their acquisition price or brought in value and are depreciated on a straight-line basis in accordance with the following percentages:

	min.	max.
1. Research and development costs	20	20
2. Concessions, patents, licences, brands, etc..	10	20
3. Goodwill	10	20
4. Advance payments	0	0

Consolidation differences

The consolidation differences represent the divergences between on the one hand the acquisition value and on the other the corresponding part of the equity capital on the date on which the shares have been acquired or a nearby date close to it.

Insofar as these differences originate from an over or under valuation of specific items on the asset or liabilities side, they will be allocated to it. The remaining difference is included in the consolidated accounts in the item “consolidation differences” on the asset or liabilities side of the balance sheet, depending on whether the acquisition value is higher or lower than the share in the (possibly recalculated) equity capital.

Activated consolidation differences are depreciated in a straight line over a five-year period. Additional or extraordinary depreciations are applied to these differences when, as a result of changes in economic circumstances, it is no longer justified to retain them at that particular value in the consolidated balance sheet.

Negative consolidation differences are booked to the liabilities side. They only benefit the consolidated profit & loss account to cover operational losses incurred for reasons existing at the time of the acquisition (overcapacity, staffing levels too high) and within a limited period of time. They are booked to code 9960 ‘Amounts written down on positive consolidation differences’.

Tangible fixed assets

Tangible fixed assets are booked to the asset side of the balance sheet at their acquisition price (incl. additional costs) or their brought in value. Depreciations are booked according to the straight-line method (pro rata temporis) over the economic life.
The depreciation percentages are as follows:

		min.	max.
1.	Industrial, administrative and commercial buildings	3	10
2.	Plant, machinery and equipment	5	25
3.	Vehicles	10	25
4.	Office equipment and furniture	10	33
5.	Other tangible fixed assets	3	20
6.	Assets under construction and advance payments	0	0
7.	Leasing and similar rights	according to the category to which the asset belongs	

Stocks

- aw materials: acquisition value according to weighted average price or lower market value on balance sheet date for solid and liquid dairy produce and for ice cream activities
- Consumables and goods purchased for resale:
  - o acquisition value according to weighted average price or lower market value on balance sheet date for solid and liquid dairy produce and for ice cream activities;
  - o acquisition value according to FIFO method or lower market value on balance sheet date for liquid dairy produce;
  - o acquisition value according to the weighted average price, FIFO method or individualisation of the price of each component for the cheese distribution and this depending on the nature of the product. The acquisition value may not exceed the market value on the balance sheet date.

- Finished goods:
  - o valuation at manufacture price or market value, if this is lower on the balance sheet date;
  - o in addition to the purchasing cost of raw materials, consumer goods and consumables, the manufacture price includes production costs that are directly accountable to individual products or product groups.

Accounts receivable within one year

Accounts receivable are included at nominal value. Write downs are booked to these accounts receivable when their collectability is in doubt.

Investments

Shares and fixed income securities: acquisition value. Credit balances at financial institutions: nominal value.

Cash at bank and in hand

Valuation at nominal value.


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LIABILITIES

Consolidated reserves

The group reserves include the reserves and results carried forward of the consolidated company, raised with the share of the group in the results, after deduction of dividends, of the full and proportionally consolidated companies and the companies to which the equity method has been applied.

Investment grants

Investment grants are valued at nominal value after deduction of deferred taxes.

Provisions for risks and costs

The Board of Directors decides, on the basis of a prudent evaluation, which provisions should be made to cover the cost of early retirement, major repairs and maintenance, settlement of claims, supplied guarantees, hedge risks and possible other risks and costs that are probable or certain on the balance sheet date, but the extent of which is not yet known.

Deferred tax and latent liabilities

Deferred tax and latent liabilities are booked:

- to the differences resulting from the application of the valuation rules of the group with respect to the statutory valuation rules of the group companies;
- to the temporary differences between accounting and tax results;
- to the granted not yet depreciated investment grants and untaxed gains values included in the company's equity capital.

Amounts payable after one year and within one year

Amounts payable are booked at their nominal value.

Deferred charges and accrued income

Revenue and costs are allocated to the period to which they apply.

Foreign currency

Foreign currency receivables and payables are valued at the exchange rate applicable on the balance sheet date. Negative exchange rate differences are booked in results. Positive exchange rate differences are booked to transitory accounts on the liabilities side.

