ANNUAL REPORT

2016

STEF

CONTENTS

CONNECTING FOOD MARKET PLAYERS IS THE MISSION OF STEF GROUP.

A European leader in temperature-controlled logistics and transport services, the Group carries fresh, frozen or thermosensitive products from the production sites to their consumption under the best conditions in terms of food safety, lead time and quality.

Every day, through an extensive network in France, Italy, Spain, Portugal, Belgium, the Netherlands and Switzerland, the Group's 16,000 employees work for agrifood manufacturers, retailers and out-of-home foodservice businesses.

The professionalism and expertise of STEF's people, their shared values of enthusiasm, respect, reliability and performance are leveraged to serve the Group's clients.

GROUP'S GOVERNANCE

EXECUTIVE COMMITTEE

Bertrand BOMPAS
Managing Director of STEF Logistique

Marco CANDIANI*
Managing Director of STEF Italy

Serge CAPITAINE
Deputy Chief Executive Officer of STEF / Sales and Marketing Director

Jean-Yves CHAMEYRAT
Human Resources Director

Christophe GORIN
Group Business Director

Angel LECANDA
Managing Director of STEF Iberia

Stanislas LEMOR
Deputy Chief Executive Officer of STEF / Financial Director

Marc REVERCHON
Chairman and Managing Director of La Méridionale

Léon de SAHB
IT Systems Director / Managing Director of STEF Information and Technologies

Jean-Pierre SANCIER
Chief Executive Officer of STEF / Chairman of STEF Transport

Gilles SAUBIER
Real Estate and Purchasing Director / Managing Director of Immostef

Marc VETTARD
Deputy Managing Director of STEF Transport

* Appointed in January 2017

BOARD OF DIRECTORS

Francis LEMOR, Chairman
Bernard JOLIVET, Vice-Chairman
Jean-Charles FROMAGE
Jean-Michel DELALANDE
Elisabeth DUCOTTET
Alain GEORGES
Emmanuel HAU
Estelle HENSGEN-STOLLER
Jean-François LAURAIN
Murielle LEMOINE
Dorothée PINEAU
ALLIANZ Vie, represented by Peter ETZENBACH
ATLANTIQUE MANAGEMENT, represented by François de COSNAC

EXECUTIVE MANAGEMENT

Jean-Pierre SANCIER
Chief Executive Officer

Serge CAPITAINE
Deputy Chief Executive Officer
Sales and Marketing
Stanislas LEMOR
Deputy Chief Executive Officer
Finance and Administration

CHAIRMAN'S MESSAGE

In 2016, the Eurozone experienced moderate growth (+1.7%). Food production and consumption followed an identical pace of growth.
In this context, the supply chain performance is critical for our customers: mobility, flexibility, anticipation and innovation stimulate competitiveness for all players on our markets.
Once again this year, the men and women at STEF have been up to the task.

The proof is the trust of our customers, which is reflected in our increased turnover in France but also the progress in our international business, the growth in our service rates and our results.
In order to consolidate the Group's European footprint, we have concluded two forward-looking partnerships: one in Germany with NORDFROST, the other in Switzerland with EMMI. Finally, we have worked on building a domestic distribution network in the Netherlands and incorporated four new ambient and temperature-controlled warehouses in Italy.

Real estate investment prepares for future growth. Confident about its future, STEF invested heavily in 2016 in France (Châteaubourg, Orléans North, Darvault) as well as in our other countries (Italy, Portugal, the Netherlands, Switzerland).

La Méridionale played a key role in the redefined arrangements for the public service concession agreement from Marseille and strengthened its visual identity to align its reputation with the high service quality recognised by its customers.

Our Group's development would be inconceivable without respect for our corporate and social environment, and without the constant concern for our sustainable development commitments.
More specifically, in 2016, we supported actions to foster the professional integration of young people and obtained the renewal of the ISO 50 001 certification for the implementation of our energy management system, deployed across all our sites in France.

In 2017, our stronger financial structure will enable us to respond to the external growth opportunities that may arise with the stated objective of reinforcing the Group's network, in countries where STEF has chosen to operate.
More generally, within the European area, STEF will support its customers' development, either directly or through active partnerships.

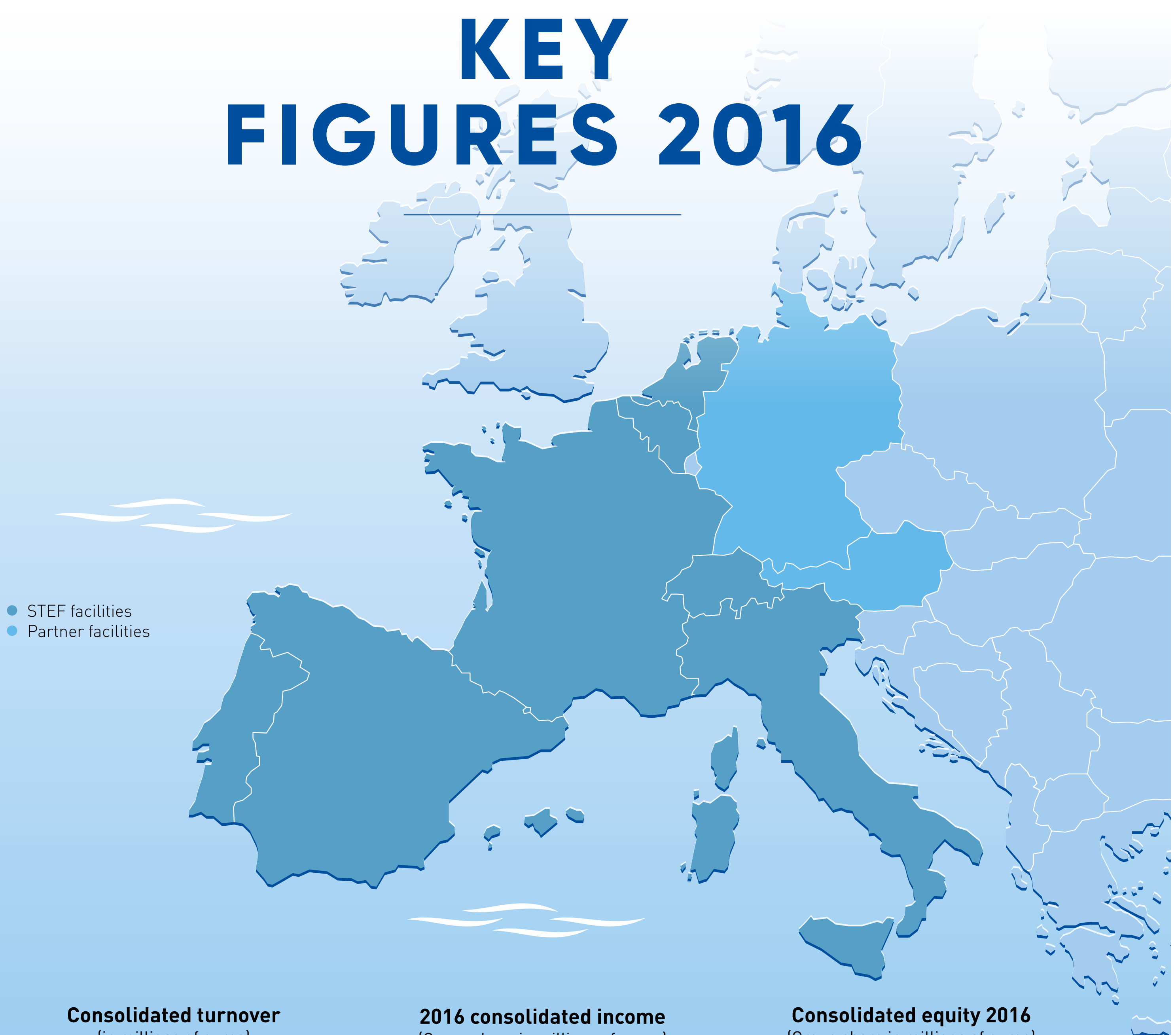
In this respect, the historic level of investments that we have decided to carry out in 2017 is the best evidence of our ambitions and our desire to adapt sustainably to the necessary changes on our markets.
I am convinced that it is also the best response to the uncertainties of our economic environment.

To conclude, I wish to pay tribute to all employees of the Group for their respective roles in the achievements and performance of the past year, and for championing our standards of quality, service and performance.
I thank them warmly for these outcomes and reiterate my confidence in the future of STEF.

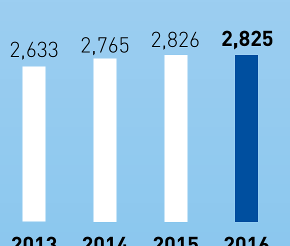
Francis LEMOR

EUROPE'S TEMPERATURE-CONTROLLED LOGISTICS SPECIALIST

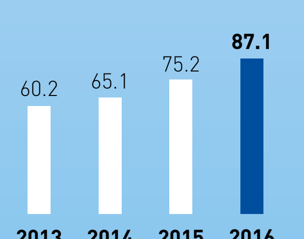
KEY FIGURES 2016



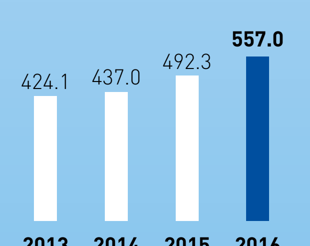
Consolidated turnover
(in millions of euros)



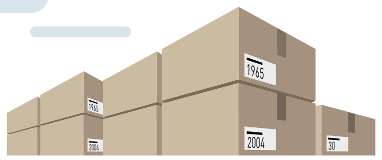
2016 consolidated income
(Group share in millions of euros)



Consolidated equity 2016
(Group share in millions of euros)



15,759
Workforce



225
Platforms and warehouses

452,200 m²
Refrigerated quay area

7,262,000 m³
Storage volume

1,950
Refrigerated trailers

1,950
Vehicles

3
Ro-ro mixed passenger and cargo vessels

STEF IN 2016

1

The Netherlands: STEF strengthened its European network with the acquisition of VERS-EXPRESS, a company specialised in the distribution of fresh products, and with the purchase of real estate and a 40% stake in the company NETKO.

2

Germany: STEF signed a European partnership agreement with NORDFROST, the German leader in frozen product logistics, with new opportunities for its customers in northern and eastern Europe.

3

France: STEF opened a new transport warehouse at Châteaubourg (Rennes) and began operations at its new Orléans Nord logistics warehouse.

4

Europe: The Group launched STEF Europe, its new transport service for international consignments (import/export) available from 7 countries thanks to its robust European network of refrigerated consolidation platforms.

9

France: STEF was awarded the "Objectif CO_2" label after reducing its CO_2 emissions per tonne-kilometre by 20% between 2009 and 2014.

10

Belgium: STEF celebrated the 40th anniversary of its Saintes logistics warehouse and obtained IFS Logistics certification.

11

Spain: STEF won the "Emprendedores y Empleo" award for its training plan for professionally-challenged people.

12

France: With CITELIV (Lille) and Triporteurs Bordelais, STEF is experimenting innovative delivery solutions for fresh and ultra-fresh products in city centres using electric cargo bikes and cycle-vans.

5

Switzerland: STEF announced the pooling of its logistics network with EMMI, the leading Swiss dairy group and consolidated its position on the fresh products logistics segment in Switzerland.

6

France: STEF became the first refrigerated transport network to be certified AFAQ ISO 9001: 2015.

7

France: STEF received the 2016 "Trophée Défis RSE" corporate social responsibility award for its environmental policy, an event presided over by the Ministry of the Environment, Energy and the Sea.

8

Italy: STEF added to its coverage of the ambient and temperature-controlled segment by taking over 4 logistics warehouses dedicated to thermosensitive products from a major local industrial operator.

13

France: STEF received the "F d'Or Handicap" Award in the "Job Retention" category for its personalised support project for disabled employees.

14

Maritime: In order to protect the environment, La Méridionale installed an innovative ballast water treatment system and invested in a quayside electrical connection solution enabling it to limit its CO_2 emissions.

15

The Netherlands: STEF successfully continued the European deployment of its Company Savings Plan with its first employee shareholding campaign in the country.

16

Switzerland: STEF laid the foundation stone of its future site in Kölliken in German-speaking Switzerland.

17

Portugal: STEF strengthened its network by opening a platform at Coimbra.

GROUP'S BUSINESS ENVIRONMENT

A SLIGHT ECONOMIC RECOVERY IN A CHALLENGING ENVIRONMENT

SLUGGISH GROWTH IN THE EUROZONE

In 2016, the Eurozone continued to grow at a modest rate (+1.7% compared to +2% in 2015), despite the political uncertainties within and outside the European Union.

Only Spain stood out from its partners with a steady growth (+3.2%), confirming the country's recovery following several dismal years. In France, Belgium and Italy, growth rates were maintained in comparison to 2015 without offering real momentum.

Change in 2016 GDP
(source: European Commission and National Statistical Offices)

EURO ZONE	+1.7%
FR	+1.1%
BE	+1.2%
IT	+0.9%
ES	+3.2%
PT	+1.4%
NL	+2.1%
CH	+1.3%

In 2016, inflation in the Eurozone increased slightly: an annual average of +0.2%, compared with +0.0% in 2015. Driven by the gradual improvement in energy prices, it began to rise substantially by the end of the year (+1.1% in December over one year). The average change in food prices remained unchanged from 2015, namely +0.7%.

2016 Inflation
(source: Eurostat, average rate of change)

	Total	Food
EURO ZONE	+0.2%	+0.7%
FR	+0.3%	+0.7%
BE	+1.8%	+1.9%
IT	-0.1%	+0.2%
ES	-0.3%	+1.4%
PT	+0.6%	+0.5%
NL	+0.1%	+0.5%
CH	-0.5%	+0.5%

ENERGY PRICE INCREASE

After falling to an exceptionally low level in January 2016 (€28.37/barrel), the oil price rose by 81% over one year. It exceeded €50/barrel in December following the conclusion of an OPEC agreement at the end of November to cut down production. On annual average, it remains below its 2009 level (€43.80/barrel). These variations have had a negative impact on turnover in all countries where STEF operates.

FOOD CONSUMPTION GROWTH

Changes in household food consumption values in 2016

(Source Eurostat)	versus Y - 1
EURO ZONE	+1.3%
FR	+2.5%
BE	-0.8%
IT	+0.2%
ES	+0.8%
PT	+4.0%
NL	+0.9%
CH	-0.7%

Although the consumption volumes of households in the Eurozone remained stable, consumption in value has returned to a very moderate pace of growth over the past three years, mainly due to improvements on the labour market. While Portugal witnessed a particularly marked increase, Belgium and Switzerland recorded declining volumes.

SIMILAR RATE FOR AGRIFOOD PRODUCTION

Change in production volumes in 2016

(Source Eurostat)	versus Y - 1
EURO ZONE	+0.9%
FR	-1.3%
BE	+2.3%
IT	+1.3%
ES	+2.1%
PT	-0.2%
NL	+3.6%

In the Eurozone, agrifood production developed at the same rate as in 2015 following very disparate dynamics from one country to another.

French agrifood industries suffered from lack of competitiveness and persistent food deflation (-1.1% over one year).
Conversely, agrifood production in Spain, Belgium and the Netherlands experienced growth.

2016 was marked by restructuring in the poultry and dairy product sectors.

CHANGES IN THE RETAIL SECTOR

The price war that has raged between retailers for several years shows no signs of abating. While discounters are repositioning themselves and improving quality, traditional retailers are continuing with a strategy of segmentation of their offer. Cities too have seen the appearance of a plethora of new concepts (local stores, organic stores, warehouse stores, etc.).

On the dynamic e-commerce segment, distributors are being squeezed by the arrival of new players: web giants, start-ups and agrifood manufacturers and the retaliation of independent traders who are adapting by adding online activities to their traditional model. These new uses introduce new standards, particularly promises of increasingly shorter delivery times on the home delivery segment.

A BOOST FOR OUT-OF-HOME FOODSERVICE

Despite a complex environment, marked by security issues and the slow crisis recovery, business in the foodservice sector was steady in 2016, benefiting from the increase in consumer spending power.

Motivated by the new requirements of their customers, businesses on this market are constantly offering new concepts and innovative ways of consuming. Restaurant chains have seized upon the trends based on promoting healthy foods and the more traditional ones are repositioning their brand to increase footfall. Food retailers are creating "corner" foodservice areas while extending their ranges dedicated to fast food.

In France, after three consecutive years of decline, the out-of-home foodservice market is returning to growth. Footfall and spending have increased for the first time since 2012.

TRANSPORT & LOGISTICS SECTOR REMAINS WEAK

The refrigerated transport and logistics sector remains weakened by the lack of recovery in volumes. In this context, several major players have conducted external growth operations in order to consolidate their network. Others have sought to diversify their customer portfolio by developing new segments.

All are seeking new vehicles for growth and new opportunities offered by changing consumption habits. Last-mile logistics have therefore become one of the segments targeted by many businesses looking to develop an economically viable model.

A DYNAMIC MARITIME SECTOR

In 2016, total freight and passenger traffic, maritime and air, between the French continent and Corsica continued to grow: +2.2% for freight and +3.3% for passengers with an all-time record of over 7.7 million passengers. However, maritime passenger traffic grew at a slower pace (+0.8%) than air passenger traffic (+6.2%) due to increased competition from low-cost airlines.

GROUP'S OPERATIONS

Carquefou

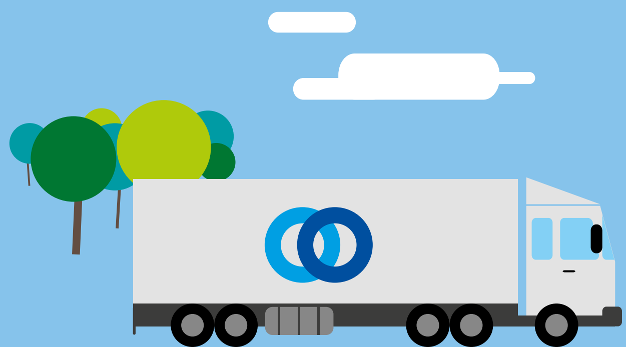
IN 2016, THE GROUP IMPROVED ITS STANDING IN EUROPE AND CONSOLIDATED ITS FOOTPRINT IN FRANCE DUE TO…

… THE INCREASING ROLE OF INTERNATIONAL ACTIVITIES in the Group's performance which recorded a turnover up 6% and profitability comparable to that of the activities in France.

… THE CONTINUED NETWORKING OF ITS FACILITIES with two major partnerships, in Germany with NORDFROST and in Switzerland with EMMI, the creation of a true consolidation network for fresh products in the Netherlands and the integration of four ambient and temperature-controlled warehouses taken over from a customer in Italy.

… THE RESILIENCE OF LA MÉRIDIONALE'S ACTIVITIES.

THE GROUP IS ORGANISED INTO FOUR OPERATIONAL SEGMENTS



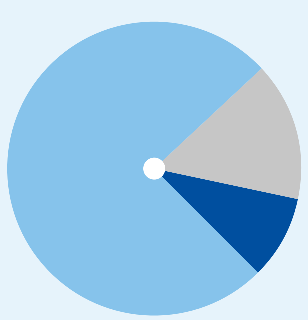
ACTIVITIES OF THE TRANSPORT FRANCE DIVISION focus on the Group's expertise in consolidation, batch transport and the organisation of national and international consignments of fresh and frozen food products. They also incorporate the transport of seafood products for agrifood industries and retailers.

ACTIVITIES OF THE LOGISTIQUE FRANCE DIVISION comprise all the logistics services offered to manufacturers, retailers and out-of-home foodservice for their frozen, fresh, thermosensitive and dry food products.

INTERNATIONAL ACTIVITIES in Italy, Spain, Portugal, Belgium, the Netherlands and Switzerland in both transport and logistics are brought together under the STEF International Division which also covers European consignments outside France.

THE MARITIME DIVISION is based on the activities of La Méridionale, the maritime company that provides passenger and freight transport between the continent and Corsica under a public service concession agreement.

BREAKDOWN OF THE GROUP'S TRANSPORT AND LOGISTICS ACTIVITIES BY TEMPERATURE RANGES



- **76%** Chilled: +2°C/+6°C
- **15%** Frozen: -18°C/-21°C
- **9%** Thermosensitive, Ambient & Temperature-controlled: +5°C/+15°C

FRANCE OPERATIONS

Châteaubourg

TRANSPORT FRANCE

STEF OPERATES ON THE MASS DISTRIBUTION MARKET FOR TEMPERATURE-CONTROLLED FOOD PRODUCTS, A MARKET GOVERNED BY TIME AND FRESHNESS CONSTRAINTS.

TO RESPOND TO THESE CHALLENGES, STEF GROUP DISTINGUISHES ITSELF THROUGH:

1. the density of its network.
2. its expertise in managing just-in-time deliveries.
3. its ability to offer a range of services to different production or distribution sectors.
4. innovative information systems enabling it to organise the preparation, monitoring and management of its customers' consignments.

THROUGH ITS NETWORK, STEF OFFERS ITS CUSTOMERS:

COMPREHENSIVE COVERAGE OF MAINLAND FRANCE, which fosters its footprint and proximity to the local economic fabric (there are 81 platforms distributed throughout the regions and a fleet of over 4,000 vehicles, half of which the company owns, travels the country every day).

A CAPACITY TO ORGANISE FLOWS by distribution type (platforms for retail, wholesale, dealer networks, etc.), by providing them with the added value generated by a search for systematic mass distribution.

A SERVICE DIFFERENTIATED BASED ON TEMPERATURE and types of consignee customers.

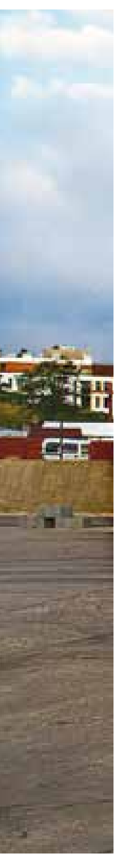
In recent years, the change in consumer behaviour and fragmentation of distribution channels have sustainably transformed the nature of flows. Combined with this reality is the emergence of an ever more complex logistics chain that requires specialist responses, hence STEF's constant adaptation to changes in its environment.

BUSINESS ACTIVITY TRENDS

In 2016, STEF's turnover increased slightly by +0.2%, despite the fall in the price of fuel which impacted its growth by -1%. The sluggish economic environment hampered the growth in food consumption, despite this being fuelled by lower supermarket prices for agrifood products.

However, due to a commercial momentum focused on all sectors and, in particular, mid-market customers, all STEF Transport activities contributed to a slight increase in volumes compared with 2015.

