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Unibel Annual financial information 2020 Results

Company shows strong resilience in pandemic-related crisis and strengthens its CSR commitments Transformation continues apace

- **Robust financial performance:**
 - €242 million operating profit, up 15.7%, 86bps operating margin increase to 7.0%.
 - Consolidated net profit up 23.1%.
 - €382 million operating cash flow, up €79 million.
- **Transformation plan well under way to strengthen position as a major player in healthy snacking:**
 - Organic sales growth buoyed by positive momentum across all core brands, resumed growth for Bel in France and USA, and MOM's ongoing positive trajectory.
 - Product-offering diversification accelerated in the plant-based food sector, notably with All in Foods acquisition.
 - Cost-cutting plan successfully completed.
 - Strong innovations pipeline on tap for the future.
 - 1st quarter 2021: unilateral promise to purchase assets comprising the Leerdammer brand signed with Lactalis.
- **CSR commitments strengthened:**
 - New and ambitious biodiversity policy implemented.
 - New sustainable dairy farming practices agreement reached with APBO.

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

At its March 18, 2021 meeting, the Board approved the consolidated financial statements for the year ended December 31, 2020. At this meeting, the independent auditors reported having completed their audit of said financial statements and that their report was forthcoming.

Antoine Fievet, Bel Group Chairman and Chief Executive Officer and a Unibel board director, said: "*The crisis we experienced in 2020 was unprecedented at many levels, first and foremost on a human level, but also hitting our business. Our highest priority throughout the year was to protect our ecosystem and our employees in particular. Because we executed a fast and agile adaptation plan at the outset of the crisis, we were able to ensure the continuity of the food supply chain under controlled health conditions and preserve the strength of our financial structure. Once again, I want to thank our employees for their exemplary mobilization, which led us to*

today's robust performance. The crisis showed how important it is for companies to develop new sustainable growth models that create value for all in the medium term. This is something we have believed for many years. It's a belief that guides our actions, and one that in 2020 led to charitable initiatives to help the most vulnerable and disadvantaged confront the crisis. Despite a still uncertain environment, we believe our responsible business model is right, and we remain confident in Bel's ability to continue its transformation on behalf of a more sustainable and responsible future for food."

Key figures

<i>€m</i>	2020	2019	% change
Sales	3,456	3,403	+1.6%
Underlying operating profit	260	235	+11%
Operating profit	242	209	+15.7%
<i>Operating margin</i>	<i>7.0%</i>	<i>6.1%</i>	<i>+86bps</i>
Net financial items	(29)	(33)	12.0%
Consolidated net profit - Group share	92	75	+23.1%
Operating cash flow	382	303	+79

Management, adaptation and solidarity during the Covid 19-related crisis

Since Covid 19 began, Unibel Group immediately established an action plan to ensure the health and safety of all its stakeholders, enable the continuation of vital operations under exemplary health measures and limit the financial impact of the crisis, while maintaining financial liquidity.

The group's strong ability to adapt led to the agile and efficient deployment of operational measures aimed at optimizing inventory management and ensuring product deliveries against a backdrop of fluctuating demand. The execution of the cost-reduction plan, coupled with an in-depth review of operating expenses at all levels of the business, the streamlining of fixed costs and optimization of investments, helped maintain profitability, while curbing non-recurring costs. At December 31, 2020, the group had a strong net cash position, bolstered by a recent bond issue, with more than €595 million in cash and cash equivalents and €820 million in untapped credit lines.

In line with its sustainability principles and true to its values, Unibel Group also mobilized alongside its employees in charitable activities to help its local communities cope with the crisis. This involved the group making every effort to maintain its milk collection activities in all dairy basins and offered some suppliers targeted programs for faster payments under favorable terms and conditions. In April 2020, it also donated an entire day's production of The Laughing Cow cheese, representing the equivalent of 20 million single-serving portions, to healthcare providers and the most disadvantaged people. Lastly, in France, the group joined the "Tous confinés, Tous engagés" (All locked down, All committed), a government-backed platform initiative that allows employees to carry out national emergency missions identified by the French government or give away skill-based services.

Transformation accelerated to become a leader in healthy snacking

In June 2020, Unibel Group acquired 80% of All in Foods, a French startup with reputed knowhow and specialization in plant-based cheese and sauce alternatives sold under the Nature & Moi brand. This M&A transaction is in line with its 2015 strategy to take on new businesses and so become a major player in healthy snacking based on three complementary segments, namely dairy, fruit and plant-based products.

Under its transformation programme, Unibel completed its earlier announced cost-cutting plan successfully and on time, and in so doing, generating €120 million in cost savings, which primarily arose from optimizing purchases, marketing and advertising spend and generating productivity gains and cutting overhead costs. The group has ploughed a share of the savings back into its business, as called for under the transformation plan.