4. Methods of calculating of deferred taxes

Detailed explanation on the methods applied in determining deferred taxes (deferral method, liability method, ...)
Deferred tax and latent liabilities are booked:

- to the differences resulting from the application of the valuation rules of the Group with respect to the statutory valuation rules of the Group companies;
- to the temporary differences between accounting and tax results;
- to the granted not yet depreciated iPLCestment grants and untaxed gains values included in the company's equity capital.

FUTURE TAXATION AND DEFERRED TAXES	
	(code 168)
Analysis of Heading 168 of the liabilities	19,745,601.02
Future taxation *(Pursuant to article 76 of the Royal Decree of 30 January 2001 in implementation of Company Law)*	39,528.60
Deferred taxes *(Pursuant to article 129 of aforementioned Royal Decree)*	19,706,072.42

5. Statement of intangible fixed assets

	RESEARCH AND DEVELOPMENT COSTS (code 210)	CONCESSIONS, PATENTS, LICENCES, KNOWHOW, BRANDS AND SIMILAR RIGHTS (code 211)	GOODWILL (code 212)	ADVANCE PAYMENTS (code 213)
Acquisition value at the end of the previous period	78,772.10	19,915,827.51	7,033,113.27	1,814,597.36
Movements during the period				
Acquisitions, including produced fixed assets		4,867.50		1,477,586.88
Sales and disposals				192,052.34
Transfers from one heading to another		1,390,401.93		-1,390,401.93
Other movements				
Acquisition value at the end of the period	**78,772.10**	**21,311,096.94**	**7,033,113.27**	**1,709,729.97**
Depreciation and amounts written down at the end of the previous period		13,381,246.28		
Movements during the period				
Recorded		2,192,378.77		
Transferred from one heading to another				
Cancelled				
Other movements				
Depreciation and amounts written down at the end of the period		**15,573,625.05**	**7,033,113.27**	
NET BOOK VALUE AT THE END OF THE PERIOD	**78,772.10**	**5,737,471.89**		**1,709,729.97**

6. Statement of tangible fixed assets

	LAND AND BUILDINGS (code 22)	PLANT, MACHINERY AND EQUIPMENT (code 23)	FURNITURE AND VEHICLES (code 24)
Acquisition value at the end of the previous period	126,738,456.04	440,780,016.53	24,242,694.99
Movements during the period			
Acquisitions, including produced fixed assets	38,000.00	60,008.75	17,107.60
Sales and disposals		3,054,019.58	485,249.97
Transfers from one heading to another	1,592,202.30	19,860,425.50	1,080,717.45
Other movements	12,287.81	-16,237.76	3,949.95
Acquisition value at the end of the period	**128,380,946.15**	**457,630,193.44**	**24,859,220.02**
Depreciation and amounts written down at the end of the previous period	53,501,292.01	280,448,829.39	15,889,104.94
Movements during the period			
Recorded	4,460,258.70	22,483,982.33	1,840,435.68
Cancelled		3,025,213.58	356,920.23
Transferred from one heading to another			
Other movements			
Depreciation and amounts written down at the end of the period	**57,961,550.71**	**299,907,598.14**	**17,372,620.39**
NET BOOK VALUE AT THE END OF THE PERIOD	**70,419,395.44**	**157,722,595.30**	**7,486,599.63**

	LEASING AND SIMILAR RIGHTS (code 25)	OTHER TANGIBLE FIXED ASSETS (code 26)	ASSETS UNDER CONSTRUCTION AND ADVANCED PAYMENTS (code 27)
Acquisition value at the end of the previous period	25,978.84	1,196,975.51	7,920,850.22
Movements during the period			
Acquisitions, including produced fixed assets			22,988,345.09
Sales and disposals			138,453.00
Transfers from one heading to another			-22,533,345.25
Other movements			
Acquisition value at the end of the period	**25,978.84**	**1,196,975.51**	**8,237,397.06**
Depreciation and amounts written down at the end of the previous period	25,978.84	947,915.80	
Movements during the period			
Recorded		65,810.00	
Cancelled			
Transferred from one heading to another			
Depreciation and amounts written down at the end of the period	**25,978.84**	**1,013,725.80**	
NET BOOK VALUE AT THE END OF THE PERIOD		**183,249.71**	**8,237,397.06**