Furthermore, in June 2016, STEF became the first certified refrigerated transport network in France after obtaining ISO 9001-2015 certification for its performance management process. This demanding policy was reflected in the strong performance of the service quality indicators throughout the year.



FRESH AND COMPATIBLE PRODUCTS TRANSPORT

On this segment, STEF Transport has taken full advantage of the momentum of all the Group's activities, especially, logistics and out-of-home foodservice.

The avian flu outbreak, which affected the poultry sector in south-western France, had a major impact on the business in terms of volumes.

However, sales activity remained strong with some of the more dynamic sectors, such as the "organic" sector and labelled product producers being able to maintain a satisfactory rate of volume growth.

In December 2016, the Group opened a new mass distribution platform in Châteaubourg, near Rennes (Ille-et-Vilaine), combining fresh and seafood products, which is designed to speed up flows from Brittany to other French regions.

81
PLATFORMS
IN FRANCE

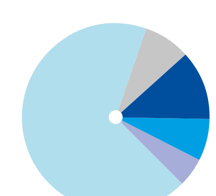
SEAFOOD PRODUCTS TRANSPORT

In 2016, the seafood products market was driven by the momentum in the sector. STEF benefited from this trend, topped off by a successful end of year campaign. Furthermore, a new partnership with a major retailer contributed to develop the business over the financial year.

Creation of a "seafood" business unit.
In order to strengthen STEF's positioning on this market with a strong identity and based on the observation that the seafood product business uses specialist skills, the Group decided to create a business unit to manage this activity with its own sales and operational organisation. STEF Seafood provides its expertise to seafood product supply chain activities by handling the supply, division between platforms, distribution and management of consignments.

ANALYSIS BY SEGMENT

Breakdown of STEF Transport's turnover by segment:



FROZEN PRODUCTS TRANSPORT

STEF Transport's activity grew slightly on this segment, outperforming a market which remains stable in terms of volumes. However, there was gathering momentum for certain types of products such as bakery, pastry, pizzas and frozen desserts. On this market, the Group benefited from the dynamic in retail and from a global logistics and transport offer adapted to the major players on the bakery and pastry market.

LOGISTICS FRANCE

STEF CONTRIBUTES TO THE OPTIMISATION OF THE AGRIFOOD SUPPLY CHAIN, FROM SUPPLYING FACTORIES TO DELIVERIES TO POINTS OF SALE.

5,014,000 m³
OF STORAGE VOLUME IN FRANCE

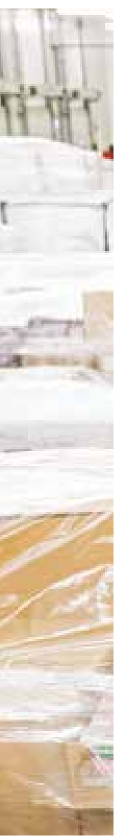
BUSINESS ACTIVITY TRENDS

The Logistics France division posted a growth in turnover of +1.5% over 2016, marked by very different realities:

— the first half-year saw abnormal weather conditions that adversely affected consumption and generated record levels of stock at manufacturers, both in frozen and fresh products, while the consequences of the Paris attacks at the end of 2015 affected the out-of-home foodservice activity;
— the second half-year was impacted by selective decisions made by the Group about its out-of-home foodservice* customer portfolio and the beginning of the transformation plan for an out-of-home foodservice customer.

STEF OPERATES FOUR TYPES OF LOGISTICS ACTIVITIES IN FRANCE:

1. logistics for mass distribution of fresh and thermosensitive products for agrifood industries.
2. dedicated contract logistics for supermarket companies.
3. pooled or dedicated logistics for commercial restaurant chains in particular.
4. frozen products logistics for manufacturers or supermarkets and proximity logistics for SMEs.



MASS DISTRIBUTION LOGISTICS FOR FRESH AND THERMOSENSITIVE PRODUCTS

Fresh, ambient and temperature-controlled activities showed contrasting performance between mass distribution logistics for fresh products, which grew by +9% in line with the growth observed in recent years, and the fall noted in temperate dry food products (-14%).

Fresh activity was driven by the gradual introduction over the year of a new refrigerated warehouse in the Lyons region designed to accommodate consignments from a major player on this market.

Although ambient and temperature-controlled activities grew in volumes for logistics (+6%), it was intermittently penalised by the reorganisation of the transport activities of the sector's main customer.

Convinced of the relevance of the development of this sector, STEF embarked on a significant real estate investment programme with a 15,000 m² refrigerated warehouse in Nemours-Darvault and a 19,300 m² logistics warehouse dedicated to temperate dry food in Orléans Nord. The two warehouses came into service in early 2017.

+9%
MASS DISTRIBUTION LOGISTICS FOR FRESH PRODUCTS

83
WAREHOUSES IN FRANCE

DEDICATED HYPERMARKET AND SUPERMARKET LOGISTICS

This segment, which only recorded a growth of 0.6% in 2016, was affected by the stability of food product volumes with some customers and by lower frozen volumes.
E-commerce activity posted a growth of nearly +10%.

+10%
E-COMMERCE ACTIVITY

LOGISTICS FOR COMMERCIAL RESTAURANT CHAINS

The increase of +1.1% in turnover covers substantial differences depending on the customer. The selective decisions made by STEF about the customer portfolio were offset by the sustained development of the fast food activity, particularly Burger King, following the purchase of Quick in late 2015 and the launch of a new business.
Conversely, sit-down restaurants continued to experience falls in footfall as high as 10% per restaurant. These falls in overall volume have not been offset by the proactive policy of opening new restaurants by these same customers.

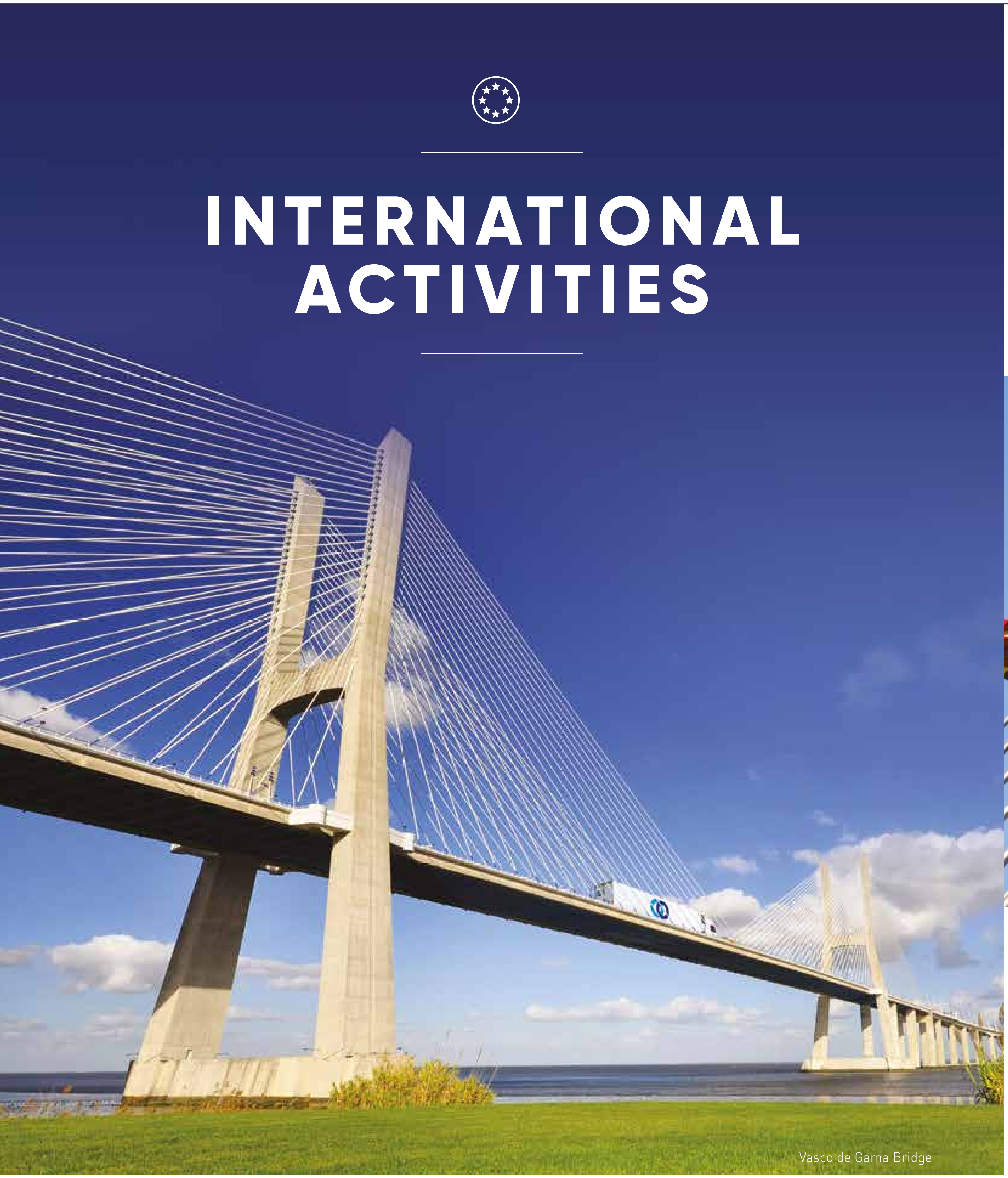
Creation of a "out-of-home foodservice" business unit.
To satisfy the needs of its customers who are seeking to benefit from a European support network, STEF embarked in 2016 on a major transformation plan for its foodservice business by establishing a dedicated organisation based on state-of-the-art information systems and a high level of service quality. The blueprint for this project will be reflected in a sustained investment programme over the coming years, in terms of real estate, human resources, information systems and vehicles.

FROZEN PRODUCT LOGISTICS AND PROXIMITY LOGISTICS

This segment experienced mixed developments over the year with two contrasting trends. Business was particularly strong in the first half-year, reflected by a +5.6% growth, especially in the warehousing of raw materials and finished products, as a direct consequence of sluggish consumption. However, the trend reversed during the summer, bringing down growth over the year to +3%.

Consolidation of real estate investment continued in 2016 with the lease of a warehouse at Lorient Port and three site extension projects which will be completed in 2017. STEF Group is resolutely committed to an investment process and deploying its logistics offer across high-potential segments.

INTERNATIONAL ACTIVITIES


Vasco de Gama Bridge

THE ACTIVITIES CONDUCTED BY THE GROUP IN ITALY, SPAIN, PORTUGAL, SWITZERLAND, BELGIUM AND THE NETHERLANDS ARE CONSOLIDATED UNDER STEF INTERNATIONAL, TOGETHER WITH THE INTERNATIONAL CONSIGNMENTS BUSINESS FROM ALL THESE COUNTRIES, AS WELL AS GERMANY AND EASTERN EUROPE.

+6.5%
INTERNATIONAL TURNOVER

61
INTERNATIONAL SITES

Through its domestic networks and with the support of its partners, STEF can handle its customers' consignments across fifteen European countries.

In 2016, STEF International's activities were decisive in the growth of STEF Group's business and performance, with an increase in turnover of nearly 6.5% and a profitability now comparable to that of the activities in France.

STEF continued to deploy its network in the Netherlands with the acquisition of VERS-EXPRESS and the purchase of a platform as well as a minority interest in the company NETKO. In Italy, STEF integrated four ambient and temperature-controlled warehouses, acquired from a major customer for the Group.

+10%
TURNOVER
ITALY

+1.8%
TURNOVER
SPAIN

+5%
TURNOVER
PORTUGAL

+15.6%
TURNOVER
BENELUX

ITALY

Italy, the Group's second largest country in terms of turnover, recorded a growth of nearly 10% in 2016.

Performance was driven by the acquisition of a logistics business from one of the Group's very first international customers in the temperate and thermosensitive (+8°C to +15°C) food products sector and by gaining market shares on the highly-dynamic mid-market segment.

Better operational performance arising from continuous improvement across all activities significantly contributed to an improvement in results.

In order to offer better support to its customers, STEF continued its real estate investment programme with the construction of two distribution platforms, one in Rome and the other in Bologna, the preferred geographical basin for the agrifood industry.

Tavazzano

SPAIN

STEF's activities in Spain posted a turnover increase of 1.8%. Growth was driven by the development of domestic consolidation activities for fresh products, which offset the negative trend of transport organisation and dedicated logistics.

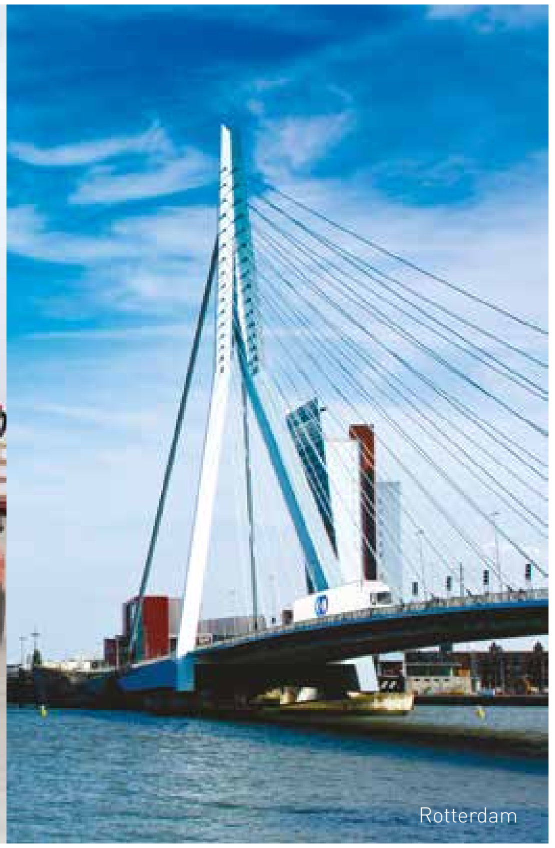
During the year, the Group finalised its specialisation project for its operating sites by industry and the gradual transformation of its business.

Distribution logistics saw the completion of the first year of operation of a new platform belonging to a customer and equipped with a mechanised order preparation system near Madrid.

Multi-customer logistics activity was affected by changes in the operating models by some customers, which led STEF to develop a rescue plan considered as a key challenge for 2017. On the out-of-home foodservice segment, STEF improved its market share by launching a dedicated warehouse and winning over an iconic customer.

Valencia

Porto



Rotterdam

PORTUGAL

In Portugal, the Group now holds a 100% stake in STEF Portugal following the purchase of a minority interest in 2016.
STEF posted a turnover growth of over 5%, driven by the strong development of consolidation, fresh products logistics and foodservice activities.

STEF added to its real estate investment by opening a distribution platform in Coimbra and extending the Porto site, both focused on the development of consolidation and logistics activities.

The signing of a contract with a European customer specialised in dairy products required the extension of the Alverca site. Finally, STEF plans to extend its storage capacities on the frozen segment in Lisbon in 2017 in order to address market demand.

BENELUX

For Benelux, the financial year ended with an increase in turnover of 15.6% (+8.8% at constant scope).

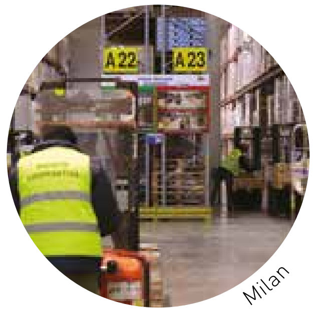
2016 also saw the creation of a refrigerated consolidation network across the region. The Group has prepared the foundations for a multi-site and multi-activity presence with two external growth operations:

— acquisition of VERS-EXPRESS in Eindhoven (the Netherlands), in May;
— acquisition of real estate from the company NETKO in Raalte, followed by acquisition of a 40% stake in NETKO.

With these two operations, STEF now has a dense and efficient transport network comprising four cross-dock platforms that cover the entire Benelux region.

In 2016, STEF began constructing a new warehouse next to existing buildings in Bodegraven (the Netherlands), so that it can offer a logistics solution to Dutch manufacturers.

In Belgium, STEF focused on starting an important logistics business by the end of the year. In order to accommodate this, the Group has performed major transformation works and increased its refrigerated storage capacity.



Milan

SWITZERLAND

In 2016, turnover suffered a fall due to the loss of a large customer. However, the Group confirmed its ambitions by launching the construction of a multi-temperature platform in the German-speaking area in Kölliken near Zurich, which will be delivered in October 2017.

This new platform will be the hub for a system comprising two sites in Swiss Romandie, one in German-speaking Switzerland and one in Italian-speaking Switzerland. It will be used to provide a comprehensive offer, combining transport and logistics dedicated to frozen food products with an offer for fresh products.

At the same time, STEF has signed a partnership agreement with the leading Swiss dairy group to create a joint logistics and distribution network dedicated to fresh food products (+2°C / +4°C).

Through these two initiatives, STEF intends to position itself as a leader in the mass distribution of fresh food products in Switzerland.

MARITIME

LA MÉRIDIONALE IS THE GROUP'S MARITIME COMPANY THAT PROVIDES A PUBLIC TRANSPORT SERVICE FOR PASSENGERS AND FREIGHT BETWEEN MARSEILLE AND THE PORTS OF CORSICA UNDER A PUBLIC SERVICE CONCESSION AGREEMENT.

LA MÉRIDIONALE

THE SEA LINKS BETWEEN THE CONTINENT, CORSICA AND SARDINIA ARE PROVIDED USING THREE RO-RO MIXED PASSENGER AND CARGO VESSELS OUT OF MARSEILLE: THE PIANA, KALLISTE AND GIROLATA, THE TOTAL CAPACITY OF WHICH IS 6,800 LINEAR METRES, I.E. THE EQUIVALENT OF 500 TRAILERS AND 1,900 PASSENGERS WITH THEIR CARS. THE CURRENT ACTIVITY REPRESENTS JUST OVER 1,000 ANNUAL CROSSINGS TO CORSICA.

THREE EVENTS MARKED LA MÉRIDIONALE'S ENVIRONMENT IN 2016:

1. assumption of full responsibility in January 2016, for the public service concession agreement on delivery of maritime services to Corsica (PSC) for the remaining period until 1 October 2016. This was accompanied by a sub-concession with the buyer of the ex-SNCM on the routes it provided before its liquidation.

2. the takeover by a consortium comprised of distribution companies and Corsican road hauliers of the company to which the Commercial Court of Marseille had initially awarded the main assets of the SNCM.

3. the joint award to La Méridionale and the aforementioned company, renamed Corsica Linea, of the interim PSC from 1 October 2016 to 30 September 2017. This period precedes the implementation of a new legal framework currently being developed by the Corsican authorities.

In this unstable environment, La Méridionale proved resilient in 2016, with an unchanged scope:

— passenger activity remained steady with 264,000 passengers travelling between Marseille and Corsica;
— the freight business fell by 5% to 750,000 linear metres transported, following a 4.4% increase in 2015;

The exceptional chartering of the Monte d'Oro vessel on Ile-Rousse during the summer season made it possible to reach 285,000 passengers (+8%) and a stable freight activity during the year.

By selling the SCANDOLA vessel, acquiring the PIANA at a lower cost and generating savings within the organisation dedicated to the maintenance of vessels, La Méridionale significantly improved its results.

The company is preparing for the upcoming Corsica maritime services projects and aims: to provide its service under the best quality, safety and reliability conditions for all its customers, in keeping with its business model.

La Méridionale was named "Best French Ferry Company" by the Capital magazine in late 2016 following a survey of 20,000 passengers.

OUTLOOK FOR 2017

IN 2017, THE GROUP WILL FOCUS ITS DEVELOPMENT STRATEGY ON:

1

TRANSFORMING THE TRANSPORT NETWORK IN FRANCE to enable it to position itself to address market changes as a **"multi-specialist"** and not just as a **general** and mass distribution **operator,** particularly by developing offers and technical solutions suited to new requirements.

2

DEVELOPING ITS SPECIALISATION **with the creation of two business units,** one dedicated to **out-of-home foodservice** and the other to **seafood products.**

3

STRENGTHENING THE LOGISTICS DIVISION IN FRANCE through the launch of two strategic sites for **chilled, ambient and temperature-controlled activities** and by supporting a major **out-of home foodservice business.**

4

CONFIRMING ITS EUROPEAN FOOTPRINT with the completion of ambitious **real estate projects** and capitalising on the partnerships concluded in 2016.

5

BOOSTING LA MÉRIDIONALE'S REPUTATION and its involvement in a sustainable offer within the framework of **future public service delegation agreements.**

CENTRES OF EXPERTISE

THE GROUP RELIES ON TWO CENTRES OF EXPERTISE TO PERFORM ITS ACTIVITIES: REAL ESTATE AND INFORMATION SYSTEMS.

Casablanca (Spain)

REAL ESTATE

STEF GROUP FAVOURS A POLICY OF OWNING ITS REAL ESTATE ASSETS. IT USES A EUROPEAN NETWORK OF 225 WAREHOUSES AND PLATFORMS, FOR A TOTAL WAREHOUSE VOLUME OF 7,262,000 M³ AND A REFRIGERATED QUAY AREA OF 452,200 M². ALMOST ALL THESE BUILDINGS ARE OWNED BY STEF.

Carquefou

452,200 m²
OF REFRIGERATED QUAY AREA

IMMOSTEF brings together expertise dedicated to the design and construction of new facilities, the maintenance of buildings and facilities and the energy management of the operating facilities used by the Group's companies throughout Europe.

IMMOSTEF is also involved in improving former operating sites that have become obsolete. Some are sold after obtaining new building permits with a view to being assigned to other uses.

7,262,000 m³
OF STORAGE VOLUME

MAIN PROJECTS DELIVERED IN 2016

IMMOSTEF supports the Group's long-term growth through a policy of constantly adapting its real estate facilities through regular acquisitions, and many reconfiguration and renovation projects.

BUILDING PROJECTS DELIVERED IN 2016

In France, IMMOSTEF constructed and delivered three sites:

— a 6,200 m^2 office building at Lyon-Gerland with the HQE®-BBC Effinergie certification;
— a 8,200 m^2 distribution platform in the Châteaubourg (Rennes Est) area with 33 berths;
— a 19,300 m^2 ambient and temperature-controlled logistics warehouse (16/18°) in the northern Orléans area.

