In a challenging environment shaped by high raw materials costs and a price war, Fleury Michon, the French leader in fresh Charcuterie, Prepared Meals and Surimi products, reported revenue of €359.8 million in the first half of 2017, down 3.3% year-on-year.

Consolidated net profit amounted to €1.7 million, with a net margin of 0.5%, down from first-half 2016.

**A SIGNIFICANT IMPACT ON PROFIT FROM RAW MATERIALS**

The decline in the Group's recurring operating profit is mainly attributable to the French Supermarkets business segment. As indicated in the 20 July 2017 press release, recurring operating profit in this segment was impacted in the first half of 2017 by a significant increase in raw materials costs.

The increase primarily related to pork ham prices, which reached record highs during the period. The price increase was not passed on to retail clients in the first half and therefore contributed strongly to the year-on-year decline in recurring operating profit.
Despite the challenging environment, the Group increased its advertising-related expenditure during the period, resulting in an additional expense of around €2.7 million compared with first-half 2016. Several ad campaigns for television and print and digital media were rolled out, for prepared meals and the J’aime, Organic and Côté Végétal ranges to enable Fleury Michon to lead the way in Eating Better. Additional ad campaigns have been planned for the second half of the year.

The International Operations and Sales and Services segments both saw their operating profits decline during the first half of the year, as the economic environment hampered business for certain entities and investments were made for new development projects.

Consolidated operating profit came to €3.7 million, thanks to the non-recurring impact of the favourable outcome of a dispute.

Net profit amounted to €1.7 million, which included the Group's share in profits and losses of equity-accounted companies for a negative €0.8 million, a figure similar to the one reported for first-half 2016.

In International Operations, PFI acquired a majority interest in Sapore e Gusto Italiani (SGI), an Italian company that specialises in vegetable-based antipasti, seafood and fresh pasta, with annual revenue of around €15 million. The investment will enable the Group's Italian subsidiary to consolidate its leadership position in the country.

Net financial loss came to €0.3 million in the first half of 2017, versus €0.0 million in the prior-year period. However, the 2016 figure was not representative of the full year and benefited from the recognition in the first half of fair value adjustments on financial instruments that did not qualify for hedge accounting, for a positive €0.5 million.

While profits declined, the Group's financial position remained solid. At the end of the first half, the Group had equity of €220 million, up €10 million from 30 June 2016. In addition, net debt(1) amounted to €48.7 million at 30 June 2017, an improvement of €5.5 million compared with 31 December 2016. Accordingly, gearing(2) improved to 22%, from 24% at 31 December 2016.

IMPLEMENTATION OF THE RENAISSANCE PLAN

To address this situation, Fleury Michon teams are rolling out the Renaissance plan, which aims to improve the Group’s organisation, as well as its innovation process, product range and competitiveness.

- All of the French supermarket operations have been grouped together in a single "French Supermarkets" business segment to cut costs and enhance consistency, responsiveness and efficiency.
- The Group's legal structure will be simplified through the merger of several subsidiaries on 1 January 2018.
- Operating costs will be reduced.
- The innovation process has been reorganised to more effectively take into account new consumer expectations in various situations and to accelerate the pace of major product launches.
FLEURY MICHON IS AN INDEPENDENT, MEDIUM-SIZED FAMILY COMPANY WITH AN INTERNATIONAL OUTLOOK. FOUNDED IN 1905, WE ARE NOW ONE OF FRANCE’S LEADING FOOD BRANDS. WE PREPARE FRESH, READY-TO-EAT, EVERYDAY MEALS.

OUR CORPORATE PROJECT OF “HELPING PEOPLE EAT BETTER EVERY DAY” REFLECTS OUR VISION FOR THE FUTURE. IT’S THE VISION OF A BRAND AND A COMPANY THAT IS OPEN TO THE WORLD AND CLOSE TO ITS CUSTOMERS, RECOGNISES THE VALUE OF ITS PEOPLE AND ENCOURAGES COOPERATION WITH ITS STAKEHOLDERS. IT’S THE VISION OF AN INNOVATIVE, RESPONSIBLE BRAND THAT WANTS TO HELP PEOPLE EAT BETTER IN THE FUTURE.

Together, these measures should enable the Group to swiftly return to its usual levels of profitability. After declining for three consecutive half-year periods, recurring operating margin is expected to climb back up in the second half of 2017, to around 2%.

A STRONG FOUNDATION AND A GENERALLY FAVOURABLE ENVIRONMENT TO ACCELERATE DEPLOYMENT OF THE "HELPING PEOPLE EAT BETTER EVERY DAY" PROJECT

By stepping up the deployment of the "Helping people eat better every day" project, Fleury Michon aims to significantly and sustainably improve consumers’ eating habits.

Already, a large number of retailers are promoting better eating and recognise Fleury Michon as a relevant and legitimate partner to support them in this strategic drive.

In addition, France held a national food conference on 20 July, confirming the need for reorganisation in the industry to ensure balance and performance for all parties involved.

Fleury Michon participated in the conference and intends to play an active role in the future to drive change in the structure of the food industry and its business relationships.

The consolidated financial statements were approved by the Board of Directors on 30 August 2017. The financial statements have been reviewed and certified by the auditors in their reports issued on 30 August 2017.

(1) Net debt: long- and short-term borrowings, less cash and cash equivalents and investments
(2) Gearing: net debt divided by equity