7. Statement of financial fixed assets

	ENTERPRISES ACCOUNTED FOR USING THE EQUITY METHOD (code 280)	OTHER ENTERPRISES (code 282 and code 283)
Participations		
Acquisition value at the end of the previous period	1,030,163.28	1,556.58
Movements during the period		
Sales and disposals	84,333.38	
Acquisitions		6,000.00
Acquisition value at the end of the period	**945,829.90**	**7,556.58**
Movements during the period		
Recorded	16.58	
Cancelled	16.58	
Movements in the capital and reserves at the end of the previous period	-35,332.49	
Movements during the period		
Share in the result for the financial period	64,643.80	
Other movements in the capital and reserves	-0.01	
Movements in the capital and reserves at the end of the period	**29,311.30**	
NET BOOK VALUE AT THE END OF THE PERIOD	**975,141.20**	**7,556.58**

Amounts receivable	
Net book value at the end of the previous period	117,542.71
Movements during the period	
Additions	2,468.00
Repayments	3,905.00
NET BOOK VALUE AT THE END OF THE PERIOD	**116,105.71**

8. Statement of consolidated reserves

CONSOLIDATED RESERVES	(code 9910)
Consolidated reserves at the end of the previous period	86,699,789.46
Movements during the period:	
Shares of the group in the consolidated income	2,146,251.90
Other movements	-1,873,271.16
Dividends	-1,873,271.16
CONSOLIDATED RESERVES AT THE END OF THE PERIOD	**86,972,770.20**

9. Statement of consolidation differences and differences resulting from the application of the equity method

POSITIVE DIFFERENCES CONSOLIDATION	(code 9920)
Net book value at the end of the previous period	705,085.67
Movements during the period:	
Depreciations	-369,361.00
NET BOOK VALUE AT THE END OF THE PERIOD	**335,724.67**

10. Statement of amounts payable

BREAKDOWN OF AMOUNTS PAYABLE WITH AN ORIGINAL PERIOD TO MATURITY OF MORE THAN ONE YEAR, ACCORDING TO THEIR RESIDUAL TERM	DEBTS WITHIN ONE YEAR (code 42)	BETWEEN ONE AND FIVE YEARS (code 17)	OVER FIVE YEARS (code 17)
Financial debts	27,840,280.67	84,655,950.00	41,588,580.00
Credit institutions	27,840,280.67	84,655,950.00	41,588,580.00
Other amounts payable	250,000.00	250,000.00	
TOTAL	**28,090,280.67**	**84,905,950.00**	**41,588,580.00**

11. Net turnover

NET TURNOVER	PERIOD 2017	PERIOD 2016
Aggregate turnover of the group in Belgium	341,944,691.12	347,487,582.53

AVERAGE NUMBER OF PERSONS EMPLOYED AND PERSONNEL CHARGES	PERIOD 2017	PERIOD 2016
Consolidated enterprises and fully consolidated enterprises		
Average number of persons employed (in units)	2,002	2,006
Workers	1,505	1,524
Employees	483	468
Management personnel	14	14
Personnel costs		
Remuneration, social security costs	112,042,965.37	109,259,622.00
Pensions	331,880.59	344,590.27
Average number of persons employed in Belgium by the enterprises concerned	1,800	1,788

NON-RECURRING INCOME	PERIOD 2017	PERIOD 2016
Non-recurring operating income	40,544.94	130,812.91
Capital gains on disposal of intangible and tangible fixed asset	5,631.88	57,053.27
Other non-recurring operating income	34,913.06	73,759.64

NON-RECURRING EXPENSES	PERIOD 2017	PERIOD 2016
Non-recurring operating charges	197,869.45	204,983.83
Capital losses on disposal of intangible and tangible fixed assets	8,880.46	48,566.59
Other non-recurring operating charges	188,988.99	156,417.24
Non-recurring financial charges	16.58	
Amounts written off financial fixed assets	16.58	

12. Rights and commitments not reflected in the balance sheet

RIGHTS AND COMMITMENTS NOT REFLECTED IN THE BALANCE SHEET	PERIOD 2017
Substantial commitments to acquire fixed assets	1,800,000.00
Commitments to exchange rates	21,543,899.74

Amount, nature and form concerning litigation and other important commitments

- All engagements of the Milcobel Group by the banks have been honoured.
- An engagement for a minimum turnover of 5,463 K euro for external storage.
- Long term agreement of 9 years with the obligation to buy Alpla bottles, although with a possibility to stop the agreement - 1,990 K euro (early termination fee).
- Commitment to purchase of raw materials and packaging for K Eur 57,500

Commitments with respect to retirement and survivors' pensions in favour of their personnel or executives, at the expense of the enterprises included in the consolidation.