PROJECTS STARTED IN 2016

The Group's investment programme in Europe plans to deliver the following construction projects in 2017:

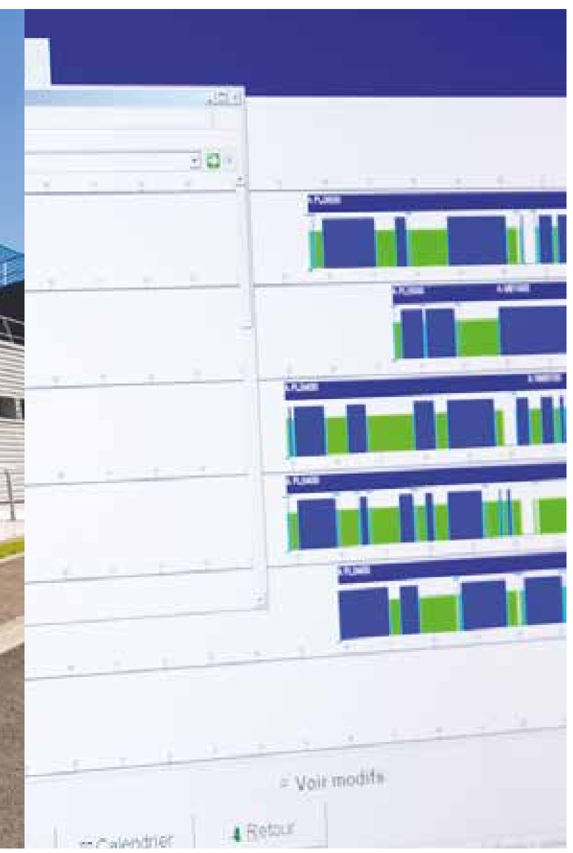
— **France:** a 15,000 m^2 refrigerated logistics warehouse in Darvault (Nemours);
— **Portugal:** a 26,000 m^3 extension to the Lisbon Transport and Logistics site;
— **Switzerland:** a 16,300 m^2 refrigerated and frozen logistics warehouse in German-speaking Switzerland (Kölliken) and 111,600 m^3 of positive and negative cold;
— **The Netherlands:** a warehouse for the subsidiary Speksnijder in Bodegraven, measuring 4,400 m^2 on the ground with 3,400 m^2 of mezzanine, with 26 berths;
— **Italy:** a 9,000 m^2 distribution and logistics platform in Bologna.

ACQUISITION OF BUILDINGS AND LANDS

— **The Netherlands:** acquisition of a 2,500 m^2 distribution platform in Raalte, operated by NETKO;
— **Italy:** reservation of 4.4 ha of land in Guidonia (eastern Rome) for the construction of a transport and logistics operating site;
— **France:** acquisition of a logistics site in Chambéry, intended as the extension to the Group's existing site; acquisition of 7.3 ha of land at La Crèche (Niort) to establish a positive cold warehouse.


Limoges


Les Essarts



INFORMATION SYSTEMS

STEF INFORMATION ET TECHNOLOGIES (STEF IT) DESIGNS SOFTWARE SOLUTIONS, INTEGRATES AND MAINTAINS THE INFORMATION SYSTEMS THAT THE GROUP RELIES UPON TO SUPPORT ITS CUSTOMERS AND IMPROVE THE PRODUCTIVITY OF THE BUSINESS DIVISIONS.

STEF IT OPERATES IN THREE MAIN AREAS:

1

BUSINESS PERFORMANCE SUPPORT

In 2016, STEF IT deployed a tool that allowed deliveries to be tracked using smartphones by drivers on the network, chartered vehicles and subcontractors across Europe. New tracking functionalities for times and temperatures have been provided through a collaborative portal: brief/debrief drivers, manage shipping plans, monitor and manage delivery times.
In logistics, projects designed to improve operating performance were launched: increasing the density of stocks, optimising pickings, real-time voice-activated picking.

2

ADMINISTRATIVE PRODUCTIVITY SUPPORT

STEF IT is tasked with selecting, adapting and deploying the tools designed to improve the productivity of internal administrative operations within the Group. It provides changes to the SAP tool used for the support functions. In 2016, STEF IT managed various projects, including deploying the construction of turnover in the budgeting tool, managing cash flow, securing financial flows, managing vehicle and real estate asset maintenance.

3

NEW SERVICES FOR CUSTOMERS

STEF IT produces applications for STEF's industrial and retail customers.

Two new versions of offers launched in 2016 should be highlighted:
— a management tool for supermarket customers in Europe, for purchase, supply and logistics decisions dedicated to the traditional fresh products sector (Logifresh);
— an order preparation management tool for poultry manufacturers and meat products (WMSi), taking new food safety regulations into consideration.

CORPORATE SOCIAL RESPONSIBILITY

ACTIONS TAKEN BY STEF GROUP UNDER ITS CORPORATE SOCIAL RESPONSIBILITY ENABLE IT TO POSITION ITSELF AS A RESPONSIBLE LEADER WITH RESPECT TO ALL THE STAKEHOLDERS IN ITS LINE OF BUSINESS ACROSS ALL TERRITORIES WHERE IT OPERATES.

REPORTING METHODOLOGY

Information on the environmental, corporate and social impact of STEF's business is published in accordance with the obligations arising from Article 225 of the Grenelle 2 law and Article R.225-105-1 of the French Commercial Code. All information identified by the sign [1] has been verified with a reasonable level of assurance by the independent third party organisation.

SCOPE

In 2016, quantitative and qualitative environmental information was provided about the entire Group.

In 2016, social information, including the workforce at 31 December and the breakdown thereof, were provided for the entire Group.

The following features should be noted:

— the workforce of VERS-EXPRESS in the Netherlands (32 employees), acquired in May 2016, is included in the two tables "Workforce by Division" and "Workforce by Country". The following indicators do not include this data, given the recent acquisition of the company;
— The Netherlands: flexible contracts, which are specific to the country, are not counted in the permanent and fixed term employment contracts.

Apart from these principles, the differences in scope are specified for the relevant indicators.

Valencia (Spain)

[1] The level of reasonable assurance, symbolised by the logo is provided voluntarily by the STEF Group.
It requires further work from the independent third party organisation in addition to that undertaken as part of a limited assurance.

SELECTION OF REPORTING INFORMATION AND INDICATORS

The information was selected for its relevance with regards to STEF's main environmental and social impacts, given its core business and the challenges of Corporate Social Responsibility (CSR) identified as strategic for the Group. These indicators are used to assess the results of its action plans.

STEF's activities are unlikely to affect the grounds on which the platforms are located and do not justify accounting for provisions for environmental risk.

INFORMATION COLLECTION AND ASSESSMENT

The methods for reporting the information are defined in an internal protocol (annually, over the twelve months of the calendar year) from datasheets describing the methods for assessing, collecting and checking the CSR indicators.

EXTERNAL AUDITS

Information related to the requirements of Article 225 of the Grenelle 2 law and Article R.225-105-1 of the French Commercial Code were audited by an independent third party organisation. A compliance table facilitates the search for this information.

SOCIAL POLICY

THE PRIORITY COMMITMENTS OF THE STEF GROUP'S HUMAN RESOURCES POLICY COVER THREE AREAS:

1. support for the Group's European growth.
2. development of the Group's social responsibility commitment.
3. maintaining quality of social dialogue.

GROUP WORKFORCE AT 31 DECEMBER 2016

At 31 December 2016, the Group's workforce (permanent and fixed term employment contracts) totalled 15,759 employees, slightly higher when compared to 2015 (+169 people or +1.1%). This change came mostly from European countries (outside France) where headcounts grew by 7.1%. In Italy, the change in scope is primarily the result of the acquisition of a customer's logistics business (44 employees). In the Netherlands, the change in scope is the result of the acquisition of VERS-EXPRESS (32 employees).

These figures do not take into account assisted contracts (primarily apprenticeship and professionalisation contracts) which accounted for 278 people at 31 December 2016 or temporary staff (4,436 in full time equivalent [2]. Including all contract types, the increase was 2.32% over the period.

WORKFORCE BY DIVISION

Permanent and fixed term employment contracts	31/12/2014	31/12/2015	31/12/2016
Transport France	8,096	7,908	7,805
Logistics France	3,450	3,628	3,722
STEF International	2,886	2,899	3,100
Maritime (La Méridionale)	557	543	537
Other activities and central functions	567	612	595
GROUP TOTAL	**15,556**	**15,590**	**15,759**

+7.1%

INCREASE IN THE WORKFORCE OUTSIDE FRANCE

WORKFORCE BY COUNTRY

	31/12/2014	31/12/2015	31/12/2016	Change 2015/2016
Workforce France	12,735	12,750	12,718	-0.25%
Workforce outside France, of which	2,821	2,840	3,041	7.1%
Spain	1,249	1,250	1,301	4.1%
Portugal	440	395	435	10.1%
Italy	574	603	665	10.3%
Belgium	312	326	343	5.2%
The Netherlands	158	167	205	22.7%
Switzerland	88	99	92	-7.1%
GROUP TOTAL	**15,556**	**15,590**	**15,759**	**1.1%**

The overall workforce of the STEF International division increased, with particularly significant trends in the Netherlands, Italy and Portugal.

[2] Number of temporary hours worked in December 2016/151.67.

WORKFORCE BY GENDER

The number of women remained stable, accounting for 20.1% of the workforce at the end of 2016. It varied depending on the country:

% of women in the workforce - Entire Group

Country						2016
France	Spain	Portugal	Italy	Benelux	Switzerland	**Total**
18.9%	28.1%	27.6%	32.7%	10.9%	5.4%	**20.1%**

WORKFORCE BY CATEGORY

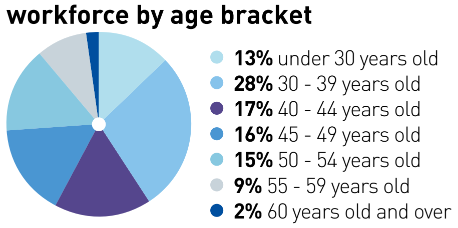
The structure of the workforce by category has remained steady over the last three financial years.

Categories (EUROPE)	2014	2015	2016
Executives	11.2%	11.0%	11.0%
Advanced and Proficiency skills	17.8%	17.3%	17.2%
Employees	14.4%	14.5%	14.6%
Manual workers	56.7%	57.2%	57.2%
- of which transit staff	22.2%	21.6%	21.0%
- of which sedentary workers	32.6%	33.4%	34.1%
- of which seagoing workers	1.9%	2.2%	2.1%

WORKFORCE BY AGE BRACKET

At 31 December 2016, the Group's workforce (permanent and temporary employment contracts) was broken down as follows:

Permanent and fixed term workforce by age bracket



This breakdown, which was stable compared with the previous year, proves that the renewal of the workforce has been conducted in a consistent manner.

The situation varies depending on the country. Thus, in Portugal, 60% of employees are aged under 40, while this category accounts for 40% of the French workforce.

7.75%
TURNOVER

TURNOVER

In 2016, staff turnover[3] stood at 7.75%. This modest rate posted by the business sector is explained by the many new appointments and the social policy conducted within the company:

— permanent appointments[4]: 1274 new appointments or promotions, including 913 in France;
— permanent contract departures: 1,043 departures including 440 redundancies or negotiated terminations and 165 retirements and early retirements.

REMUNERATION

In addition to basic remuneration, revised annually within each subsidiary, STEF's remuneration policy may include variable remuneration components depending on the achievement of qualitative and quantitative objectives (incentive bonuses and profit sharing within each subsidiary in France) as well as non-salary items like health benefits.

In 2016, compared with 2015, excluding non-recurring costs related to changes in scope, payroll[5] increased by 1.24%, for an actual growth in the average workforce headcount of 1.03%.

WORK ORGANISATION

The Group complies with the principles laid down by International Labour Organisation conventions. Work organisation at STEF is consistent with the business. In 2016, 18.7% of hours worked were night hours (compared with 18.5% in 2015), particularly within the transport business, where deliveries must be completed before stores open[6].

Night hour rates

Country	2016
France	19.8%
Spain	12.2%
Portugal	17.1%
Italy	5.8%
Belgium	18.6%
The Netherlands	15.6%
Switzerland	1.6%
Total	**18.7%**

There is no shift work.
Absenteeism due to occupational illness or accident[7] was steady at 5.5%.

[3] Permanent employees (new appointments and departures)/2/workforce at 31 December 2016, including takeovers and transfers.
[4] Takeovers are included, except that of VERS-EXPRESS.
[5] The "Staff remuneration" account, no. 641 of the General accounting plan, which includes salaries, leave, bonuses and benefits (excluding length-of-service awards payable on retirement).
[6] Excluding La Méridionale, because working time is governed by specific rules and shift work.
[7] Including occupational diseases and commuting accidents, excluding maternity/paternity leave; all contract types included, except for La Méridionale where interns (assisted contracts) are excluded. The ratio is: calendar days lost by number of theoretical calendar days. It should be noted that for Italy, the ratio is calculated based on working days and not calendar days.

HUMAN RESOURCES DEVELOPMENT

TO SUPPORT ITS INTERNATIONAL GROWTH, STEF HAS CHOSEN TO PROMOTE THE DEVELOPMENT OF THE COMPANY'S MEN AND WOMEN.

FOSTER EMPLOYEE DEVELOPMENT AND PREPARE THE MANAGEMENT OF THE FUTURE

This objective is a reality: 70% of executive and senior positions are filled through internal promotion.

At all levels, employees are supported over the course of their career. This support in their professional career ensures that their aspirations match with STEF's needs and creates the conditions for a strong commitment.

STEF has implemented career management schemes: annual development meetings, skills assessments, internal job board, real-life professional situations and key post reviews. These tools, gradually deployed across all countries, are used to develop employee skills and identify talent at all levels of the organisation, so that everyone can progress within the company.

Initiative-taking is a key value of STEF Group. In order to attract young talent, every year STEF recruits over 80 young management graduates in Europe with at least 5 years of higher training, motivated to be enterprising and make decisions. They follow a two-year course ("nursery" programme) across the Group's sites to acquaint themselves with the business units, which is a guarantee of the success in their future professional career. Many partnerships with universities and schools have been renewed in the countries.

GUARANTEE KNOWLEDGE TRANSFER

Convinced that customer satisfaction should guide all employees, STEF has implemented skills development and integration schemes that guarantee a good level of training in the jobs and activities of both today and tomorrow.

The major priorities for training are:

— the development of technical business skills: professional training courses are given in the form of flexible courses incorporating various educational formats (classroom training, tutorials, distance learning) adapted to the content and the target audience. STEF has an in-house training organisation: the Institut des Métiers du Froid. The IMF is dedicated to the transfer of professional skills to the Group's employees and temporary staff. It has over 140 licensed and certified trainers, who are authorised to work throughout Europe. In 2016, the IMF catered for over 2,680 trainees and delivered over 23,200 hours of training;

— professional development support: the Employee Development courses are designed for any employee with development potential whether they are handling staff or managers;

— developing the employability of staff, particularly of unskilled and skilled workers, with the aim of consolidating their basic knowledge: training that focuses on mastering the basic skills (reading, writing, mathematics and learning techniques) is aimed at employees seeking to enhance their basic knowledge. In the Group to date, over 20,000 hours of training have been delivered. Over 800 employees are being trained and more than 80 sites have launched the scheme. This is currently being extended to the "skills base" particularly by integrating digital into the strategic knowledge to be acquired. It has a European dimension: Spain received the "Entrepreneurs et Emploi" (Entrepreneurs and Employment) award from the economic newspaper "Expansión " for this project;

— the skills of managers for a shared managerial culture and the distribution of the Group's CSR policy.

In 2016, the number of training hours given in the Group stood at 182,000 hours, namely 11.7 hours per employee.

182,000
TRAINING HOURS DELIVERED

SOCIAL RESPONSIBILITY

THIS APPROACH AIMS TO ANTICIPATE AND RESPOND TO THE CORPORATE AND SOCIAL CHALLENGES FACING THE GROUP'S ENVIRONMENT.

INTEGRATION AND DIVERSITY

Aware that diversity is an asset and a driver of efficiency, STEF promotes a corporate culture that respects all visible and invisible diversities, and offers everyone the same opportunities to access employment and progress in the organisation in all the countries where the Group operates.

A dedicated team within the Human Resources Department is responsible for ensuring compliance with and promotion of these principles.

DISABILITY

The integration of disabled employees can be measured in countries where there is specific legislation (Spain, France and Italy). In this scope, the employment rate rose to 4.3% at 31 December 2016. Although legislation differs between countries, the actions conducted demonstrate that the employment and retention of disabled people is still a shared challenge.

In France, the disability agreement was renewed for the 3rd consecutive time in 2016. The objectives of this new agreement focus on the employability of disabled staff and on strengthening the policy's delivery.

These policies have been used to reach a satisfactory employment rate with regard to the Group's line of business. STEF's policy in this area has been recognised by an "F d'Or Handicap" Award from Opcalia in France.

PROFESSIONAL GENDER EQUALITY

In 2016, the Group wanted to conduct a European awareness campaign on the issue of diversity and professional equality with the aim of:

- strengthening diversity in the teams and business units;
- working on professional equality.

In Spain, following the negotiation of a professional equality agreement in 2015, training was deployed at management level and will be extended to staff in 2017.

PROFESSIONAL INTEGRATION OF YOUNG PEOPLE

In 2016, STEF reinforced its commitment to young people aged from 16 to 25 seeking employment by opening the doors to its sites across Europe and offering them a chance to discover various professions and providing personalised support in their search for work through CV workshops and interview simulations.

In France, the Group signed the Entreprise et Quartiers charter which formalises STEF's commitment to the professional integration of young people in employment, in the fields of education and school counselling, professional integration and training, and set itself the objective of extending this charter to the regions.

HEALTH, SAFETY AND QUALITY OF WORK LIFE

The Occupational Safety and Health (OSH) procedure, implemented within the Group, aims to contribute to the company's performance through actions to improve the working environments. Coordinating with OSH teams in the various operating countries helps to ensure that this policy is now deployed Group-wide and is an integral component in differentiating STEF in its business sector.

The Group's main objective is to develop a culture of prevention. A dedicated steering committee, created in 2016, manages this transversal policy that requires changes in culture, practices, infrastructure and equipment.

In 2016, the work mainly focused on major risks, introducing prevention actions concerning the equipment provided, defining work processes and even supporting employees. Ergonomic interventions have continued (layout of working areas, packaging lines, etc.). In France, as a follow-up to 2015, support for the subsidiaries was strengthened as part of the implementation of the fundamental principles.
The aim now is to integrate OSH issues into processes in order to prepare for the appearance of new risks (building design, selecting equipment and clothing).

These actions should help to continuously push down accident rates. In 2016, the entire Group posted a frequency rate for occupational lost-time accidents of 44.9 (1,105 lost-time accidents), the severity rate was 2.3.
For France (excluding Maritime), the frequency rate dropped to 44.4 (47 in 2015). There were 837 occupational lost-time accidents. The severity rate was 2.6 (stable compared to 2015).

Protecting employees' Quality of Work Life (QWL) is an important issue. In 2016, the first agreement on the prevention of psycho-social risks entered its final year of application. Discussions on implementing a more comprehensive QWL process have started.

62%

OF THE GROUP'S WORKFORCE ARE SHAREHOLDERS THROUGH THE STEF FCPE

STAFF RELATIONS

There are legal bodies in the Group's subsidiaries and establishments in accordance with the regulations appropriate to each country.

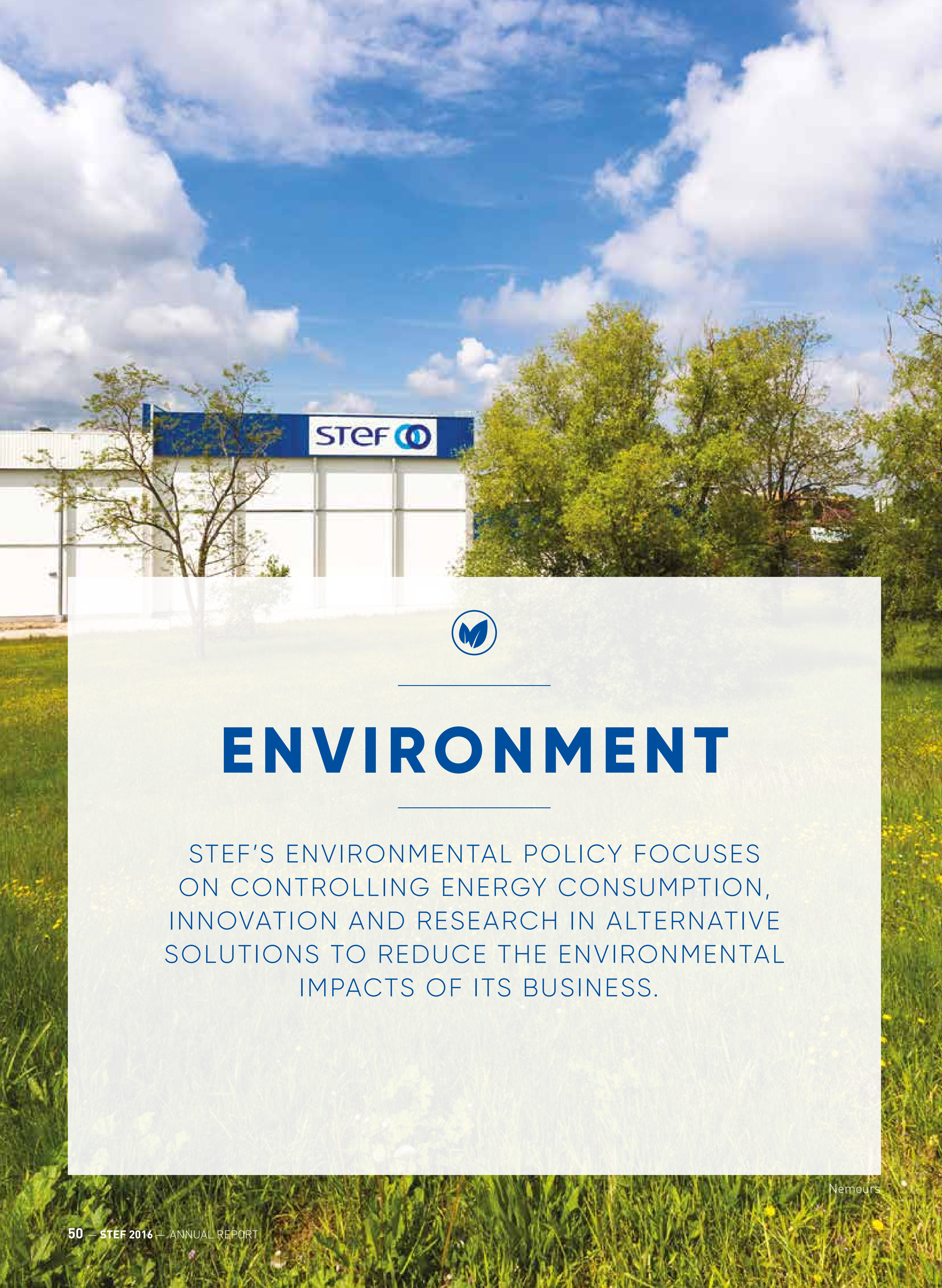
At higher levels of the organisation, there are supra-legal bodies – union coordinators and transportation and logistics network committees – in addition to the legal systems of the European Works Council and Group committee. These promote a rich dialogue at every relevant level of the organisation. At STEF, ongoing dialogue is the basis for staff relations. Amendments to the health care costs and insurance agreements were signed in France within this framework in 2016.