Building on its strategic choices and proactive policy throughout the year, Unibel Group was able to adapt its product offering and continued to innovate to meet emerging shopping trends and customer expectations around the world, such as home cooking products and mass marketing organic and plant-based food. For example, the group launched easily-spread and plant-based versions of Boursin®, sold exclusively in the United States via Amazon from October 2020. Unibel also launched numerous product renewals, with new additive-free recipes under its plan to strengthen its offering in the natural product space. Because lockdown hit rollout of these new product innovations and led to delays, the group currently has a sizeable future innovation pipeline for all core brands that will enable it to break into new high-growth market segments.

A reputed sustainable business model

In line with the long-term commitment to champion healthier food epitomised in its "For All. For Good" tagline, Unibel shared its strengthened beliefs and continued its sustainability efforts in 2020. The group committed to promoting biodiversity, establishing a dedicated policy with expert help from WWF France to take biodiversity into account across its value chain, from farm to table. It also joined the international Act for Good initiative, whose mission is to protect, promote and restore biodiversity.

Unibel also pledged to fight food waste alongside Too Good To Go with The Laughing Cow® brand, in France in March 2020 and in Portugal in December 2020. The group also sets up innovative pilot efforts to develop responsible packaging, with the goal of achieving 100% recyclable and/or biodegradable packaging by 2025. Seeking to guarantee consumers access to locally produced, healthy and sustainable food, Bel Group and France's Bel West Producers Association (APBO — *Association des Producteurs de lait Bel de l'Ouest*) late 2020 signed a new agreement for 2021, marking a continuation of the three-year joint venture. These commitments constitute a secured business framework for all 800 APBO farmer members and spell out the terms and conditions for continuing ABPO-Bel's unique strategy based on more sustainable farming practices.

Lastly, believing that business results and corporate social responsibility performance are intrinsically linked, and should be understood in tandem to create value for all, Bel Group revamped its organization in October 2020, with a view to bringing CSR and Finance within the same department under the management of Frédéric Médard.

Robust financial performance

2020 Unibel consolidated sales came in at €3,455.7 million, up 1.6% year-on-year - like-for-like sales up 2.8%, while currency losses reduced sales by 1.7%. Excluding hyperinflation in Iran¹, sales grew 3.2% versus 2019.

The strong performance was buoyed by an upward trajectory in all core brands across all markets, demonstrating the appeal of Unibel's continuously upgraded dairy offering. Results were also marked by a return to sales growth in France and USA, the two main markets, while the group's footprint was further expanded In China, a market with enormous potential, where the Foodservice business turned in double-digit sales growth. Lastly, 2020 marked a continuation of MOM's growth trajectory.

¹ Organic growth corresponds to reported sales growth, excluding impacts from foreign exchange fluctuations and changes in the scope of consolidation and excluding inflation in Iran. Since 2020, Iran's economy is deemed to be a hyperinflation economy. Accordingly, inflation impacts, based on the Consumer Price Index (CPI), were excluded when determining organic growth.

€m	2020		2019	
	Sales	Operating profit	Sales	Operating profit
Mature Markets	2,865	164	2,871	161
New Territories*	591	78	532	48
Total	3,456	242	3,403	209

*New Territories encompass the MOM business (Mont-Blanc, Materne), as well as markets in Sub-Saharan Africa and China.

Operating profit came in at €242 million, a 15.7% increase that reflects improved gross margin, high productivity throughout the year, world-class operations and successful cost-cutting. Accordingly, operating margin advanced 86 basis points to 7.0%. Growth stemmed from improved operating performance in both Mature Markets and New Territories.

Net financial items improved to a €29 million net expense from a €33 million net expense in 2019, largely due to lower net cost of debt. Consolidated net profit - Group share amounted to €92.3 million, up 23.1% year-on-year. 2020 earnings per share amounted to €44.02, compared with €35.76 EPS in 2019. Operating cash flow advanced a robust €76 million during the year to €382 million, buoyed by strong sales and optimized inventory management.

At December 31, 2020, the Group reported a strong and healthy balance sheet. At December 31, 2020, equity totalled €1,908 million, up from €1,863 million at December 31, 2019. Net debt, including financial lease liabilities under IFRS 16, came to €516 million, down from €595 million at December 31, 2019. As part of efforts to actively manage debt, late June 2020 the group successfully issued a \$150-million US Private Placement (USPP) bond under French law. The issue, which matures in November 2035, was aimed at diversifying group funding sources, lengthening debt maturity and increasing Group debt exposure to the US dollar, while taking advantage of low interest rates. Accordingly, at December 31, 2020, the group had €595 million in cash and cash equivalents, with just €70 million in outstanding NEU CP commercial paper, and €820 million in untapped credit lines maturing in 2023 and 2024, underscoring the group's strong liquidity.