The company has contracted a group insurance policy for its employees and managers with a Belgian insurance company.

The costs are partially supported by the company and partially by the concerned person.

13. Relationships with affiliated enterprises and enterprises linked by participating interests but not included in the consolidation

AFFILIATED ENTERPRISES	PERIOD 2017	PERIOD 2016
Financial fixed assets		
Participating interests and shares	975,141.20	994,830.79
Transactions with enterprises linked by participating interests out of market conditions	nihil	nihil

14. Financial relationships with

DIRECTORS, INDIVIDUALS OR BODIES CORPORATE FROM THE CONSOLIDATED ENTERPRISES	PERIOD 2017
Total amount of remuneration granted in respect of their responsibilities in the consolidation enterprise, its subsidiary companies and its affiliated companies, including the amounts in respect of retirement pensions granted to former directors or managers.	948,167.00

AUDITORS OR PEOPLE THEY ARE LINKED TO	PERIOD 2017
Fees for auditor's mandate	
Auditor's fees according to a mandate at the group level led by the company publishing the information	112,400.00
Fees for exceptional services or special missions executed in the company and its branches by the auditor	
Other attestation missions	2,233.00
Tax consultancy	35,600.00

15. Derivatives not measured at fair value

For each category of derivative financial instruments	Hedged risk	Speculation / Hedging	Scope	Period : Booked value	Period : Real value
Interest rate swap	Interest	Hedging	171756667	0.00	5,265,133.91


milcobel
Create
your own
milky way
60
0-AAX-979
janssy

B. Other documents to be filed under Belgian company law

1. Consolidated Annual Accounts 2017

In accordance with legal and statutory obligations, we are delighted to report the consolidated annual accounts of Milcobel cvba as on December 31, 2017.

ASSETS

II. INTANGIBLE FIXED ASSETS (7,525,973 EUROS)

These concern mainly investments in software (1.482 million euros) and the purchase of greenhouse gas allowances.

III. TANGIBLE FIXED ASSETS (244,049,237 EUROS)

The investments for the financial year amount to 23.1 million euros and can be split as follows:

- General : 0.9 million euros
- Butter, powder and cheese : 14.8 million euros
- Ice cream : 6.9 million euros
- Cheese : 0.5 million euros

V. FINANCIAL FIXED ASSETS (1,098,803 EUROS)

Companies with a participating interest (975,141 euros) are related to Héritage 1466 SA.

VII. STOCK (129,880,238 EUROS)

Stock represents 23% of the balance sheet total and have increased with 2% compared to last year.

LIABILITIES

IX. PROVISIONS AND DEFERRED TAXATION (23,991,485 EUROS)

The item deferred taxation (19,745,601 Euros) is mainly due to the difference between the business economic and fiscal valuation of tangible fixed assets.

X. DEBTS OVER MORE THAN ONE YEAR (126,494,530 EUROS)

The financial debts (126,244,530 euros) mainly relate to fixed credits entered into with various banks. In 2017, 8.6 million euros of loans were taken out and 37.1 million euros of loans repaid.

XI. DEBTS OVER MAXIMUM 1 YEAR (254,058,735 EUROS)

The debts have increased with 20.3 % compared to last year.

RESULTS

I. & II. OPERATING RESULTS

Sales achieved in the year 2017 amount to 1,210 million euros. The turnover can be split as follows:

- 941 million realised from dairy activities;
- 269 million realised from ice cream activities;

IV. & V. FINANCIAL RESULTS

Debt servicing costs remained stable compared to the previous year.

EVENTS AFTER BALANCE SHEET DATE

No significant events occurred after the balance sheet date that would profoundly affect future activities.

FINANCIAL TOOLS

The exchange risk for significant sales contracts agreed in foreign currency is covered by currency contracts. A great deal of the short-term interest bearing debts are covered by interest covers aiming at reducing the impact of interest variations. Most of the long-term interest bearing debts are covered at fixed interest rates.

PROSPECTS

Market conditions remain favourable for the B2B activities.

RESEARCH AND DEVELOPMENT

Existing research and development activities are continued in the various divisions.

RISKS AND UNCERTAINTIES

In addition to general business risks, the Milcobel group is facing risks specifically associated with a dairy business. Calamities could be the cause of serious disruption in milk supplies and the production and sales process. This risk is limited by the introduction of a quality assurance system (DQA).