EMPLOYEE SHAREHOLDING

STEF has made the principle of employee investment in its capital a unique model in its business sector. STEF staff own 16.38% of the capital through the dedicated company mutual fund (FCPE).

This system is an integral part of the Group's history and corporate culture, and a high number of employee shareholders is considered as a lever for boosting STEF's effectiveness in its business. Over the years, the employee shareholding has become a motivation tool for employees and is a strong element for social cohesion.

62% of the Group's workforce has shares in STEF through the FCPE. This is now being deployed in almost all the countries where STEF operates. In 2016, the employee shareholding plan was opened to the Netherlands, with a take-up rate of 24% among Dutch employees.



ENVIRONMENT

STEF'S ENVIRONMENTAL POLICY FOCUSES ON CONTROLLING ENERGY CONSUMPTION, INNOVATION AND RESEARCH IN ALTERNATIVE SOLUTIONS TO REDUCE THE ENVIRONMENTAL IMPACTS OF ITS BUSINESS.

Nemours

SUSTAINABLE DEVELOPMENT ORGANISATION AND POLICY

Toulouse

STEF's sustainable development policy is coordinated by the Sustainable Development Department from actions defined by a Strategic Committee.

The priorities of this policy form part of the Group's medium-term strategic plan and promote:
— the continued improvement of the environmental impacts of STEF's transport and logistics activities;
— the development of innovative business solutions for the performance of the entire supply chain;
— the sustainability of the Group's social responsibility model.

The policy implemented is based on changes in regulations, controlling the energy consumed by equipment and buildings, and using operational practices to create services intended to improve the economic and environmental performance of activities.
In 2016, STEF was nominated in the Human Resources and Environment categories of the Awards for Social and Environmental Responsibility, "Defis RSE 2016", and won the Environment Award.

CLIMATE CHANGE CONSIDERATIONS

STEF operates temperature-controlled vehicles and buildings, which require the use of technologies working with fossil energies (fuel for the traction and operation of refrigerating units), but also cold production equipment using refrigerants, some of which contribute to the greenhouse effect.

Aware of climate issues, STEF has implemented a proactive policy to reduce fossil energy consumption by experimenting with alternative technologies (cryogenics, etc.) and the use of natural fluids (ammonia and carbon dioxide) to replace halogenated refrigerants (HCFC and HFC) in its refrigerated facilities. Increasing load densities and optimising distribution rounds also help to reduce the number of vehicles in circulation and, consequently, the corresponding emissions.

MEASURING AND REDUCING THE ENVIRONMENTAL IMPACT OF REFRIGERATED TRANSPORT AND LOGISTICS

MEASURING THE CARBON FOOTPRINT

With two CO_2 calculators certified by Bureau Veritas Certification, STEF can provide its customers with:

— the carbon footprint for transport services, regardless of the loading or unloading point, travelling to or from the European countries in which STEF operates;

— the carbon footprint for the logistics services carried out on their behalf.

STEF has modified its transport CO_2 calculator in order to give its customers information in CO_{2e} (Greenhouse Gas) from 2017.

Carquefou

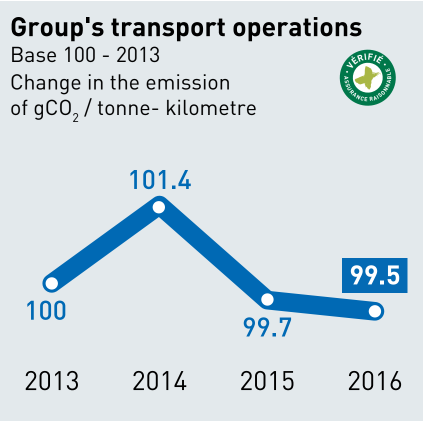
Nemours

REDUCING THE CARBON FOOTPRINT OF TRANSPORT ACTIVITIES

Since 2009, STEF Transport has embarked on three-yearly programmes to reduce CO_2 emissions, the "Charter of voluntary commitments to reduce CO_2 emissions by road haulage companies" put forward by ADEME.

In order to perpetuate its proactive approach to reduce the impact related to transport operations, STEF Transport undertook and obtained the "Objectif CO_2" label for environmentally-friendly road haulage companies in July 2016 for a three-year period (ADEME).

The emission measurement of gCO_2/tkm is one of the most relevant indicators for STEF, given its types of activities (excluding maritime). In order to consider the entire supply chain, this also incorporates estimates of CO_2 emissions related to all transport subcontracting for all countries in which STEF operates.



STEF mainly transports relatively light goods. Furthermore, due to changes in packaging, the average weight of transported pallets is constantly falling. Despite these unfavourable elements in terms of tonne-kilometres calculated, STEF managed to stabilise its indicator level in 2016 by improving its loading rate and adapting its operation by optimising the concentration of its flows.

REDUCING THE CARBON FOOTPRINT OF MARITIME ACTIVITIES

La Méridionale continued to reduce the environmental impacts of its activities especially by changing the propeller pitch of its vessels in order to ensure the most fuel-efficient navigation speed.

It has implemented an emission indicator of $kgeqCO_2$/km and has just started using the quayside electrical connection for its three ships in Marseille, thus becoming the first shipyard to take this initiative in France.

REDUCING THE ENVIRONMENTAL IMPACTS OF INPUTS

As part of its process to reduce the carbon footprint from its business, STEF continued its structuring management plans:
— water consumption (cooling towers and washing vehicles);
— energy consumption.
Consequently, STEF is a signatory to the "Energy Efficiency Charter for Tertiary Buildings" and has deployed action plans for the most energy-efficient technical solutions (E.D.E.N. programme, "Energy Passport");
— waste management.

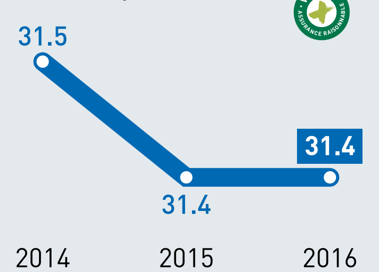
In 2016, STEF saw the renewal of its ISO 50 001 certification for the implementation of its energy management system, deployed across all its sites in France. This programme focuses on controlling electricity consumption over time and continuously improving practices in operational processes. The savings made in 2016 were 9 GWh, which is a 2.7% reduction in the total consumption of the sites and equivalent to the electricity consumption of approximately 2,100 homes. Within this framework, the rate at which LED lighting has been fitted in warehouses and platforms reached over 50% of STEF sites in France. This LED fitting resulted in a drop in consumption of around 50%.

VEHICLES

Reducing fuel consumption

In 2016, the regular replacement of fleet vehicles, driver training in eco-driving techniques and the constant monitoring of fuel consumption helped to stabilise tractor consumption at 31.4 litres/100 km. Tests were performed to improve the management of consumption throughout the year.

Tractor consumption changes STEF Transport

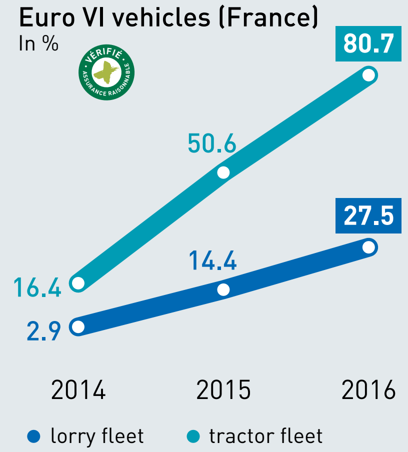


Consumption in litres/100 km

Reducing pollutants

The regular replacement of its company owned fleet of tractors and lorries has provided STEF with an environmentally-friendly fleet of vehicles.
Most tractors in operation now comply with Euro VI standards. Only a few yard vehicles designed to dock trailers are now of a lower standard than Euro V. The rate of Euro VI lorries is necessarily fewer, given the longer replacement cycle due to the fact that they do fewer kilometres.

Breakdown of the fleet of Euro VI vehicles (France)
In %

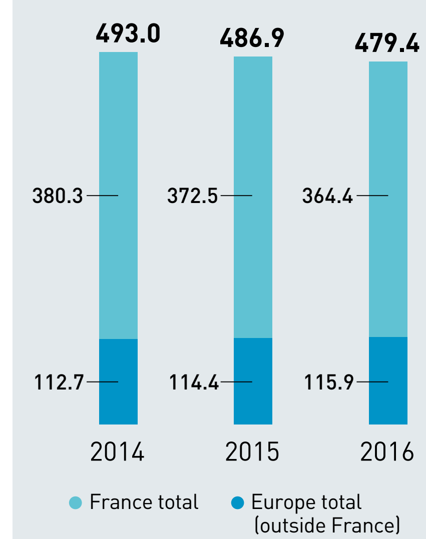


WAREHOUSES AND PLATFORMS

Energy-efficient sites

The accreditation of French real estate assets with the ISO 50 001 standard, the wider application of the "Energy Passport" and regular audits have translated into an energy control policy across all the Group's sites.

Changes in STEF's energy consumption
Consumption in GWh

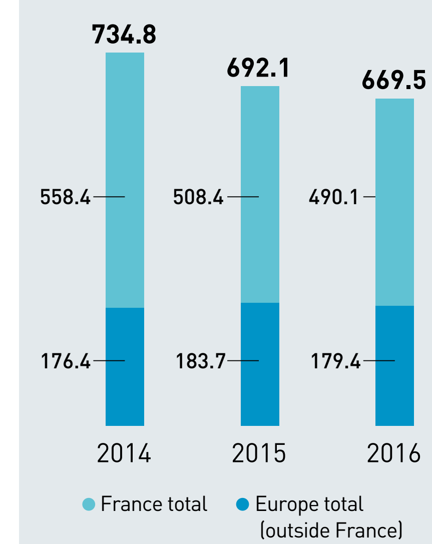


Group energy consumption fell by -1.55% in the uncorrected gross value of the changes in scope and external factors such as temperatures, activity types. The gradual increase in international energy consumption is a result of the natural development of the business.

REDUCING WATER CONSUMPTION

Water is mainly used to operate the air-cooling towers (ACT) needed to run the refrigerated facilities and for washing operating vehicles. Depending on the site, water requirements are provided by the city supply (78%) and by boreholes and rainwater harvesting (22%). The share of water intake was clearly improved, especially since 2016 summer temperatures were particularly high.
Procedures designed to optimise consumption are implemented when replacing refrigerated facilities, especially where air condensing is used as a replacement for water condensing. The fall in water consumption observed in 2016 was 3.3%.

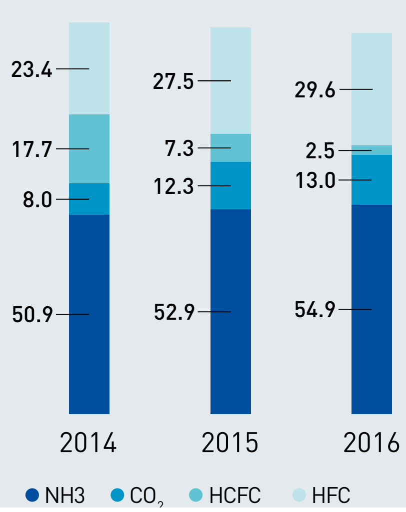
Changes in STEF's water consumption
Consumption in thousands of m^3



MANAGEMENT OF REFRIGERATED FACILITIES

In Europe, the conversion plan for STEF's refrigerated facilities using HCFC fluids is almost complete for:
— natural fluids (ammonia and carbon dioxide) for negative cold facilities;
— fluids with HFCs in low quantities, combined with refrigerant fluids, for positive cold facilities.

Breakdown of refrigerants in STEF facilities
% in load tonnage by refrigerant type

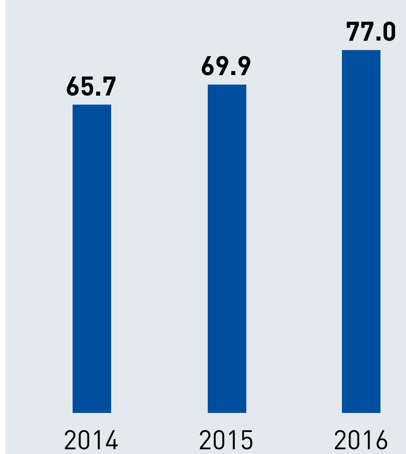



Carquefou

WASTE MANAGEMENT AND SORTING FOR RECYCLING

The widespread application of the waste management policy across all sites has constantly enabled STEF to improve the waste recycling and recovery rate for non-hazardous waste (NHW): paper/cardboard, cellophane packaging, wood, metals glass and recyclable food waste. These actions help to act in favour of the circular economy.
Hazardous waste (HW)[8] is treated through the approved channels.

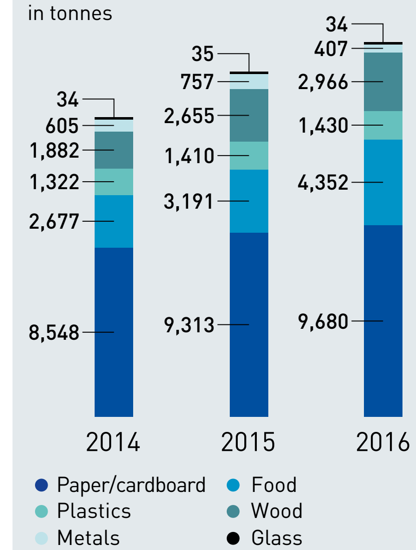
Percentage of STEF sites that sort and recycle waste



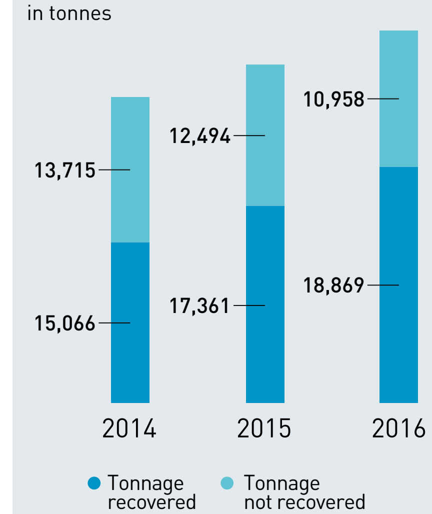
% of sorting sites


Toulouse

Composition of STEF's non-hazardous waste
in tonnes



Breakdown of STEF's non-hazardous waste
in tonnes



In 2016, the recycling-recovery rate was 63% (i.e. 18,869 tonnes), compared with 58% in 2015.

ETHICS CHARTER AND INVOLVEMENT OF SUPPLIERS AND SUBCONTRACTORS

STEF has implemented an ethics charter, which includes standards for good business practices applicable in the Group. A sustainable purchasing charter sets the main ethical, social and environmental commitments to which suppliers must adhere.

[8]Refrigerants, cooling liquids, used lubricants, PCB/PCT...

SOCIAL COMMITMENTS

MEASURES TAKEN FOR THE HEALTH AND SAFETY OF CONSUMERS

As a stakeholder in the cold chain, STEF has an obligation to guarantee its compliance and the traceability of the products entrusted to it. To meet these requirements, across its sites, STEF deploys:

— temperature measurement and recording systems during operating periods (vehicles and facilities);
— remote monitoring systems for-non operating periods;
— information systems that ensure the traceability of goods and which are used to respond to any request for identification and location.

STEF has set up a Health Control Plan (HCP) in France, which describes the measures taken to ensure the health and safety of the Group's activities regarding potential biological, physical and chemical risks. This Plan is deployed through compliance audits and monitored by action plans under a certification process. French sites have a health and safety certificate and the process is automatically started for those joining the company during the year.

SPONSORSHIP

STEF opts for long-term involvement in initiatives created with partners that are also established in the regional economy and which correspond to its expertise and values.

STEF supports associations or institutions that aim to help young people who are experiencing difficulties fitting into the world of work. In France in 2016, the Group wanted to reassert its commitment by signing four agreements with EPIDE employment organisations and the Sport in the City, Our Districts have Talent and Tremplin associations.
At the same time, these organisations bear the values of solidarity and perseverance that characterise the Group.

In France, STEF cooperates with the Restos du Cœur association as part of a sponsorship agreement: professional integration of beneficiaries, training of volunteers (40 people), skills-based sponsorship and logistics assistance for the annual campaign and industrial donations (transport of 8,600 pallets). A similar action has been developed in Spain with the Association of Manufacturers and Retailers (AECOC) to collect food for delivery to the Spanish food bank's warehouses. STEF transported 775 tonnes of food for this mission in 2016.

DIALOGUE WITH STAKEHOLDERS

STEF strives to maintain close links with the professional bodies and trade unions representing the profession in Europe (ECSLA, AFF, TLF, Transfigoroute, UNTF, USNEF). As a temperature-controlled specialist, STEF is also involved in work on draft regulatory changes and in practical experiments (Club Demeter).

The Group also maintains partnerships with universities in the various regions and countries where it operates.

PROTECTING BIODIVERSITY

STEF complies with the provisions on impact studies in terms of biodiversity during ICPE (Facilities Classified for Environmental Protection) type construction projects, requiring a prefectoral authorisation to operate, including provisions relating to the conservation of wetlands.

La Méridionale works on different projects to protect marine habitats and biodiversity: raising passengers' awareness about plankton, actions on the Natura 2000 offshore zones and in the marine nature park of Cap Corse and Agriate.

CSR COMPLIANCE TABLE

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AUDITORS' CERTIFICATE

REPORT BY THE INDEPENDENT THIRD PARTY ORGANISATION ON THE CONSOLIDATED CORPORATE, ENVIRONMENTAL AND SOCIAL INFORMATION FEATURED IN THE MANAGEMENT REPORT

To the Shareholders,

In our capacity as an independent third party organisation, a member of the Mazars network, the STEF company's Statutory Auditors, accredited by the COFRAC Inspection under number 3-1058[1], we hereby present our report on the consolidated corporate, environmental and social information for the year ended 31 December 2016 and presented in the management report (hereafter the "CSR Information"), in accordance with Article L. 225-37 of the French Commercial Code.

CORPORATE SOCIAL RESPONSIBILITY

The onus is on the Board of Directors to prepare a management report comprising the CSR Information provided for under Article R.225-105-1 of the French Commercial Code, prepared in accordance with the reference systems used by the Company (hereafter the "Reference Systems"), a summary of which appears in the management report and which are available on request from the Company's head office.

INDEPENDENCE AND QUALITY CONTROL

Our independence is defined by the regulations, the professional code of ethics and the provisions of Article 822-11 of the French Commercial Code. In addition, we have established a quality control system that includes documented policies and procedures to ensure compliance with the rules of ethics, the professional standards of the national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this intervention as well as applicable laws and regulations.

[1] the scope of which is available on the website www.cofrac.fr

RESPONSIBILITY OF THE INDEPENDENT THIRD PARTY ORGANISATION

Our role, based on our audit is:

— to certify that the required CSR information is presented in the management report or, if omitted, subject to an explanation pursuant to the third paragraph of Article R. 225-105 of the French Commercial Code (Certificate of Attendance of CSR Information);

— to express a limited assurance conclusion on the fact that the CSR information, taken in its entirety, is presented, in all material respects, in a sincere way in accordance with the Reference Systems used (Reasoned opinion on the sincerity of CSR information);

— to express, at the Company's request, a reasonable assurance conclusion on the fact that the information selected by the company and identified by the sign in the "ENVIRONMENT" and "SOCIAL POLICY" chapters of the management report have been established, in all material respects, in accordance with the Reference Systems used.

Our work was conducted by a team of 4 people between January and March 2017 for an approximate duration of 3 weeks.

We conducted the following work in accordance with the professional standards of the national auditing body (Compagnie Nationale des Commissaires aux Comptes) for this intervention and the decree of 13 May 2013 determining the procedures used by the independent third party organisation to carry out its mission and form the reasoned opinion on fairness and the reasonable assurance report, in keeping with the international standard ISAE 3000[2].

I – ATTESTATION OF PRESENCE OF CSR INFORMATION

Based on interviews with the relevant division managers, we reviewed the presentation of the sustainable development guidelines according to the social and environmental consequences of the Company's activity and its social commitments and, where appropriate, the resulting actions or programmes.

We compared the CSR Information contained in the management report with the list provided for in Article R. 225-105-1 of the French Commercial Code.

In the event of the absence of certain consolidated information, we verified that explanations were provided in accordance with the provisions of Article R.225-105 paragraph 3 of the Commercial Code.

We verified that the CSR Information covered the scope of consolidation, namely the Company and its subsidiaries under Article L. 233-1 and the companies it controls under Article L. 233-3 of the French Commercial Code within the limits specified in the methodological note in the "Reporting methodology" paragraph in the management report.

Based on this work and given the aforementioned limits, we confirm that the CSR Information required is contained in the management report.

[2] ISAE 3000 – Assurance engagements other than audits or reviews of historical financial information.

II – REASONED OPINION ON FAIRNESS OF THE CSR INFORMATION

NATURE AND EXTENT OF THE WORKS

We conducted around fifteen interviews with those responsible for preparing the CSR Information in the divisions in charge of the information collection process and, where appropriate, those responsible for the internal control and risk management procedures, in order to:

— assess the appropriate nature of the Reference Systems with regards their relevance, exhaustiveness, reliability, neutrality and clarity, taking into consideration industry good practice, where necessary;

— verify the implementation of a process of collection, compilation, processing and control within the Group aimed at providing complete and consistent CSR information and reviewing internal control and risk management procedures relating to the preparation of the CSR information.

We determined the nature and scope of our tests and controls, depending on the nature and importance of the CSR Information with regards to the Company's characteristics, the social and environmental challenges of its activities, its sustainable development guidelines and industry good practices.

For the CSR information that we considered most important[3]:

— for the parent company and the controlled entities, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organisation, policies, actions). We implemented analytical procedures on the quantitative information and based on samples, verified the calculations and consolidation of the data and checked its consistency and agreement with other information appearing in the management report;

— through a representative sample of entities that we selected[4] based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we conducted interviews to verify the correct application of procedures and carried out detailed tests based on samples, checking the calculations and reconciling data with the supporting documents.