2021 Outlook

The start of 2021 is still overshadowed by uncertainty due to the pandemic and geopolitical conflicts in the Middle East and North Africa. While consumer demand for healthy and green snacks remains intact around the world, currency volatility and the unfavourable trends in raw material prices call for caution. Against this backdrop, Unibel Group will remain focused on improving operating results, exemplary financial management and will continue to rely on its strong balance sheet. Subject to changes in the pandemic and market sentiment, the group remains confident in its ability to strengthen its market share in healthy snacking, while continuing to innovate and boost the appeal of its brands, while meeting new consumer trends in the dairy, fruit and plant-based segments.

Exclusive negotiations between Bel and Lactalis, following a signed unilateral promise to purchase assets comprising Lamda

Bel Group and Lactalis Group today announced they have entered into exclusive negotiations having signed a unilateral promise to purchase a business comprising Royal Bel Lamda NL, Bel Italia, Bel Deutschland, the Lamda brand and all its related rights, as well as Bel Shostka Ukraine that Lactalis will take over. Said business will be transferred to Lactalis by [S], a wholly owned Bel subsidiary, in exchange for Lactalis's 1,591,472 Bel shares (23.16% equity share). Following the transaction, Lactalis would hold 0.90% equity stake in Bel. 2020 Lamda and Bel Shostka Ukraine revenues were around €500 million, of which €350 million branded products, with an estimated operating profit of approximately €25 million.

This asset sale is fully in line with the Bel Group's strategy launched in 2015, which aims to expand its activities beyond cheese products to become a major player in healthy snacking. After this deal, the group will have additional options to ramp up the diversification strategy of its product offering in its three complementary segments, and to develop its activities in high-growth regional markets like Asia/Pacific and North America. Meanwhile, Lactalis's sale of its Bel shareholding will allow the family shareholders to increase control and in so doing, lock in the Group's independent family business status.

Subject to and following completion of this transaction, Bel intends to launch a share buyback offer on the open market at €440 per share² (cum dividend), thereby giving all Bel minority shareholders an option to sell their holdings in exchange for cash, if they wish. The share buyback offer would be subject to a report by the independent expert appointed by the company on the financial terms of the offer and the AMF's (Autorité des marchés financiers) review procedure. After the buyback offer, Upsilon will launch a public tender offer followed by a squeeze-out at the same price as the share buyback offer. Completion of the above asset sale is planned to occur by the end of summer 2021, while the settlement and delivery of the public tender offer is expected in the third quarter of 2021. Upon completion of said public tender offers, Bel's shares would be delisted.

Unibel Group reaffirms its commitment to maintain a healthy and solid balance sheet.

Dividend for FY 2020

At its March 18, 2021 meeting, the Unibel Board of Directors proposed a €11 per share dividend, which will go ex-dividend on May 19th and paid on May 21st, 2021, after approval by the Annual General Meeting convened for May 11th.

Unibel's financial performance indicators

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

Organic growth corresponds to reported sales growth, excluding impacts from foreign exchange fluctuations and changes in the scope of consolidation, i.e. on a constant structure and exchange rate basis and excluding inflation in Iran. Since 2020, Iran's economy is deemed to be a hyperinflation economy. Accordingly, inflation impacts, based on the Consumer Price Index (CPI), were excluded when determining organic growth. The **organic growth rate** is calculated by applying the exchange rate for the prior year period to the current year period.

Operating margin corresponds to operating profit.

Operating cash flow corresponds to net cash flow generated by operating activities.

Net debt is described in note 5.4 to the summary consolidated financial statements. It consists of long- and short-term borrowings, long- and short-term right-of-use liabilities, and current used banking facilities, less cash and cash equivalents.

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

About Unibel

² This price is indicative and will be finalized based on the conclusions of an independent expert report

Unibel, a heritage company is the holding company of the Bel Group, a world leader in branded cheese and a major player in the healthy snack market. Its portfolio of differentiated and internationally recognized brands include such products as The Laughing Cow®, Kiri®, Mini Babybel®, Leerdammer®, Boursin®, Pom'Potes®, and GoGo squeeZ®, as well as some 20 local brands. Together, these brands helped generate sales of €3.46 billion in 2020.

Some 12,510 employees in some 30 subsidiaries around the world contribute to deployment of the Group's mission to champion healthier and responsible food for all. Bel products are prepared at 33 production sites and distributed in nearly 120 countries.

<http://www.unibel.fr>