Kallo, 13 march 2018

D. Ryckaert President	J. Wallays Vice-President	G. Vermander Vice-President

C. Statutory auditor's report

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEMBERS' MEETING OF THE COMPANY MILCOBEL CVBA ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2017 (FREE TRANSLATION).

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Milcobel CVBA (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the audit of the consolidated accounts, as well as the report on other legal and regulatory requirements. These reports form part of an integrated whole and are indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 20 June 2017, following the proposal formulated by the managers. Our mandate will expire on the date of the general meeting which will deliberate on the consolidated accounts for the year ended 31 December 2019. We have performed the statutory audit of the consolidated accounts of Milcobel CVBA for 10 consecutive years

Report on the audit of the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the consolidated accounts of the Group, which comprise the balance sheet as at 31 December 2017, and the profit and loss account for the year then ended, and the notes to the consolidated accounts, characterised by a balance sheet total of EUR 544.937.362,82 and a profit and loss account showing a profit for the year of EUR 3.607.991,16 .

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and financial position as at 31 December 2017, and of its results for the year then ended, in accordance with the financial-reporting framework applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Statutory auditor's responsibilities for the audit of the consolidated accounts" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence. We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the board of directors for the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with the financial-reporting framework applicable in Belgium, and for such internal control as the board of directors determines is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group'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 the board of directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional sceptisism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.

- Obtain 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.

- Conclude on the appropriateness of the board of directors' 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient and 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. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the director's report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on this directors' report.

Statement related to independence

We did not provide services which are incompatible with the statutory audit of the consolidated accounts and we remained independent of the Company in the course of our mandate.

Sint-Stevens-Woluwe, May 4, 2018

The statutory auditor
PwC Bedrijfsrevisoren BCVBA
Represented by Griet Helsen - Réviseur d'Entreprises / Bedrijfsrevisor

D. Consolidated cash flow

(in €)	PERIOD 2017	PERIOD 2016
A. OPERATING ACTIVITIES		
consolidated result, share of group	2,146,251.90	3,587,430.07
third party share	-1,595.39	-1,550.03
depreciation of fixed assets	31,042,865.48	27,434,629.97
provisions	-301,317.62	-687,675.38
depreciation of positive consolidation differences	369,361.00	630,755.60
deferred taxes	-6,866,107.97	-364,237.15
= cash flow	*26,389,457.40*	30,599,353.08
movement in stocks	-2,190,468.23	-12,004,309.22
movement in trade accounts receivable	-20,409,749.89	-14,080,775.29
movement in other accounts receivable	-2,043,121.64	-1,149,315.95
movement in trade debts	12,102,157.40	25,564,685.07
movement in other debts	1,132,586.62	-177,544.43
movement in accrued and deferred accounts	346,065.14	-94,759.63
= movement in requirement for working capital	*-11,062,530.60*	-2,942,019,45
NET CASH FLOW FROM OPERATING ACTIVITIES	**15,326,926.80**	**27,657,333,63**

B. INVESTMENT ACTIVITIES		
additions of intangible fixed assets	-1,482,454.38	-814,723.43
additions of tangible fixed assets	-23,103,461.34	-38,966,555.20
reclassifications of intangible fixed assets	192,052.34	159,327.18
reclassifications of tangible assets	295,588.64	425,295.44
movements in financial fixed assets	15,126.59	13,087.40
NET CASH FLOW FROM INVESTMENT ACTIVITIES	**-24,083,148.15**	**-39,183,568.61**

	PERIOD 2017	PERIOD 2016
C. FINANCING ACTIVITIES		
increase of investment loans	4,000,000.00	44,500,000.00
increase of financial debts	4,600,000.00	11,600,000.00
repayment of financial debts	-37,181,469.21	-33,593,466,07
movement in other long-term debts	-250,000.00	-250,000.00
movement in other long-term receivables	879,282.71	218,445.39
movement in shareholders' equity	2,517,849.47	5,063,615.35
paid dividends	-1,873,271.16	-1,679,345.00
NET CASH FLOW FROM FINANCING ACTIVITIES	**-27,307,608.19**	**25,859,249.67**
= NET CASH (A+B+C)	**-36,063,829.54**	**14,333,014.69**
+ OPENING CASH	**-26,151,491.91**	**-40,484,506.60**
= CLOSING CASH (*)	**-62,215,321.45**	**-26,151,491.91**

(*) cash = 'deposits' + 'cash at bank' + 'short-term financial debts to credit institutions'


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Credits

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