The sample selected represented 81% of the workforce and between 78% and 93% of the quantitative environmental information.

For other consolidated CSR information published, we assessed their consistency based on our knowledge of the Company.

Finally, we assessed the relevance of the related explanations, where appropriate, in the total or partial absence of some information.

We believe that the sampling methods and sample sizes that we selected using our professional judgement have enabled us to express a limited assurance conclusion, a higher level of assurance would have required a more extensive audit. Due to the use of sampling techniques and other limits inherent in the operation of any information and internal control system, the risk of not detecting a material misstatement in the CSR Information cannot be completely eliminated.

[3] Social information: end of period workforce, breakdown by sex and age, staff turnover, absenteeism rate, number of training hours. Environmental information: water consumption, electricity consumption, diesel consumption at 100km in clean fleet, CO_2 emissions – gCO_2/tonne-kilometre, breakdown of clean fleet in accordance with the Euro Standard, share of entities involved in waste sorting and share of tonnage sorted for recycling.
Social information: measures taken for consumer health and safety.

[4] Social information: Head office (Paris) for France data, STEF Italy.
Environmental and social information: Gerland site (Lyon) for France data, STEF Italy.

CONCLUSION

Based on our work, we found no material misstatement that would call into question the fact that the CSR information, taken in its entirety, is presented, in all material respects, in a sincere way in accordance with the Reference System.

III – REASONABLE ASSURANCE REPORT ON SELECTED CSR INFORMATION

NATURE AND EXTENT OF THE WORKS

Regarding the information selected by the Company and identified by the sign , we conducted works of the same nature as those described in paragraph 2 above for the CSR information that we considered most important, but in greater detail, particularly regarding the number of tests.

The sample selected represented 81% of the workforce and between 78% and 93% of the environmental information identified by the sign .

We believe that these works allow us to express a reasonable assurance about the information selected by the Company and identified by the sign .

CONCLUSION

In our opinion, the information selected by the Company and identified by the sign has been established, in all material respects, in accordance with the Reference Systems used.

Paris La Défense, 18 April 2017
The independent third party organisation, MAZARS SAS

Edwige REY
CSR and Sustainable Development Associate

RISK FACTORS

The Company has reviewed risks that may have a significant adverse effect on its business, its financial situation or its results and considers, to the best of its knowledge, that there are no other significant risks or risks that may have such an effect, other than those presented.

RISKS ASSOCIATED WITH GROUP ACTIVITIES

MACRO-ECONOMIC RISKS RELATED TO ECONOMIC SITUATION IN CERTAIN GEOGRAPHIC AREAS

The economic situation in some countries could be reflected by a fall in the turnover and profitability of the relevant subsidiaries. In order to limit its exposure to these macro-economic risks, STEF is focusing its strategy on creating a balance between the two main divisions (transport and logistics) on the one hand, and on the other hand, diversifying its customer portfolio between large corporations and mid-market companies.

RISK OF DESTRUCTION OF OPERATING FACILITIES

The backbone of the Group's business is perishable goods and products that must comply with norms of temperature and date. It is thus exposed to the risk of destruction of operating facilities and that of a break in the cold chain with consequences on the consigned goods.
To offset these risks and limit the damaging effects of such an issue, the Group's organisation and national network of facilities should enable it to swiftly manage the eventuality of not being able to use one or more of its operating facilities on short notice. At Group level, the risks are limited, because of the number of warehouses and platforms in operation, which enable the Group to quickly transfer the consignments affected by the damage to another site.

The Operating division is responsible for planning and implementing measures to ensure business continuity in the event of risks arising from climate, labour disputes or accidents.

Furthermore, STEF has implemented a maintenance programme and invests each year in making these sites safe, thus reducing as much as possible the risks of such an event occurring and limiting the damage should such an event occur. A dedicated department is responsible for these actions and a standardised prevention policy for property risks has been deployed based on evaluation tools and following recommendations.

RISK OF A BREAK IN THE COLD CHAIN

The Group has implemented security and control procedures for the cold chain.
The Group's facilities are equipped with temperature recording systems when operating, and remote-monitoring systems when not operating.

FINANCIAL RISK FROM EFFECTS OF CLIMATE CHANGE

The Group has not identified a clear risk related to the effects of climate change.

HEALTH RISK

STEF's Health Control Plan (HCP) describes the measures taken to ensure the health and safety of the Group's activities regarding potential biological, physical and chemical risks. The HCP is part of the European regulation called the "Hygiene Package". In applying this regulation, STEF has implemented measures to control this risk through its HCP: good hygiene practices (GHP), procedures based on HACCP (system of identifying, evaluating and managing significant hazards with regards food safety) as well as traceability and non-compliant product management procedures.

COMPLIANCE WITH ENVIRONMENTAL STANDARDS

The Group's sites must comply with the applicable environmental standards. Capital investment projects are examined to ensure compliance with the regulation specific to facilities classified for environmental protection (ICPE), taking into account environmental impacts according to the recommendations of the "sustainable logistics platform" AFILOG Charter and the High Environmental Quality (HEQ) guidelines specific to refrigerated storage. The same applies to constructions built in other operating countries.

ROAD RISK

Road risk is inherent in the Transport business and STEF has made road safety a priority.
Road risk is controlled through a safety training plan (outside compulsory training) which in 2016 amounted to 13,700 hours for 2,274 trained drivers and 19 specialised road safety trainers. A specific prevention plan was also deployed. These initiatives have led to a regular improvement in the number of road accidents.

INFORMATION SYSTEMS RISKS

Due to its dependence on information flows, which constantly circulate, and their necessary security, the safeguarding and security of data are a priority. This is why the Group has a centre of expertise dedicated to information systems, namely STEF Information & Technologies. The safeguarding of data, its rapid recovery in the event of an incident affecting the central units and ensuring inviolability of information systems is a key ongoing component of customer relations.

INSURANCE AND RISK HEDGING

By taking out real estate/business interruption and public liability insurance, the Group has the best cover for the liabilities it assumes. A prudent policy in terms of insurance cover and excesses, reviewed periodically in view of changes in the market and Group growth, together with a pro-active prevention and training policy, reduces the Group's exposure to the consequences of a large loss.

PUBLIC SERVICE CONCESSION FOR PROVIDING SERVICES TO CORSICA

La Méridionale provides services to Corsica through a Public Service Concession agreement (PSC) concluded with the Corsican Transport Office (OTC). This agreement took effect on 1 October 2016 for a one year term. Eventually, the current PSC could be renewed with a new PSC lasting 21 months.

La Méridionale has demonstrated that it has the necessary assets to satisfy the challenges of territorial continuity and public service for providing services to Corsica, in terms of both freight and passengers, based on a balanced economic plan.

MARKET RISKS

LIQUIDITY RISK

The Group's cash needs are provided mainly by:
— credit lines at parent company level: At 31 December 2016, STEF had 15 confirmed medium-term credit lines, totalling €185 million. At 31 December 2016, up to €86 million had been drawn down. Drawdowns were made for periods of between one and three months, on which the applicable interest rate was that of the day of the drawdown. The initial duration of these lines is generally 5 years.
— the issuing of negotiable debt securities over terms ranging from a few days to one year. These debt securities, commonly called "commercial papers" amounted to €148 million at 31 December 2016.

STEF also has spot loans totalling €32 million, unused at 31 December 2016 and overdraft agreements, with no agreed expiry dates, totalling €99 million, of which €38 million was used at 31 December 2016. The current cash needs of the subsidiaries are provided mainly by the parent company through a European centralised cash management agreement.
Confirmed, unused credit lines and available overdrafts and spot loans, together with effective cash flow planning, ensure that the Group has excellent control of its liquidity risk.
Some lines and loans are supported by commitments from the Group, including respecting financial ratios. The main ratios are as follows: EBITDA / Net financial expenses higher than 6 or 6.5 and Net Debt / Equity less than 1.7. At this date, the Group met all commitments attached to the funding available to it.
The Company conducted a specific review of its liquidity risk and considers itself able to meet its future maturities.

INTEREST RATE RISK

The Group's policy is to maintain a balance between the share of its fixed rate and variable rate debt. This strategy should enable the Group to take advantage of the currently low interest rates while limiting the risks from a future rate rise.
At 31 December 2016, the floating rate debt component, after hedging, represented 44% of the Group's gross financial debt. The detail of the Group's exposure to interest rate risk is presented in note 4.25 of the notes to the consolidated financial statements.
The Group's objective as regards interest rate risk management is to use micro-hedging as and when new real estate financing contracts are signed. This hedging policy must eventually optimise the contracting of financial instruments to hedge underlining liabilities, while improving its effectiveness and complying with accounting requirements in terms of hedge accounting.

EXCHANGE RATE RISK

Most of the flows outside the Eurozone concern Switzerland, where the business represents a small part of the Group's turnover. In this scope, the income and associated costs are accounted for in Swiss francs, which limits the impact of a change in the exchange rate €/CHF on the Group's results.

CUSTOMER CREDIT RISK

The policy for depreciation of trade accounts receivables at STEF is as follows: receivables considered as bad debts, using a legal or financial approach, are depreciated for the entire amount deemed to be non-recoverable. Receivables judged to be at issue, or uncertain, particularly all receivables older than 6 months which are not included in the previous category, are subject to a depreciation for the total amount excluding taxes.
The Group has credit insurance with a well-known partner, covering the road haulage and maritime activities in France and all activities in European countries.

Furthermore, for transport, the "direct action" mechanism (Gayssot law) of the transport company with regards to the shipper and/or final consignee of the goods, and for logistics, the right of retention over the goods of the storage company, considerably reduce the risk of non-recovery of trade receivables.

Finally, no customer accounts for more than 5% of the Group's turnover, which limits the risk that the bankruptcy of one customer could have a significant impact on the Group's profit.

DIESEL RISK

As a large consumer of diesel for its activities, STEF is exposed to changes in the price of this fuel. In France a regulatory scheme is used to pass on variations in the price of fuel to customers, at the bottom of the invoice, thus greatly limiting the residual exposure to this risk. Therefore, the use of hedging instruments is not a priority at this stage.

RISK OF FAILURE OF THE INTERNAL CONTROL SYSTEM

The Group has set up an internal control system, within the scope of consolidation, designed to improve control of activities and effectiveness of its operations. Like any control system, the internal control system, as comprehensive as it is, can only give reasonable assurance and not, under any circumstances, an absolute guarantee that the risks to which the Group is exposed have been completely removed. For the 2016 financial year, the audits carried out did not reveal any failure of the internal control system which could result in substantial risks.

PROCEDURES, TAX AUDITS AND DISPUTES

To the Company's knowledge, there are no governmental, legal or arbitration proceedings, including any proceedings of which the Company is aware, which are unresolved or with which it is threatened, liable to have or which have had over the last twelve months a material impact on the financial position or profitability of the Company and/or Group. The evaluation of the provisions recorded at the reporting dates for the accounts is considered relevant by the Company.

GOVERNANCE

The positions of Chairman and Chief Executive Officer have been separated. This type of governance has been determined given the development of the Group's business, particularly in Europe and its decentralised operational structure.

— The Chairman of STEF is Mr Francis LEMOR

— The Chief Executive Officer is Mr Jean-Pierre SANCIER

Two Deputy Chief Executive Officers complete this structure:

- Mr Serge CAPITAINE, in charge of sales and marketing
- Mr Stanislas LEMOR, in charge of administration and finance

CHANGES ON THE BOARD OF DIRECTORS IN 2016

Mr Jean-François LAURAIN was co-opted by the Board of Directors on 28 January 2016. His appointment was confirmed by the Shareholders' Meeting of 18 May 2016. Mrs Dorothée PINEAU was appointed on the same date. Mr Gilles BOUTHILLIER resigned in December 2016. At the publication date of this report, the Board of Directors comprises 13 members.

OFFICES AND POSITIONS HELD BY DIRECTORS IN 2016

Mr Francis LEMOR
Chairman of the Board of Directors, appointed to the Board in 1983

— Chairman & CEO of the company Union Économique et Financière (UEF)
— Legal Representative of UEF, Chairman of Européenne de Logistique du Froid
— Director of Atlantique Management
— Chairman of the Board of Directors of Immostef
— Director of La Méridionale
— Director of STEF Iberia (Spain)

Mr Gilles BOUTHILLIER
Appointed to the board in 1997 - term of office ended December 2016

— Director of Worms Services Maritimes

Mr Alain BREAU
Appointed to the board in 2004 - term of office ended December 2016

— Chairman of Superga Invest and SST, Managing Director of Temis Movimoda, Director of Superga Lux and Manifesto, Director of Manifesto UK, Corporate Manager of the SCI of 4 rue du Hoguet
— Chairman of Manifesto, Director of Manifesto UK

Mr Jean-Michel DELALANDE
Appointed to the Board in 2015

Mrs Elisabeth DUCOTTET
Appointed to the Board in 2014

—Corporate Manager of Holding Thuasne, Chairwoman of Thuasne Management, terms as Chairwoman and Corporate Manager in companies belonging to the Thuasne Group in Europe, Managing Partner of the SCI (real estate investment company) Val du Parc, Director of Universcience and Museal Luxembourg.

Mr Jean-Charles FROMAGE
Appointed to the Board in 2005

— Director of Atlantique Management
— Director of La Méridionale
— Director of STEF Iberia (Spain), STEF Italia S.P.A. (Italy) and STEF International Italia S.P.A. (Italy) until April 2016
— Permanent representative of STEF Transport on the Board of Directors of Froid Combi and Prim@ever
— Permanent representative of STEF on the Board of Directors of the company Immostef

Mr Alain GEORGES
Appointed to the Board in 2015

Mr Emmanuel HAU
Appointed to the Board in 2007

Mrs Estelle HENSGEN-STOLLER
Appointed to the Board in 2013

Mr Bernard JOLIVET
Vice-Chairman of STEF, appointed to the Board in 1996

— Chairman & CEO of Atlantique Management
— Representative of STEF on the Board of Directors of STEF Logistique Plouénan until June 2016

Mr Jean-François LAURAIN
Appointed to the board in January 2016

— Managing Director of Unigrains, terms as Chairman and Corporate Manager in companies belonging to the Unigrains group (Director and Managing Director of Unigrains Diversification and Unigrains Crédit, Unigrains Développement and Chairman of Messis Finances)
— Director of Atlantique Management and SAIAM

Mrs Murielle LEMOINE
Appointed to the board in May 2011

— Director of Immostef

Mrs Dorothée PINEAU
Appointed to the board in May 2016

— Member of the Supervisory Board of Chevrillon & Associés and Financière Miro SAS
— Director of Axa Lard SA
— Co-manager of the company DP Conseil Sarl
— Corporate Manager of the Vérigny and Heyrault SCIs (real estate investment company)

Allianz Vie, represented by Mr Peter ETZENBACH
Appointed to the Board in 1997

— Mr ETZENBACH holds offices in the member companies of the Allianz Vie Group; permanent representative of Allianz France at the Supervisory Board of Oddo and Cie SCA

Atlantique Management, represented by Mr François de COSNAC
Appointed to the Board in 2010

— Mr François de COSNAC is Director of Immostef and UEF, Permanent representative of the company UEF, Director of Atlantique Management
— Chairman of Gerignac SAS, and Géribourg, Corporate Manager of FDC Conseil Patrimoine, Vice-Chairman of the Supervisory Board of Auris Gestion Privée

The Company has adopted the Middlenext governance code. At the publication date of this report, the Board of Directors includes five independent directors in the sense of the Middlenext Code. These are Mrs LEMOINE, Mrs DUCOTTET and Mrs PINEAU, and Mr HAU and Mr LAURAIN.

The Board of Directors includes four female directors, Mrs DUCOTTET, Mrs HENSGEN-STOLLER, Mrs LEMOINE and Mrs PINEAU. With the appointment of a new female director during the Shareholders' Meeting of 10 May 2017, the company will meet the requirements of Article L225-17, paragraph 2 of the French Commercial Code on balanced representation of women and men on the Board of Directors.

OFFICES AND POSITIONS HELD BY MEMBERS OF THE EXECUTIVE MANAGEMENT IN 2016

Mr Jean-Pierre SANCIER
Chief Executive Officer

— Chairman of STEF Transport
— Director of STEF Italia S.P.A. (Italy)
— Chairman of STEF Iberia (Spain)
— Corporate Manager of STEF Portugal-Logistica e Transporte, LDA
— Director of Atlantique Management

Mr Serge CAPITAINE
Deputy Chief Executive Officer

— Chairman of the Board of Directors of STEF Logistics Courcelles, STEF Logistics Saintes and STEF Transport Saintes (Belgium)

Mr Stanislas LEMOR
Deputy Chief Executive Officer

— Director of STEF Transport Saintes, STEF Logistics Saintes and STEF Logistics Courcelles from June 2016 (Belgium)
— Chairman of STEF Italia Holding S.R.L., STEF Logistics Italia S.R.L., STEF Italia S.P.A. and Director of STEF International Italia S.P.A. (Italy)
— Director of STEF Iberia (Spain)
— Permanent representative of STEF on the Board of Directors of GEFA
— Director of STEF Suisse
— Director of Prim@ever and Prim@ever IMMO (from December 2016)
— Director of UEF

REMUNERATION OF COMPANY OFFICERS

The remuneration of the Chairman of the Board of Directors, the Chief Executive Officer and the Deputy Executive Officers is set by the Board of Directors on advice from the Company Officers' Remuneration Committee. Each year, this Committee comprised of Mrs LEMOINE, Mr LAURAIN and Mr ETZENBACH deliberates based on the overall performance of the Group and objective measurement and comparative elements.

Directors with positions within the company are remunerated under the terms of their employment contract, these include Mrs HENSGEN-STOLLER, Key Accounts Director of Logistique France, Mr GEORGES, Director of Sustainable Development and Mr DELALANDE, Driver.

The members of the Board of Directors receive directors' attendance fees, for which the total budget was fixed at €85,000 for each Shareholders' Meeting. An additional share of €12,000 is reserved for directors who are members of the Audit Committee.

Information relating to the remuneration policy for senior executives appears in the special report, drawn up in accordance with Article L.225-37-2 of the French Commercial Code.
The employment contracts of Messrs SANCIER, CAPITAINE and S. LEMOR contain provisions relating to payments to be made to them in the event of termination of their employment contracts and that come within the scope of regulated agreements and commitments covered by Article L.225-42-1 of the French Commercial Code. In accordance with the law, commitments exceeding conventional limits were subject to the satisfaction of the performance criteria assessed regarding those of the Company and which were to achieve an annual increase of at least 3% in consolidated turnover and operating profit. These commitments were approved by the Company's Shareholders' Meeting.

Two agreements were signed with Mr JOLIVET and Mr FROMAGE, former Deputy Chief Executive Officers: Mr JOLIVET was tasked with advising the Chairman and, where appropriate, acting as the Chairman of the Board of Directors in the absence of the Chairman. He can be given assignments to represent the Group's interest with governments, public authorities and professional bodies. Mr FROMAGE assisted the Group in terms of the purchasing strategy and policy for rolling stock.

REMUNERATION PAID TO COMPANY OFFICERS, NET OF SOCIAL SECURITY CONTRIBUTIONS:

(In euros)	Directors' attendance fees 2016	Fixed remuneration 2016	Variable remuneration 2016 [1]	Exceptional remuneration 2016 [2]	Benefits in kind 2016
DIRECTORS					
Francis LEMOR	11,089	176,928	90,073		4,020
Chairman of the Board of Directors					
Bernard JOLIVET	9,267			55,000	3,981
Vice-Chairman					
Gilles BOUTHILLIER	1,177				
Alain BREAU	2,355				
Jean-Michel DELALANDE	5,887	25,079			
Elisabeth DUCOTTET	3,532				
Jean-Charles FROMAGE	14,262			45,000	
Alain GEORGES	5,887	68,201	6,034		2,734
Emmanuel HAU	9,267				
Estelle HENSGEN-STOLLER	5,887	50,732	7,814		2,627
Jean-François LAURAIN	4,170				
Murielle LEMOINE	9,678				
Dorothée PINEAU	3,532				
Allianz Vie, represented by Peter ETZENBACH	8,180				
Atlantique Management, represented by François de COSNAC	9,678				
EXECUTIVE MANAGEMENT					
Jean-Pierre SANCIER, Chief Executive Officer[3]		249,842	133,248		6,900
Serge CAPITAINE, Deputy Chief Executive Officer[3]		204,892	120,694		5,031
Stanislas LEMOR, Deputy Chief Executive Officer[3]	4,912	204,422	106,300		3,042

No company officers were granted supplementary pension benefit commitments as defined under Article L137-11 of the Social Security Code.

[1] Paid in 2016 under the 2015 financial year. This variable remuneration is determined in relation to the overall performance of STEF Group and objective comparative elements.
[2] The Board of Directors allocated an exceptional remuneration to Messrs JOLIVET and FROMAGE for their advisory assignments which are detailed below.
[3] Messrs SANCIER, CAPITAINE and S. LEMOR each received a maximum allocation of 1,872 performance shares under the Group's general long-term profit sharing policy, subject to achieving the criteria set out in the "Long-term profit sharing plans" paragraph.

GENERAL INFORMATION

At 31 December 2016, the share capital amounted to €13,515,649, comprising 13,165,649 shares of a nominal value of €1, without modification during the financial year.

BREAKDOWN OF SHARE CAPITAL AND VOTING RIGHTS AT 31 DECEMBER 2016

9,442,839 shares have double voting rights under the provisions of Article 18 of the Company's articles of association.

	Shares	% capital	Rights voting theoretical	% rights voting theoretical	Rights voting [*] exercisable	% rights voting exercisable
Atlantique Management [1]	3,998,697	30.37%	7,997,394	35.37%	7,997,394	36.81%
STEF FCPE [2]	2,156,130	16.38%	4,300,842	19.02%	4,300,842	19.79%
Société des Personnels de la Financière de l'Atlantique (S.P.F.A) [1]	1,221,239	9.29%	2,442,478	10.81%	2,442,478	11.24%
Union Économique et Financière (UEF) [3]	950,459	7.22%	1,900,918	8.41%	1,900,918	8.75%
Société Européenne de Logistique du Froid [4]	737,809	5.60%	1,475,618	6.53%	1,475,618	6.79%
Mr. Francis LEMOR [5]	63,787	0.48%	127,574	0.56%	127,574	0.59%
Sub-total – concerted action	**9,128,121**	**69.34%**	**18,244,824**	**80.70%**	**18,244,824**	**83.97%**
Treasury shares	879,475	6.68%	879,475	3.89%	0	0.00%
Other (shareholders owning less than 5% of the share capital)	3,158,053	23.98%	3,484,189	15.41%	3,484,189	16.03%
Total	**13,165,649**	**100.00%**	**22,608,488**	**100.00%**	**21,729,013**	**100.00%**

[*] Excluding voting rights pertaining to shares without voting rights (treasury shares, etc.)
[1] Limited company (SA) controlled by STEF senior executives and executives.
[2] The STEF FCPE is managed by Natixis Interépargne and brings together STEF employees.
[3] Limited company (SA) controlled by the LEMOR family.
[4] SAS 52.3% owned by the company Union Économique et Financière with the remainder owned by STEF senior executives and executives.
[5] Chairman of the Board of Directors.

Threshold exceeded

The public limited company, Sycomore Asset Management, acting on behalf of the funds that it manages, exceeded the upper threshold of 5% of the share capital of STEF on 18 April 2016, through the acquisition of STEF shares on the market. This same company exceeded the lower threshold of 5% of the share capital of STEF on 30 August 2016 through the sale of STEF shares on the market.

Statutory provisions on change in control

The Company's articles of association do not contain provisions that would delay, defer or impede a change of control.

DELEGATIONS OF POWER CONCERNING INCREASE OF CAPITAL

None

SECURITIES GIVING ACCESS TO SHARE CAPITAL

None

LONG-TERM PROFIT-SHARING PLAN – PERFORMANCE SHARES

The Shareholders' Meeting of 18 May 2016 decided to award performance shares to employees and/or senior executives of STEF Group and set the maximum percentage of capital allocated to this plan at 1.5%.
It assigned its authority to the Board of Directors to implement the decision within 38 months.
At 1 September 2016, the Board of Directors had implemented this plan and, in a first phase, allocated a maximum number of 42,744 performance shares to its Group employees, representing 0.32% of the share capital compared with the share capital at 31 December 2016.

The definitive acquisition of performance shares depends on achieving performance criteria based on STEF Group's annual turnover and on the net profit attributable to STEF Group shareholders after tax. These two conditions are supplemented by a condition of presence in the company from the grant date by the Board of Directors. Senior executives must retain a minimum percentage of shares acquired until the end of their term.

SUMMARY OF PERFORMANCE SHARE PLAN

	"2016 Performance" Plan
Date of the Shareholders' Meeting	18/05/2016
Date of Board of Directors Meeting	01/09/2016
Maximum total performance shares allocated	**42,744**
Of which shares allocated to senior executives	5,616
Effective acquisition date - French tax residents	01/09/2017
End of vesting period - French tax residents	01/09/2019
Effective acquisition date - non-French tax residents	01/09/2019
End of vesting period - non-French tax residents	01/09/2019
Share value at 1 September 2016 (date of Board of Directors)	€70.97
Number of shares having been acquired at 31/12/2016	0
Number of beneficiaries at grant date (01/09/2016)	64
Cumulative number of shares cancelled or invalid	0
Remaining performance shares allocated at end of financial year	42,744

ACQUISITION OF TREASURY SHARES BY COMPANY

Summary of transactions carried out in the year by Company on treasury shares:

Use of shares treasury shares	Annual accounts at 31/12/2015	Shares acquired in 2016	Shares sold in 2016	Shares transferred in 2016	Annual accounts at 31/12/2016
Supporting the share price through a liquidity contract	14,595	131,888	-139,420		7,063
Hedging of shares allocated to employees as part of the company savings plan	54,022			-8,514[1]	45,508
Shares used for payment or exchange as part of an acquisition	650,000				650,000
Others	176,904				176,904
Total	**895,521**	**131,888**	**-139,420**	**-8,514**	**879,475**

[1] When shares were allocated to employees as part of the company savings plan (4,684 shares) and the consolidation of the STEF Italia compartment of the STEF FCPE (3,830 shares).

2016 SHARE REPURCHASING PLAN

In the 2016 financial year, there were two share repurchasing plans. The purpose and terms of each plan, the term of which is 18 months, were communicated in accordance with Article 241-2 of the AMF's General Regulations.

— Share repurchasing plan voted by the Shareholders' Meeting of 20 May 2015 under the terms of the 12th resolution: the maximum purchase price was set at €75, for a maximum share of the share capital to be acquired of 10%.
— Share repurchasing plan voted by the Shareholders' Meeting of 18 May 2016 under the terms of the 7th resolution: the maximum purchase price was set at €75, for a maximum share of the share capital to be acquired of 10%.

LIQUIDITY CONTRACT

A liquidity contract concerning Euronext Paris was entrusted to the stock exchange company Gilbert Dupont.

This contract complies with the Ethics Charter established by French association of investment companies and approved by the AMF decision of 22 March 2005.

At 31 December 2016, the balance of treasury shares under the liquidity contract stood at 7,063 shares.

SHARE PRICE

Between 4 January and 30 December 2016, the share price ranged from a €56.65 low and a €82.80 high.

Over the same period, the daily average number of shares exchanged was 3,421, for an annual average share price of €67.72.

IMPORTANT EVENTS OCCURRING BETWEEN THE BALANCE SHEET DATE AND THE DATE OF THIS REPORT

None

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CONSOLIDATED FINANCIAL STATEMENTS

(in millions of euros)

ANNUAL TURNOVER	2016	2015	change
GROUP'S OPERATIONS	**2,482**	**2,438**	**1.8%**
Third party sales(*)	342	388	(11.9%)
GROUP'S TOTAL TURNOVER	**2,825**	**2,826**	**(0.1%)**

*Third party sales represent the turnover from trading transactions for catering logistics customers and appear under "purchase of goods".

The Group's turnover is stable at €2,825 million (-0.1% compared to 2015 and -0.2% at comparable scope).

The growth in turnover was offset by the drop in the price of fuel (negative impact of €17.6 million on turnover) and by the significant fall in third party sales as a result of selective decisions about the catering logistics' customer portfolio.

Excluding the impact of third party sales, the Group's business grew by 1.8%.

The effect on the scope is limited and mainly concerns the integration of VERS-EXPRESS in the Netherlands in late April 2016 (+€4.2 million).

(in millions of euros)

BUSINESS SEGMENTS	Turnover		Operating profit	
	2016	2015**	2016	2015**
Transport France	1,215	1,213	60.5	59.4
Logistics France	505	497	20.0	17.2
International activities	635	596	27.6	27.3
Maritime	106	109	15.4	7.0
Other activities	363	410	(0.2)	(0.8)
TOTAL	**2,825**	**2,826**	**123.3**	**110.1**

** Data from the 2015 financial year was modified in early 2016 following internal reclassifications between the Transport and Logistics France activities.

TRANSPORT FRANCE

In 2016, Transport in France maintained its performances, despite the steady decline in the energy surcharge and specific unfavourable circumstances in some regions (avian flu crisis in the south-west, effect of the attacks on tourism and consumption in the south-east and Paris).

LOGISTICS FRANCE

The Logistics business in France was particularly strong in the field of Frozen products, with a rise in occupancy rates. The operating profit of this sector was also sustained by the gradual recovery of the foodservice business.

INTERNATIONAL ACTIVITIES

International activities were important in the growth of the Group's business and performances, with an increase in turnover of nearly 6% and a profitability now comparable to that of the activities in France.

The deployment of the network continued in the Netherlands with acquisitions of shareholdings in two companies (VERS-EXPRESS and a minority interest in another company). New warehouses are also being constructed in order to increase the density of our European network.

MARITIME

In 2016, La Méridionale benefited from the sale of the Scandola (capital gain of €7 million) and the opening of a temporary route between Marseille and Ile-Rousse by chartering a vessel.

INCOME
(in millions of euros)

	2016	2015	change (in %)
TURNOVER	**2,824.5**	**2,826.2**	**(0.1)**
OPERATING PROFIT	**123.3**	**110.1**	**12**
Financial income	(11.8)	(14.5)	
PROFIT BEFORE TAX	**111.5**	**95.6**	**16.6**
Tax expense	(24.9)	(23.3)	
Share in net profit (loss) of companies accounted for by the equity method	0.8	3.0	
NET PROFIT (LOSS)	**87.4**	**75.3**	**16.0**
- of which profit attributable to Group shareholders	87.1	75.2	15.8
- of which profit attributable to minorities	0.3	0.1	
Earnings per share in euros (basic)	7.08	6.12	15.6
Earnings per share in euros (diluted)	7.08	6.12	15.6

The Group's operating profit benefited from the operating margin of Logistics France and extraordinary income in Maritime.

The operating margin was up 12% between 2015 and 2016, at 5.0% of turnover (excluding third party trading activity).

Despite continuing the policy of mainly investing in real estate assets, the Group's financial cost is falling due to interest rates that are still very low and new sources of financing (commercial papers).

Tax expense stood at 22.3% of taxable income in 2016, compared to 24.4% in 2015, due to the use of loss carry-overs and a Maritime business subject to specific tax legislation.

Based on the preceding items, net profit is up 16% compared to 2015.

In 2016, the Group continued to invest in its real estate assets and its programme to renovate and extend sites.

Gearing stands at 0.93 at 31 December 2016 compared to 1.08 at the end of December 2015.

CHANGE IN SCOPE ACQUISITIONS OF SHAREHOLDINGS IN 2016

ACQUISITIONS, START-UPS, DISPOSALS

Portugal
In August, STEF IT France created a subsidiary in Portugal, called STEF IT Portugal.

The Netherlands
At the end of April the Group acquired all shares in the company VERS-EXPRESS through its subsidiary STEF Nederland.

INTERNAL RESTRUCTURING

France
In July, the company SCI PPI underwent a Universal Transmission of Assets in IMMOSTEF.

At the end of December, NAVALE STEF and SATA MINFOS underwent a Universal Transmission of Assets in STIM D'ORBIGNY.

Details of subsidiaries and shareholdings are shown in the notes to the consolidated financial statements.

CONSOLIDATED INCOME STATEMENT

(in thousands of euros)

	note	2016 financial year	2015 financial year	change
TURNOVER	**4.1**	**2,824,476**	**2,826,230**	**(0.1%)**
Purchases from third parties	4.2	(1,800,286)	(1,817,680)	(1.0%)
Taxes and related expenses		(59,510)	(60,957)	(2.4%)
Payroll expenses	4.3	(744,350)	(734,850)	1.3%
Depreciation and amortisation of fixed assets	4.10 4.11	(106,902)	(101,484)	5.3%
(Net charges to) net reversals of impairment and provisions	4.4	(618)	(5,603)	
Other operating income and expenses	4.5	10,451	4,412	
OPERATING PROFIT		**123,261**	**110,068**	**12.0%**
Financial expenses	4.6	(12,537)	(14,877)	
Financial income	4.6	689	408	
Net financial expense		**(11,848)**	**(14,469)**	**18.1%**
PROFIT BEFORE TAX		**111,413**	**95,599**	**16.5%**
Tax expense	4.7	(24,867)	(23,332)	
Share in net profit of companies accounted for by the equity method	4.13	820	3,019	
NET INCOME		**87,366**	**75,286**	**16.0%**
*** of which profit attributable to Group shareholders**		**87,052**	**75,186**	**15.8%**
* of which profit attributable to minorities		314	100	
EBITDA	**4.8**	**230,781**	**217,155**	**6.3%**
Earnings per share:		(in euros)	(in euros)	
- basic earnings per share	4.20	7.08	6.12	15.6%
- diluted	4.20	7.08	6.12	15.6%

CONSOLIDATED BALANCE SHEET

(in thousands of euros)

ASSETS	note	31 December 2016	31 December 2015
NON-CURRENT ASSETS			
Goodwill	4.9	137,018	134,686
Other intangible assets	4.10	20,919	22,069
Tangible fixed assets	4.11	1,000,304	949,950
Non-current financial assets	4.12	28,475	27,591
Investments in associated companies	4.13	22,906	23,411
Deferred tax assets	4.14	23,482	30,422
TOTAL NON-CURRENT ASSETS		**1,233,104**	**1,188,129**
CURRENT ASSETS			
Inventories and work in progress	4.15	36,677	36,372
Customers	4.16	455,263	438,281
Other receivables and current financial assets	4.17	122,308	141,280
Current tax assets		20,596	13,500
Cash and cash equivalents (a)	4.18	51,526	42,457
TOTAL CURRENT ASSETS		**686,370**	**671,890**
TOTAL ASSETS		**1,919,474**	**1,860,019**

EQUITY AND LIABILITIES	note	31 December 2016	31 December 2015
EQUITY			
Share capital	4.19	13,166	13,166
Share premium account		-	-
Reserves		543,866	479,198
EQUITY, GROUP SHARE		**557,032**	**492,364**
Minority interests		2,327	2,026
TOTAL EQUITY		**559,359**	**494,390**
NON-CURRENT LIABILITIES			
Non-current provisions	4.22 4.23	45,095	37,178
Deferred tax liabilities	4.14	39,945	47,488
Non-current financial liabilities (b)	4.21	329,374	462,600
TOTAL NON-CURRENT LIABILITIES		**414,414**	**547,266**
CURRENT LIABILITIES			
Trade accounts payable		356,802	357,138
Current provisions	4.23	13,000	14,177
Other current liabilities	4.26	333,247	331,428
Current tax liabilities		1,305	796
Current financial liabilities (c)	4.21	241,347	114,824
TOTAL CURRENT LIABILITIES		**945,701**	**818,363**
TOTAL EQUITY AND LIABILITIES		**1,919,474**	**1,860,019**
Net debt (b) + (c) - (a)		519,195	534,967
Debt/equity ratio		0.93	1.08

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(in thousands of euros)

	note	2016 financial year	2015 financial year
PROFIT FOR THE PERIOD		**87,366**	**75,286**
Actuarial gains and losses on pension plans	4.22	(2,573)	1,273
Tax expense on non-recyclable items	4.14	520	(455)
Other items of comprehensive income, net of income tax which are not subsequently reclassified into income		**(2,053)**	**818**
Unrealised foreign exchange gains or losses from activities abroad		229	1,057
Effective portion of change in fair value of cash flow hedging derivatives		1,904	3,592
Tax expense on recyclable items	4.14	(1,019)	(953)
Other items of comprehensive income, net of income tax which are subsequently reclassified into income		**1,114**	**3,696**
COMPREHENSIVE INCOME FOR THE PERIOD		**86,426**	**79,800**
*** of which profit attributable to Group shareholders**		**86,112**	**79,700**
* of which profit attributable to minorities		314	100

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(in thousands of euros)

	note	Share capital	Share premium account	Consolidated reserves	Translation reserves	Treasury shares	Fair value reserve	Equity attributable to equity shareholders of the parent company STEF	Minority interests	Total equity
EQUITY AT 31 DECEMBER 2014		**13,516**	**4,284**	**484,265**	**(363)**	**(54,633)**	**(10,026)**	**437,043**	**3,525**	**440,568**
Dividends paid				(20,973)				**(20,973)**	(1,301)	**(22,274)**
Acquisition and disposal of treasury shares						(3,541)		**(3,541)**		**(3,541)**
Cancellation operation of treasury shares		(350)	(4,284)	(11,116)		15,750		0		0
Transactions with minority interests				135				**135**	(298)	**(163)**
TOTAL TRANSACTIONS WITH SHAREHOLDERS		**(350)**	**(4,284)**	**(31,954)**	**0**	**12,209**	**0**	**(24,379)**	**(1,599)**	**(25,978)**
Comprehensive income for the period				**76,004**	**1,057**		**2,639**	**79,700**	**100**	**79,800**
EQUITY AT 31 DECEMBER 2015		**13,166**	**0**	**528,315**	**694**	**(42,424)**	**(7,387)**	**492,364**	**2,026**	**494,390**
Dividends paid				(23,925)				**(23,925)**		**(23,925)**
Acquisition and disposal of treasury shares						1,072		**1,072**		**1,072**
Other operations				1,588				**1,588**		**1,588**
Transactions with minority interests	3.2.2			(179)				**(179)**	(13)	**(192)**
TOTAL TRANSACTIONS WITH SHAREHOLDERS		**0**	**0**	**(22,516)**	**0**	**1,072**	**0**	**(21,444)**	**(13)**	**(21,457)**
Comprehensive income for the period		**0**	**0**	**84,999**	**229**		**885**	**86,112**	**314**	**86,426**
EQUITY AT 31 DECEMBER 2016		**13,166**	**0**	**590,798**	**923**	**(41,352)**	**(6,502)**	**557,032**	**2,327**	**559,359**

CASH FLOW STATEMENT

(in thousands of euros)

	note	2016 financial year	2015 financial year
PROFIT FOR THE PERIOD		**87,366**	**75,286**
+/- Net depreciation, amortisation, impairment of non-current assets and provisions		112,349	108,555
+/- Gains or losses from the sale of non-current assets	4.5	(9,049)	565
+/- Share in net profit (loss) of associated companies	4.13	(820)	(3,019)
+/- Change in market value of derivatives	4.6	68	(49)
- Deferred tax	4.14	(2,087)	(4,072)
CASH FLOW FROM OPERATIONS (A)		**187,827**	**177,266**
Cancellation of the tax expense (income)	4.7	24,867	23,332
Taxes paid		(33,444)	(13,314)
Changes in the other items of the BFR		1,187	(41,993)
+/- Change in working capital (B)		(7,390)	(31,975)
NET CASH FROM OPERATING ACTIVITIES (C) = (A+B)		**180,437**	**145,291**
- Cash used in acquiring intangible assets	4.10	(8,889)	(5,939)
- Cash used in acquiring tangible fixed assets	4.11	(145,956)	(137,180)
+/- Change in granted loans and advances + financial assets		(2,302)	(4,907)
- Deferred payments related to the acquisition of financial fixed assets		0	(601)
-/+ Proceeds and cash used in the acquisition and sale of companies net of acquired cash (**)	3.2.1	(2,271)	(6,798)
+ Proceeds from sale of tangible and intangible fixed assets		14,966	14,042
+ Dividends received from associated companies		1,647	1,319
NET CASH FROM INVESTMENT ACTIVITIES (D)		**(142,805)**	**(140,064)**
+/- Acquisition and disposal of treasury shares		1,072	(3,541)
- Dividends paid to STEF shareholders		(23,925)	(20,973)
- Dividends paid to minority shareholders		0	(1,892)
+ Proceeds from new borrowings		243,370	120,390
- Repayment of borrowings		(251,386)	(107,420)
NET CASH FROM FINANCING ACTIVITIES (E)		**(30,869)**	**(13,436)**
Net cash position at beginning of period*		7,171	15,381
Net cash position at end of period *		13,934	7,171
= CHANGE IN NET CASH POSITION (C+D+E) (*)		**6,763**	**(8,210)**
Net cash positions at the balance sheet dates are as follows: *		31/12/2016	31/12/2015
Cash and cash equivalents	4.18	51,526	42,457
Bank overdrafts and spot loans	4.21	(37,592)	(35,286)
		13,934	**7,171**
Payments on company acquisitions	3.2.1	(2,324)	(10,683)
Acquired cash		53	3,885
Net cash paid out**		**(2,271)**	**(6,798)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 2016

The main activities conducted by STEF and its subsidiaries (hereinafter referred to as STEF or the Group) are temperature-controlled road transport and logistics as well as maritime transport.

The parent company, STEF SA, is a company incorporated under the laws of France, having its registered office at 93 boulevard Malesherbes – 75008 Paris, and with its shares listed on the NYSE Euronext Paris' B compartment.

These financial statements were approved by the Company's Board of Directors when they met on 16 March 2017. They shall only be finalised once they have been approved by the Shareholders' Meeting to be held on 10 May 2017. Unless otherwise specified, the consolidated financial statements are presented in euros which is the functional currency of STEF, rounded to the nearest thousand.

NOTE 1 ACCOUNTING STANDARDS

The consolidated financial statements for the financial year ended 31 December 2016 for the company STEF have been prepared in accordance with IFRS (International Financial Reporting Standards), as adopted by the European Union and applicable for the financial year ending 31 December 2016.

The IFRS are available on the European Commission website at the following address: htpp://ec.europa.eu/internal_market/accounting/ias_fr.htm#adopted-commission.

The consolidated financial statements were prepared using the historical cost method, except for derivatives and financial assets classified as available for sale and cash equivalents, which are accounted for at fair value.

The accounting policies used are the same as those used for the preparation of the annual consolidated financial statements for the financial year ended 31 December 2015.

However, the Group has applied the amendments and revisions of the following standards and interpretations, the application of which became compulsory within the European Union from 1 January 2016:

- IAS 1 - amendment: initiative concerning the information to be provided;
- IAS 16 and IAS 38 - amendments: clarifications on acceptable amortization methods;
- IFRS 11 - amendment: accounting for the acquisition of interests in a joint arrangement;
- IAS 19 - amendment: staff benefits - defined benefit plans: employee contributions;
- IAS 27 - amendment: use of the equity method;
- IFRS 10, 12 and IAS 28 - amendments relating to investment entities;
- annual improvements, 2010-2012 and 2012-2014 cycles.

These amendments do not affect the Group's consolidated financial statements at 31 December 2016.

The Group has not opted for the early application of the following standards and amendments for which application is mandatory after 31 December 2016:

- IAS 7 - amendments: initiative concerning the information to be provided;
- IAS 12 - amendments: accounting for deferred tax assets as unrealised losses;
- IFRS 9: financial instruments;
- IFRS 15: income from ordinary activities derived from contracts concluded with customers;
- IFRS 16: finance leases.

Regarding the IFRS 15 standard, the contracts executed by the Group were analysed. The current work focuses on any effects from foodservice logistics contracts.

In terms of IFRS 16, the Group has started to establish, in partnership with the services concerned, an inventory of movable and immovable property leases.

The preparation of financial statements according to IFRS standards requires the management to make estimates for the financial year concerned and to make assumptions that have an impact on the application of the accounting methods, on the amounts recorded for certain assets, liabilities, income and expenses as well as on certain information provided in the notes attached to the financial statements. The estimates and assumptions made are those that the management considers as being the most relevant and achievable, in view of the Group's environment and available feedback.

Because of the uncertain nature inherent in these estimates, the final amounts may be different from those originally estimated. To limit these uncertainties, the estimates and assumptions are periodically reviewed and the changes are accounted for immediately.

The use of estimates and assumptions is of particular importance in the following areas:

- determination of the periods of use of non-current assets (note 2.5);
- determination of the recoverable amount of non-current non-financial assets (notes 4.10 and 4.11);
- qualification of finance leases (note 2.18);
- valuation of identifiable assets and liabilities acquired as part of business combinations (note 3.2);
- recognition of deferred tax assets (notes 2.10 and 4.14);
- valuation of staff benefits (note 2.11).

NOTE 2 ACCOUNTING POLICIES

The accounting methods, presented below, have been applied consistently to all the financial years presented in the financial statements.

2.1 RULES AND CONSOLIDATION METHODS

SUBSIDIARIES

The accounts of subsidiaries controlled by the parent are consolidated according to the method of full consolidation. STEF has control of a subsidiary when it has, either directly or indirectly, the right to make decisions on the subsidiary's operations and finances with the aim of benefiting from the subsidiary's activities. STEF is assumed to have control when it has, directly or indirectly, power over the subsidiary and is exposed or entitled to variable returns due to its involvement with the subsidiary. STEF also has the ability to exercise its power over the subsidiary in order to influence the amount of any returns it receives. The appreciation of the existence of the control is based on the voting rights that the Group has. The subsidiary's consolidation into the Group's accounts begins from the date on which control is obtained and ends when the control ends.

ASSOCIATED COMPANIES

The companies jointly controlled by or in which the Group has significant influence but not control are consolidated under the equity method. The Group is assumed to have significant influence when it owns, directly or indirectly, at least 20% of a company's voting rights. A company's consolidation into the Group's accounts under the equity method begins when the significant influence is obtained and ends when the significant influence ends.

CANCELLATION OF INTRA-GROUP TRANSACTIONS AND PROFIT

Receivables, liabilities and transactions between consolidated entities are fully cancelled. Intra-group profits realised on the sale of assets are also cancelled, as are intra-group losses. The existence of intra-group losses is an indication of depreciation.

Internal profits and losses between the Group and associated companies are cancelled in proportion of the percentage of the Group's shareholding in these companies.

2.2 GOODWILL

The acquisitions of subsidiaries and shares in associates are accounted for under the acquisition method.

During the transition to IFRS, the Group chose to not restate business combinations prior to 1 January 2004. For these business combinations, the goodwill corresponds to the amounts recognised according to the Group's prior accounting standards.

Goodwill on acquisitions after 1 January 2004 and prior to 1 January 2010 are equal to the existing difference, on the acquisition date, between the acquisition cost and the acquired share of the fair value of assets, liabilities and contingent liabilities.

The Group calculates the goodwill on the date of acquisition as follows:

– the fair value of the payment made for the investment, plus;

– any minority interest in the acquired company; plus, if the acquisition is made in stages, the fair value of any shareholding previously owned in the Company; less

– the net amount recorded (in general the fair value) of the difference between the assets, liabilities and contingent liabilities.

When the difference is negative, the gain is taken directly to profit and loss.

Goodwill is valued subsequently at acquisition cost, less total impairments. Goodwill is subject to impairment tests, at least annually, or when there is any indication of impairment in value.

2.3 ACQUISITION OF MINORITY INTERESTS

The acquisition of minority interests are accounted for as transactions with owners in their capacity as owners and, as such, no goodwill arises. Adjustments to minority interests are determined on the percentage of the subsidiary's net assets attributable to equity holders of the parent STEF SA.

2.4 OTHER INTANGIBLE ASSETS

Intangible assets, other than goodwill, mainly comprise computer software that is either developed in-house or purchased. They are stated at their historic or production cost in the balance sheet. They are amortised on a straight-line basis over their expected useful life, which currently is no longer than five years.

Development costs for software for internal use or intended for sale, are fixed from the day when certain conditions are met, especially when it is shown that this software will generate probable future economic benefits due to a significant improvement in operating processes, and that the Group has adequate technical and financial resources to produce it and intends to use it, or sell it.

2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets mainly comprise cold stores, platforms, transport vehicles, ferries and office buildings. With regard to fixed assets revalued prior to 1 January 2004, the date of transition to IFRS, their restated values were presumed to correspond to their purchase cost on this date.

Tangible fixed assets are depreciated on a straight-line basis over their estimated useful life. The depreciable amount is the acquisition cost, except for recent warehouses and platforms, for which the depreciable amount is 90% of the acquisition cost. Where some construction components have a useful life that is less than the useful life of the whole construction, they are depreciated over their own useful lives. Land is not depreciated. The useful lives, which are estimated from new delivery, are as follows:

– Warehouses and platforms	25 – 30 years
– Later extensions	20 years
– Office buildings	40 years
– Equipment and production facilities	10 years
– Fixtures and fittings	6 – 10 years
– Vessels	20 years
– Equipment for transport	5 – 9 years
– Office furniture	7 – 10 years
– Computer equipment	3 – 5 years

The borrowing costs directly attributable to the purchase, construction and production of an eligible asset are incorporated into the cost of the asset. Eligible assets are vessels bought new, where the duration of construction greatly exceeds 12 months.

2.6 NON-DERIVATIVE FINANCIAL ASSETS

Financial assets include debts related to operations, cash, cash equivalents, equity investments classified as available for sale, loans and deposits and bonds. They are initially recognised at fair value increased by the acquisition costs, except in the case of assets measured at fair value through profit and loss.

Trade receivables and other operating receivables with short maturities are recorded on the asset side of the balance sheet at their nominal value, which is close to their fair value. In the event of failure by debtors and an objective indication of a loss in value, trade receivables are subject to an impairment charge, so that their net amounts reflect expected cash flows.

Interest-free loans granted to organisations as part of the mandatory contribution of employers to the construction effort are recorded initially at fair value which corresponds to their discounted value on the date the loans are paid. The difference between the discounted value and the sum paid is charged as an expense at the time of payment.

Equity investments (Group's investments in the share capital of unconsolidated companies) are classified as held for sale and stated at their fair value, future changes in fair value being accounted for in other comprehensive income, except for impairment which is reported in profit and loss. Non-listed equity instruments, the fair value of which cannot be determined with certainty, are valued at cost, less, where appropriate, the accumulated subsequent depreciation.

Cash equivalents are short-term, highly liquid investments that are easily convertible to a known amount of cash and which are subject to a negligible risk of a change in value. The STEF Group opted to manage these assets at fair value, subsequent changes in fair value are recorded in profit and loss.

2.7 IMPAIRMENT OF GOODWILL AND FIXED ASSETS

IAS 36 prescribes how to ensure that the carrying value of intangible (including goodwill) and tangible fixed assets does not exceed their recoverable value.

This verification is performed systematically, once a year, for goodwill, intangible items with an indeterminate life time and those under development. It is performed for other fixed assets when there is an indication of loss in value.

The recoverable value of an asset is the highest value between its value in use and its fair value, net of costs to sell. The value in use of an asset is the discounted value of future cash flows expected from its use. Fixed assets that do not produce sufficiently autonomous cash flows are grouped into cash-generating units, which correspond to the smallest groups of fixed assets producing autonomous cash flows. Goodwill is assigned to the cash-generating units that benefit from the synergies of the corresponding business combinations.

The forecast future cash flows of a fixed asset or cash-generating unit are determined on the basis of a 5-year budget projection and a final value determined by capitalising a normative cash flow obtained by extrapolating the most recent cash flow from the business plan and assigning a growth rate specific to the activity concerned, except for the Maritime CGU for which the value of the vessels is determined by experts. The cash flows thus obtained are discounted at a determined rate of return on the basis of the weighted average cost of capital.

An impairment charge is recognised if the book value of a fixed asset or cash-generating unit is greater than its recoverable value. This impairment is first assigned to reducing the book value of any goodwill recognised for the cash-generating unit, then to reducing the book values of the unit's other assets. A write-down of goodwill cannot be reversed.

2.8 INVENTORIES

The main inventories comprise fuel, spare parts, commercial packaging, consumable materials and goods from the catering business. They are valued at their purchase cost, primarily using the first-in/first-out method (FIFO). Damaged stocks are subject to impairment charges, which are determined on the basis of their probable realisable values.

2.9 NON-CURRENT ASSETS HELD FOR SALE

Non-current assets (or groups of assets and liabilities held for sale), the book value of which will mainly be recovered through a sale rather than by their continued use, are classified on the balance sheet as assets held for sale. Once classified under this heading, they are recorded at the lowest amount between their book value and their fair value less costs to sell. Depreciable intangible fixed assets and tangible fixed assets are no longer amortised/depreciated once classified as assets held for sale.

2.10 INCOME TAX

The expense (or income) from income tax includes, on the one hand, the tax payable for the year, and, on the other hand, the expense or income from deferred taxes. Payable and deferred taxes are recorded in profit and loss unless they are related to a business combination or to elements that are posted directly to equity or to other comprehensive income, in which case they are recorded in equity or in other comprehensive income.

Deferred taxes are calculated by tax entity when there are temporary differences between the book values of assets and liabilities and their tax values. They are valued by applying the tax rates that will be in force when the temporary differences are settled, on the basis of tax legislation adopted or virtually adopted on the balance sheet date.

Deferred tax assets are only reported under deductible temporary differences and tax loss carry forwards and unused tax credits when it is likely that the tax entities concerned will have future taxable profits against which these tax assets could be charged. They are reviewed at each balance sheet date. The tax rate used to calculate deferred taxes is that known on the balance sheet date. The effects of rate changes are recorded in profit and loss over the period during which the decision of this change is made.

The Tax Credit for Competitiveness and Employment (Crédit d'Impôt pour la Compétitivité et l'Emploi) granted to companies by the French government from 1 January 2013, is determined annually on the basis of remunerations less than or equal to 2.5 times the minimum wage. This income is recorded as a reduction in payroll expenses. It represented 6% of the eligible annual basis in 2016.

2.11 STAFF BENEFITS

POST-EMPLOYMENT BENEFITS

Post-employment defined benefits granted by the Group are recorded in liabilities, as and when rights are acquired. They are evaluated using the actuarial projected unit credit method, applied to an estimate of the salaries when indemnities are paid. The actuarial gains resulting from changes in assumptions, differences between the forecasts and the paid amounts are recorded in other items of comprehensive income.

The fair value of the ring-fenced funds managed by insurance companies to cover the commitment are deducted from the liabilities. The differences between actual return on ring-fenced funds and financial income recorded in profit and loss, based on the actuarial rate selected for calculating the actuarial liability are recorded in other items of comprehensive income.

OTHER LONG-TERM BENEFITS

The other long-term benefits are remunerations paid more than one year after the end of the period during which the service was provided by the employee. They are recorded as and when employees acquire rights and are determined in the same way as retirement bonuses. However, the resulting actuarial gains are immediately recorded in profit and loss.

The provisions for post-employment benefits and other and long-term benefits are determined by an independent actuary.

2.12 PERFORMANCE SHARES

The arrangements for evaluating and accounting for the allocation plans for performance share are defined by the IFRS 2 standard "Share-based payments". The allocation of performance shares in France and internationally is an agreed benefit for their beneficiaries and as such is in addition to the remuneration paid by STEF. Their evaluation is directly related to the Group's performance. Consequently, STEF has included the corresponding expense in the operating profit under payroll expenses.

2.13 NON-DERIVATIVE FINANCIAL LIABILITIES

Financial liabilities include loans, financial debt and liabilities generated by operations (trade account payables and other). At the time of their initial recognition, they are valued at their fair value, net of transaction costs. In the case of operating liabilities, because their maturities are very short, their fair value equals their nominal value. Financial liabilities are subsequently amortised by the effective interest method.

At 31 December 2016, the Group had no compound instruments.

2.14 DERIVATIVES

Derivatives are used by the Group to manage its exposure to the interest rate risk associated with its debt. These instruments are initially stated at fair value. Even where the Group's objective is to hedge a risk financially, some derivatives do not fulfil the conditions imposed by standard IAS 39 to qualify as accounting hedges. In this case, subsequent changes in value are recorded in profit and loss.

Where a derivative could be qualified as a hedging instrument, the subsequent changes in fair value are accounted for as follows:

– where they are fair value hedges (exchange of fixed interest payments for floating interest payments), they are stated in profit and loss, under the same heading as adjustments in fair value of the hedged liability; – where they are future cash flow hedges (exchange of floating interest payments for fixed interest payments), they are recorded in other comprehensive income, for the efficient portion of the hedge, and are subsequently transferred to the income statement when the interest rates being hedged are recognised. The inefficient portion is stated in profit and loss.

2.15 PROVISIONS

Provisions are liabilities where the maturities or the amount entail a certain amount of uncertainty. They are recognised when the Group has to deal with an actual, legal or implicit obligation arising from past events and when the obligation can be reliably estimated and when it is likely that this will result in an outflow of funds. They are created at an amount equal to that which is most likely to be disbursed.

The provisions for commercial disputes after damage occurring during the execution of transport and logistics services are measured on a case by case basis through claims received or known at the balance sheet date of each financial year.

2.16 TREASURY SHARES

The amounts disbursed by the Group to buy STEF shares (treasury shares) are accounted for as a deduction from equity. Where the treasury shares are sold or put back into circulation, the amounts collected offset the equity. The disposal of treasury shares as a transaction between shareholders does not generate any profit.

2.17 INVESTMENT GRANTS

Investment grants are assistance received from the public authorities to contribute to the financing of certain investments. In accordance with the option offered by IAS 20, the Group has opted to present investment grants as a deduction to the cost of the fixed assets financed, which has the effect of reducing the depreciation bases and depreciation and amortisation.

2.18 FINANCE LEASES

STEF uses finance leases to finance part of its tangible fixed assets, such as "carrier" and "semi-trailer" vehicles and operating property (warehouses, platforms). These finance leases are considered as funding when they transfer most of the risks and the benefits of the leased assets to the Group; that is, in particular, when the leases give the Group the right to become the owner at the end of the lease, under conditions that are sufficiently beneficial when the leases are entered into, if it should be very likely that the Group will exercise its option to purchase at the end of contract.

When, during its implementation, a finance lease has financing characteristics, the tangible fixed assets are recognised under assets for an amount equal to their fair value or, if the fair value is less, to the present value of minimum future rents; in return, a corresponding debt is recorded in liabilities, which is reduced as and when the rent is paid, for the part corresponding to the amortisation of the debt.

Rent due under operating leases is paid during the periods for which they are called for payment. In the case of sliding scale rents, STEF staggers them on a straight-line basis over the duration of the lease and records rent surpluses as prepayments under assets.

2.19 CURRENCY TRANSLATION

Accounts receivable and accounts payable denominated in foreign currencies are translated at the applicable exchange rates at the balance sheet date. The corresponding exchange rate changes are recorded in profit and loss, except for those relating to receivables and payables which belong, in substance, to net investments in foreign subsidiaries and that are recognised in other comprehensive income.

The assets and liabilities of foreign subsidiaries whose functional currencies are not the euro are translated at the applicable exchange rate at the balance sheet date. Income and expenses are translated at the period's average exchange rate, which, provided there are no significant exchange rate changes, is taken as being close to the applicable exchange rates on the transaction dates. The resulting exchange rate changes are recorded in other comprehensive income.

2.20 INCOME FROM ORDINARY ACTIVITIES

Income from ordinary activities is measured at the fair value of the consideration receivable, net of granted discounts and remissions. It is recorded when it is likely that the consideration will be collected and when the extent at which the services have been rendered and the associated costs can be reliably measured, regardless of the activity concerned.

The income from transport activities is recorded when the service has been rendered.

Income from logistics activities is recorded as the rendering of services proceeds.

Income from maritime activities includes the contributions from the Corsica Transport Office provided for under the public service concession contract.

2.21 SEGMENT INFORMATION

An operational segment is a component of the Group:

– that is engaged in activities from which it is likely to receive income and to incur expenses, including income and expenses related to transactions with other components of the Group;

– the operating profit or (loss) of which is regularly examined by general management with a view to making decisions regarding the resources to be allocated to the segment and assessing its performance; and

– for which separate financial information is available.

2.22 PRESENTATION OPTIONS

The Group has chosen to present, by nature, the operating expenses in the income statement.

The costs of the defined benefit pension plan for the financial year are included in the operating expenses for the total amount including the financial component.

The "other operating income and expenses" include capital gains and losses on disposals of non-current assets, impairments of non-current assets and the operating income and expenses of significant amounts related to unusual events or operations and which are likely to affect the comparability of the financial years.

Net foreign exchange gains and losses are presented in financial income (net gain) or in financial expenses (net loss).

Cash flows generated by the activity are presented in the cash flow statement, using the indirect method.

2.23 NON-ACCOUNTING INDICATORS

The Group presents the following performance indicators in its financial statements:

EBITDA: this indicator is equal to the operating profit before depreciation and amortisation of fixed assets, impairment of fixed assets including the loss in value of intangible items, allocations to/(reversals of) provisions and negative goodwill;

Net debt: this indicator is equal to the total current and non-current financial liabilities, less cash and cash equivalents.

NOTE 3 SCOPE OF CONSOLIDATION

3.1 CHANGE IN SCOPE

	Subsidiaries	Associated companies	Total
NUMBER OF COMPANIES AT 31 DECEMBER 2015	**223**	**8**	**231**
Acquisition VERS-EXPRESS (the Netherlands)	1		
Creation STEF IT Portugal	1		
40% holding in NETKO (the Netherlands)		1	
Liquidation Brigantine de Navigation		– 1	
TUP SCI PPI 45	– 1		
TUP SATA MINFOS	– 1		
TUP Naval STEF	– 1		
NUMBER OF COMPANIES AT 31 DECEMBER 2016	**222**	**8**	**230**

3.2 CHANGES IN 2016

3.2.1 ACQUISITIONS, START-UPS

– At the end of April the Group acquired all shares in the company VERS-EXPRESS through its subsidiary STEF Nederland.

The impact of this operation is detailed as follows:

NAMES OF ACQUIRED ENTITIES	VERS-EXPRESS
Business activity	Transport and distribution
Location	Eindhoven (the Netherlands)
Acquisition date	1 May 2016
Percentage of acquired equity instruments conferring voting rights	100%
	in thousands of euros
Cost of the combination paid in cash	€2,100 K
Fair value of acquired assets and assumed liabilities	(€232 K)
Goodwill (Profit on acquisition)	€2,332 K
	from 01/05 to 31/12/2016
Turnover since acquisition	€4,155 K
Operating profit since acquisition	(€150 K)

– in August, STEF IT France created a subsidiary in Portugal called STEF IT Portugal;

– in December, the Group acquired 40% of the company NETKO through its subsidiary STEF NEDERLAND (The Netherlands).

3.2.2 ACQUISITION OF MINORITY INTERESTS

In September, the Group acquired 0.9% of the capital in STEF Portugal which brings its holdings to 100%.

3.2.3 SALES, LIQUIDATIONS, UNIVERSAL TRANSMISSION OF ASSETS (TUP)

In June, the Swiss company, Brigantine de Navigation (no business) was subject to liquidation.

In July, the company SCI PPI underwent a Universal Transmission of Assets in IMMOSTEF.

At the end of December, NAVAL STEF and SATA MINFOS underwent a Universal Transmission of Assets in STIM D'ORBIGNY.

3.3 CHANGES IN 2015 (REMINDER)

3.3.1 ACQUISITIONS, START-UPS

The Group acquired:

– at the end of February, on the one hand 100% of the shares of Les Frigorifiques du Périgord and on the other hand a related activity of cold storage at Thenon;

– at the end of March, 65.95% of the shares of GEFA, in which the Group already held 34.02%. This company is fully consolidated in the consolidated financial statements at 99.97% from 1 April 2015;

– after having acquired 80% of the shares of the Italian subsidiary SDR SUD in April and transferring its business to STEF Italia, the Group liquidated it at the end of the year;

– at the end of November, the Group decided to partner with Cerragel (Le Garrec group) by merging the Frozen product warehousing businesses of each one at Boulogne-sur-Mer. This operation resulted in a transfer of real estate assets and activities to a joint-venture created for the occasion, called NORFRIGO of which the Group holds 37.65% of the share capital. This entity is consolidated using the equity method. On this occasion, a capital gain outside the Group was recognised for €4.7 million (note 4.5).

3.3.2 ACQUISITION OF MINORITY INTERESTS

In June, the Group acquired 5.18% of STEF LOGISTIQUE PLOUÉNAN which brings its holdings in the capital of this company to 100%.

In December, a capital increase for STEF Portugal of €5 million, not followed by the minorities, caused the dilution of the latter. The Group now holds 99.1% of the share capital.

3.3.3 SALES, LIQUIDATIONS, UNIVERSAL TRANSMISSION OF ASSETS (TUP)

At the end of June, SCI Bruges, 51% owned by the Group and for which the real estate assets had been sold in 2014, was liquidated.

At the end of August, STEF Transport Toussieu underwent a Universal Transmission of Assets in STEF Transport Lyon Feyzin.

At the end of December, STEF Transport Allonnes underwent a Universal Transmission of Assets in STEF Transport.

3.3.4 RISE IN CAPITAL

In May, the Group increased its holdings in its subsidiary Primever through the acquisition of additional shares, increasing its holdings in the share capital from 33.33% to 49% of the capital.

NOTE 4 EXPLANATORY NOTES TO THE FINANCIAL STATEMENTS

4.1 SEGMENT INFORMATION

Segment information comprises an analysis of the consolidated data by activity and by geographical area. The segment information shown below arises from how the Group is organised and its internal "reporting".

Readers are reminded that, in accordance with IFRS 8 "Operational segments", the Group identifies and presents four operational segments based on the information sent internally to senior managers, who are the main operational decision makers for the Group.

These four segments represent the Group's four main divisions, each of which conducts its operations in France through two separate subsidiaries, STEF Logistique for logistics and STEF Transport for transportation. The Group's international business is developed through local transport and logistics companies. The maritime activity is quite separate. Information on the results of the segments is shown in the tables below. The performance of each segment is assessed by the executive management based on their operating profit or loss.

4.1.1 INFORMATION BY SEGMENT

2016	Transport	Logistics	International activities	Maritime	Others	Consolidated data
Turnover from activities	1,215,352	505,011	635,160	106,385	362,568	2,824,476
Profit (loss) from recurring operations	**59,146**	**19,882**	**27,225**	**6,370**	**186**	**112,810**
Other operating income and expenses	1,337	139	326	9,070	(421)	10,451
Operating profit (loss) of activities	**60,483**	**20,021**	**27,552**	**15,440**	**(235)**	**123,261**
Net financial expenses	(3,065)	(1,684)	(3,052)	(6,342)	2,295	(11,848)
Income tax	(15,576)	(4,996)	(6,812)	(654)	3,171	(24,867)
Profit attributable to shareholders of associated companies	0	(2,305)	296	0	2,829	820
NET INCOME	**41,842**	**11,037**	**17,984**	**8,444**	**8,059**	**87,366**
Activities' assets	726,651	479,409	517,050	143,301	53,063	1,919,474
Unallocated assets						-
TOTAL ASSETS						**1,919,474**
of which goodwill	85,754	3,646	37,948	8,128	1,542	137,018
of which associated companies	698	6,341	2,900	0	12,967	22,906
Activities' liabilities	355,770	253,975	184,505	13,249	(18,105)	789,394
Unallocated liabilities and equity						1,130,080
TOTAL LIABILITIES						**1,919,474**
Depreciation, amortisation recorded in the financial year	39,486	23,943	24,227	6,918	12,328	106,902

The turnover of the "Other activities" sector includes goods trading for third parties for €342.3 million in 2016 compared with €388.4 million in 2015. This 12% reduction is mainly explained by the selective decision made by the Group about its out-of-home foodservice' customer portfolio.

The profit of the maritime segment must be analysed by taking account of the realisation of a net gain in operating profit on the sale of the vessel, the Scandola for €7 million.

The divisions' assets comprise all the balance sheet assets. Liabilities that are not allocated are financial liabilities, which, in so far as the Group's financing is provided by a central structure, cannot be reasonably allocated.

2015	Transport[1]	Logistics [1]	International activities	Maritime	Others	Consolidated data
Turnover from activities	1,213,289	497,273	596,283	108,991	410,394	2,826,230
Profit (loss) from recurring operations	**58,592**	**14,039**	**27,400**	**6,803**	**(1,178)**	**105,656**
Other operating income and expenses	85	3,884	(87)	176	354	4,412
Operating profit (loss) of activities	**59,377**	**17,223**	**27,313**	**6,979**	**(824)**	**110,068**
Net financial expenses	(3,169)	(2,129)	(3,418)	(6,473)	720	(14,469)
Income tax	(16,584)	(5,538)	(4,811)	(81)	3,682	(23,332)
Profit attributable to shareholders of associated companies	0	(72)	224	0	2,867	3,019
NET INCOME	**39,624**	**9,484**	**19,309**	**425**	**6,445**	**75,286**
Activities' assets	712,220	447,720	492,751	158,190	49,137	1,860,019
Unallocated assets						-
TOTAL ASSETS						**1,860,019**
of which goodwill	85,754	3,646	35,616	8,128	1,542	134,686
of which associated companies	698	8,646	2,540	0	11,527	23,411
Activities' liabilities	371,041	210,520	196,228	27,423	(17,007)	788,205
Unallocated liabilities and equity						1,071,814
TOTAL LIABILITIES						**1,860,019**
Depreciation, amortisation recorded in the financial year	37,358	23,063	20,105	8,466	12,492	101,484

(1) Turnover and operating profit data for 2015 was modified due to internal reclassifications in 2016 between Transport France and Logistics France activities

4.1.2 INFORMATION BY GEOGRAPHICAL AREA

	France	Other regions	Consolidated data
2016			
Turnover	2,168,436	656,040	2,824,476
Areas' non-current assets	909,786	323,318	1,233,104
2015			
Turnover	2,225,194	601,036	2,826,230
Areas' non-current assets	873,422	314,707	1,188,129

4.2 PURCHASES FROM THIRD PARTIES

	2016	2015
Purchases other than energy (including catering goods)	375,902	425,484
Purchases of diesel and other fuels	106,814	114,214
Purchases of other energy	44,099	45,690
Transport subcontracting	828,758	802,300
Rent and lease expenses	75,079	75,332
Maintenance	78,642	80,010
External staff and intermediaries' wages and salaries	168,486	156,111
Insurance and losses	49,163	50,656
External services and miscellaneous	73,343	67,883
TOTAL	**1,800,286**	**1,817,680**

The change in this item is mainly explained by the fall in the purchase of goods for out-of-home foodservice following the end of contracts, by the fall in fuel expenses and the increase in Transport subcontracting related to the development of our business.

4.3 PAYROLL EXPENSES

	2016	2015
Salaries and other compensation	509,987	505,384
Social security contributions	207,475	206,312
Net length-of-service awards payable to staff on retirement	3,158	2,852
Employee incentive bonuses and profit-sharing	23,730	20,302
TOTAL	**744,350**	**734,850**

Social security contributions include the costs of long-service awards for the financial year. The items relating to commitments in terms of length-of-service awards payable to employees on retirement are shown in note 4.22.

The income from the CICE tax measure positioned as a reduction in social security contributions represented €18.7 million in 2016 (€18.6 million in 2015).

The characteristics of the allocation plan for performance shares are described in the "General information" section in the management report. The expense related to such shares amounts to €0.65 million in 2016.

4.4 CHARGES NET OF REVERSALS TO PROVISIONS

	2016	2015
Net depreciation of the reversal of trade receivables	2,118	(555)
Impairment of other financial assets	(3)	(136)
Net changes in provisions	(2,733)	(4,912)
TOTAL	**(618)**	**(5,603)**

Changes in provisions are analysed in note 4.23.

4.5 OTHER OPERATING INCOME AND EXPENSES

	2016	2015
Gains on fixed asset sales	1,036	3,774
Vessel sale capital gain	9,108	
Gains or losses on sales of shares	0	4
Others	307	634
TOTAL	**10,451**	**4,412**

Net capital real estate gains or losses in 2016 included the partial sale of the Ostwald site for €1 million.

The capital gain on vessels corresponds to the sale of the Scandola completed in the first half of 2016 before tax and interest.

Net capital real estate gains or losses in 2015 included in particular the sale of the real estate sites linked to the NORFRIGO operation for €4million and capital losses on the sale of the former EBREX sites.

4.6 FINANCIAL INCOME AND EXPENSES

	2016	2015
Financial income		
Other financial income	358	394
Dividends received from non-consolidated shareholdings	331	14
Financial expenses		
Interest expenses on financial liabilities measured at amortised cost	(12,469)	(14,913)
Ineffective portion of hedging instruments	(68)	36
TOTAL	**(11,848)**	**(14,469)**

The Group's debt is mainly fixed-rate debt (see note 4.25).

The financial income benefited from lower rates (Euribor 3M at -0.26% on average in 2016 compared with -0.02% in 2015) despite the increase in the Group's financing needs following real estate investments.

4.7 INCOME TAX EXPENSE

Breakdown of the income tax expense in the income statement:

	2016	2015
Current tax expense		
- Tax of 3% on dividends	(718)	(629)
- Others	(26,236)	(26,775)
Current tax expense subtotal	(26,954)	(27,404)
Deferred tax expense/income (note 4.14)	2,087	4,072
TOTAL	**(24,867)**	**(23,332)**

Breakdown of the difference between theoretical tax expense calculated based on the rates of tax applicable to the parent company and the actual expense:

	2016	2015
Profit before tax	111,413	95,599
	34.43%	38.00%
Theoretical tax at the rate of (current tax)	(38,359)	(36,328)
Income from CICE not subject to tax	6,434	7,094
Impact of the profits from the maritime business subject to tonnage tax*	2,537	173
Fiscal effect of the financing of the Piana	635	1,033
Use of previous deficits not activated	888	2,219
Deficits activated in the period	217	1,459
Difference in foreign tax rates	1,003	1,419
Change in corporate tax rate in France in 2020 (28.92%)	3,086	
Tax of 3% on dividends	(718)	(629)
Other permanent differences	(589)	227
EFFECTIVE TAX	**(24,867)**	**(23,332)**
EFFECTIVE RATE OF TAX	**22.3%**	**24.4%**

*Tax incurred on the capital gain from the sale of the Scandola amounts to €0.6 million

In 2016, the effect of tax rate changes on deferred taxes mainly resulted from the tax rate reduction in France, passed under the 2017 Finance Law, which takes the tax rate to 28.92% from 2020.

4.8 EBITDA

	2016	2015
Operating profit	123,261	110,068
Net allocations to amortisation and depreciation of fixed assets	106,902	101,484
Net impairment and provisions (note 4.4)	618	5,603
TOTAL	**230,781**	**217,155**

4.9 GOODWILL

	31 December 2016	31 December 2015
Net value at 1 January	134,686	132,259
Acquisition of subsidiaries and businesses	2,332	2,427
Sale of subsidiaries		-
Impairment		
NET VALUE AT 31 DECEMBER	**137,018**	**134,686**

The acquisition of subsidiaries and businesses in 2016 includes goodwill, currently being allocated, released by the acquisition of VERS-EXPRESS in the Netherlands for €2.3 million.

Impairment tests were performed at the 2016 balance sheet date, in accordance with the methodology described in note 2.7. Accordingly, the goodwill is assigned to the cash generating units (CGUs), which correspond to the Group's four operational segments.

The values in use of CGUs, which correspond to discounted future cash flows, are determined on the basis of the following main assumptions:

	Transport	Logistics	International activities	Maritime
- Discount rate	7%	7%	7%	7%
- Long-term growth rate	1.5%	2.3%	2.4%	-

The discount rate corresponds to the weighted average cost of capital including the generally accepted parameters (beta, market risk premium). This rate takes account of the tax impact.

With regards to the Maritime CGU, the value in use is historically determined by the sum, on the one hand of the discounted flows at the end of the PSC and on the other hand by the market value as determined by experts used as residual value. Due to the end of the interim PSC at the end of 2017, most of the value is comprised of the market value of the vessels at 31 December 2016.

BREAKDOWN OF GOODWILL BY SECTOR

2015	Transport	Logistics	International activities	Maritime	Others	Consolidated data
Goodwill and intangible assets with an indeterminate useful life	96,161	5,717	40,931	8,398	6,730	157,937

SENSITIVITY ANALYSIS

The table below shows, for each cash-generating unit, the test margins that correspond to the difference between the recoverable value and the book value resulting, on the one hand, from a change in the growth rate (decrease of 1 percentage pt), and, on the other hand, from a change in the discount rate (increase of 1 pt).

Assumptions used:

Normative growth rates vary from:

- Transport 1.5% to 0.5%
- Logistics 2.3% to 1.3%
- International activities 2.4% to 1.4%
- The discount rate (WACC) varies from 7% to 8%

TEST RESULTS

The discount rate that would give recoverable values equal to the net book values is 18.9%.

in millions of euros	Margin of resistance to change in rates	
31/12/2016	of growth (decrease of 1pt)	of discount (rise of 1pt)
Transport	807	770
Logistics	358	338
International activities	532	507
Maritime	61	61
TOTAL	**1,758**	**1,676**

4.10 INTANGIBLE FIXED ASSETS

GROSS VALUES	Software	Other intangible assets	Total
AT 31 DECEMBER 2014	**112,031**	**23,391**	**135,422**
Acquisitions	5,363	576	5,939
Changes in scope	49		49
Other changes	2,952	(1,593)	1,359
Sales and scrapped goods	(2,476)	(353)	(2,829)
AT 31 DECEMBER 2015	**117,919**	**22,021**	**139,940**
Acquisitions	5,654	3,235	8,889
Changes in scope		(229)	(229)
Other changes	479	(462)	17
Sales and scrapped goods	(3,366)		(3,366)
AT 31 DECEMBER 2016	**120,686**	**24,565**	**145,251**

DEPRECIATION, AMORTISATION AND IMPAIRMENT	Software	Other intangible assets	Total
AT 31 DECEMBER 2014	**96,403**	**11,524**	**107,927**
Allocations	9,946	1,182	11,128
Changes in scope	49		49
Other movements	1,276	(31)	1,245
Reversals and sales	(2,477)	(1)	(2,478)
AT 31 DECEMBER 2015	**105,197**	**12,674**	**117,871**
Allocations	9,412	442	9,854
Changes in scope		(229)	(229)
Other movements	3	(82)	(79)
Reversals and sales	(3,085)		(3,085)
AT 31 DECEMBER 2016	**111,527**	**12,805**	**124,332**
NET BOOK VALUE AT 31 DECEMBER 2015	**12,722**	**9,347**	**22,069**
NET BOOK VALUE AT 31 DECEMBER 2016	**9,159**	**11,760**	**20,919**

4.11 TANGIBLE FIXED ASSETS

GROSS VALUES	Land and buildings	Transportation equipment	Vessels	Others	Total
AT 31 DECEMBER 2014	**995,259**	**101,476**	**308,545**	**482,624**	**1,887,904**
Acquisitions	51,893	18,407	3,413	57,075	130,788
Changes in scope	12,047			5,634	17,681
Sales and scrapped goods	(27,034)	(4,886)	(43)	(11,290)	(43,253)
Other changes (including fixed assets under construction)	31,270	214		(28,089)	3,395
AT 31 DECEMBER 2015	**1,063,435**	**115,211**	**311,915**	**505,954**	**1,996,515**
Acquisitions	59,807	23,936	1,985	66,833	152,561
Changes in scope	16	568		117	701
Sales and scrapped goods	(3,689)	(4,061)	(35,336)	(15,915)	(59,001)
Other changes (including fixed assets under construction)	15,739	16	2,133	(14,520)	3,368
AT 31 DECEMBER 2016	**1,135,308**	**135,670**	**280,697**	**542,469**	**2,094,144**

DEPRECIATION, AMORTISATION AND IMPAIRMENT	Land and buildings	Transportation equipment	Vessels	Others	Total
AT 31 DECEMBER 2014	**396,805**	**77,606**	**201,640**	**299,909**	**975,960**
Increases	44,446	9,384	8,238	28,319	90,387
Changes in scope	1,987			2,385	4,372
Sales and scrapped goods	(14,498)	(3,816)	(43)	(13,206)	(31,563)
Other changes	1,510	156		5,743	7,409
AT 31 DECEMBER 2015	**430,250**	**83,330**	**209,835**	**323,150**	**1,046,565**
Increases	40,148	12,038	6,683	38,179	97,048
Changes in scope	13	404		103	520
Sales and scrapped goods	(2,863)	(3,038)	(33,445)	(14,028)	(53,374)
Other changes	1,777	10		1,294	3,081
AT 31 DECEMBER 2016	**469,325**	**92,744**	**183,073**	**348,698**	**1,093,840**
NET BOOK VALUE AT 31 DECEMBER 2015	**633,185**	**31,881**	**102,080**	**182,804**	**949,950**
NET BOOK VALUE AT 31 DECEMBER 2016	**665,983**	**42,926**	**97,624**	**193,771**	**1,000,304**

In 2015, the changes in scope primarily included fixed assets from the acquisition of the SPEKSNIJDER companies. In 2016, this was the assets of VERS-EXPRESS.

In addition, the net book values given include fixed assets under construction for the amount of €36.4 million (compared with €26.2 million at 31 December 2015).

Firm orders for tangible fixed assets at 31 December 2016, not yet executed, amounted to €45.5 million (compared with €23 million at 31 December 2015).

The net book value of fixed assets used by the Group, through finance leases, can be broken down as follows:

	31 December 2016	31 December 2015
– Vehicles	6,924	2,841
– Technical installations	77	1,126
– Platforms and warehouses	88,061	98,625
– Attached land	30,412	31,516
TOTAL	**125,474**	**134,108**

4.12 NON-CURRENT FINANCIAL ASSETS

	31 December 2016	31 December 2015
Non-consolidated shareholdings	3,080	2,897
Loans and receivables	25,389	23,655
Other non-current financial assets	6	1,039
TOTAL	**28,475**	**27,591**

Loans and receivables mainly comprise loans paid under the employers' contribution to construction investments for the amount of €20.4 million in 2016 (€18.7 million in 2015).

Other non-current financial assets in 2015 mainly comprised a receivable relating to the recovery by the lending banks of a tax benefit appropriate to the financing of a vessel.

4.13 ASSOCIATED COMPANIES

Investments in associated companies are referred to in paragraph 5. The data from the financial statements of associated companies consolidated by the equity method is as follows:

2016	Attributable to Group shareholders	Total turnover	Total assets	Total liabilities	Company's net assets	Equity value	Net profit (loss)	Net profit (loss) attributable to Group
BRIGANTINE DE NAVIGATION (1)	100.00%						(3)	(3)
FROIDCOMBI	25.50%	15,391	6,773	4,427	2,346	598	761	194
MESSAGERIES LAITIÈRES	38.69%	76,025	42,757	27,396	15,361	7,316	2,709	1,048
OLANO SEAFOOD IBERICA	32.00%	27,812	12,339	7,488	4,851	1,898	647	207
OLANO VALENCIA(2)	20.00%				1,787	778	445	89
NETKO(2)	40.00%				557	223		
STEFOVER TUNISIE(2)	49.00%				150	132	8	4
GROUPE PRIMEVER(2)	49.00%				10,044	5,620	3,237	1,586
NORFRIGO(2)	37.65%				24,484	6,341	(6,122)	(2,305)
TOTAL		**119,228**	**61,869**	**39,311**	**59,580**	**22,906**	**1,681**	**820**

(1) Company liquidated in 2016.
(2) Turnover and balance sheet data not sent.

The Group is not a stakeholder in any joint venture.

2015	Attributable to Group shareholders	Total turnover	Total assets	Total liabilities	Company's net assets	Equity value	Net profit (loss)	Net profit (loss) attributable to Group
BRIGANTINE DE NAVIGATION [1]	100.00%				4	4	(1)	(1)
FROIDCOMBI	25.50%	16,839			2,382	607	1,016	259
MESSAGERIES LAITIÈRES	38.69%	71,918	41,560	25,940	15,620	7,372	2,869	1,110
OLANO SEAFOOD IBERICA	32.00%	27,331	12,172	7,468	4,704	1,851	519	166
OLANO VALENCIA	20.00%				1,341	689	135	27
SDR SUD[2]	20.00%				1,937	-	155	31
STEFOVER TUNISIE	49.00%	214	267	115	152	132	(39)	(19)
GROUPE PRIMEVER	49.00%	103,213	62,957	55,996	6,961	4,109	3,100	1,519
NORFRIGO	37.65%				30,605	8,646	(194)	(73)
TOTAL		**219,515**	**116,956**	**89,519**	**63,706**	**23,411**	**7,560**	**3,019**

(1) Company with no business or in administration.
(2) Company liquidated in 2015.

4.14 DEFERRED TAX ASSETS AND LIABILITIES

The main types of deferred tax, and their changes during the year are as follows:

2016	At 1 January 2016	Changes in profit and loss	Other changes	Changes in net comprehensive income	31 December 2016
Deferred tax assets					
Net deferred tax from parent company accounts	851	524	(603)	(100)	672
Temporary tax differences	6,588	(793)	11		5,806
Discounting of loans to construction	1,749	(597)			1,152
IAS 19 R actuarial gains	2,074	(267)	(494)	520	1,833
Application of IFRIC 21 on C3S expenses	566		(566)		0
Fair value of hedging instruments	4,966	32	(346)	(919)	3,733
Loss carryforwards	5,140	(3,430)	350		2,060
Capitalised internal services	2,322	(114)			2,208
Internal profit	551	(171)			380
Exercise of finance leases	4,938	534			5,472
Leaseback	29	(18)			11
Pension provisions	716	(624)	181		273
Others	(68)	(50)			(118)
TOTAL DEFERRED TAX ASSETS	**30,422**	**(4,974)**	**(1,467)**	**(499)**	**23,482**
Deferred tax liabilities					
Additional depreciation	(19,134)	980			(18,154)
Difference in tangible fixed assets depreciation	(200)	139			(61)
Fixed assets held under finance leases	(17,670)	3,797	423		(13,450)
Revaluation of fixed assets	(8,088)	1,830			(6,258)
Merger tax	(2,409)	404	19		(1,986)
Goodwill	(13)	(47)	37		(23)
Others	26	(42)	3		(13)
TOTAL DEFERRED TAX LIABILITIES	**(47,488)**	**7,061**	**482**	**0**	**(39,945)**
NET IMPACT	**(17,066)**	**2,087**	**(985)**	**(499)**	**(16,463)**

In 2016, the changes in the profit and loss account include the effect of the tax rate change in France from 34.43% to 28.92% from 2020.

2015	At 1 January 2016	Changes in profit and loss	Other changes	Changes in net comprehensive income	31 December 2015
Deferred tax assets					
Net deferred tax from parent company accounts	733	(85)	252	(49)	851
Temporary tax differences	4,707	1,413	468		6,588
Discounting of loans to construction	2,821	(1,072)			1,749
IAS 19 R actuarial gains	2,529			(455)	2,074
Application of IFRIC 21 on C3S expenses		566			566
Fair value of hedging instruments	5,987	35	(152)	(904)	4,966
Loss carryforwards	4,114	1,026			5,140
Capitalised internal services	2,198	124			2,322
Internal profit	535	16			551
Exercise of finance leases	4,172	775	(9)		4,938
Leaseback	59	(30)			29
Pension provisions	331	385			716
Others	(202)	71	63		(68)
TOTAL DEFERRED TAX ASSETS	**27,984**	**3,224**	**622**	**(1,408)**	**30,422**
Deferred tax liabilities					
Additional depreciation	(17,071)	(1,710)	(353)		(19,134)
Difference in tangible fixed assets depreciation	(512)	312			(200)
Fixed assets held under finance leases	(18,176)	1,062	(556)		(17,670)
Revaluation of fixed assets	(6,453)	965	(2,600)		(8,088)
Treasury share transactions	(39)	39			0
OBSAARs	47	26			73
Merger tax	(2,686)	277			(2,409)
Goodwill	30	(6)	(37)		(13)
Others	70	(117)			(47)
TOTAL DEFERRED TAX LIABILITIES	**(44,790)**	**848**	**(3,546)**	**0**	**(47,488)**
NET IMPACT	**(16,806)**	**4,072**	**(2,924)**	**(1,408)**	**(17,066)**

Other changes include additions to the scope and reclassification by nature.

The Group believes that, based on the action plans undertaken locally and subsequent profit forecasts made using conservative estimates, the subsidiaries carrying these assets will in the foreseeable future have sufficient taxable profit against which the recognised deferred tax assets will be able to be charged.

All the bases for unrecognised deferred tax under loss carryforwards amounted to €27 million at the end of 2016, primarily in France (same at 31 December 2015).

The net deferred tax positions for each country are as follows:

2016	France	Benelux	Spain	Italy	Portugal	Switzerland	Group total
Deferred tax	(15,581)	(1,179)	483	(689)	332	171	(16,463)
2015	**France**	**Benelux**	**Spain**	**Italy**	**Portugal**	**Switzerland**	**Group total**
Deferred tax	(18,636)	(1,457)	803	2,108	116	0	(17,066)

4.15 INVENTORIES

	31 December 2016	31 December 2015
Raw materials and supplies	18,227	16,589
Foodservice goods	18,371	19,669
Others	88	145
TOTAL	36,686	36,403
Impairment	(9)	(31)
TOTAL	**36,677**	**36,372**

Inventories of foodservice goods result from trading activities on behalf of certain catering retailers.

4.16 CUSTOMERS

	31 December 2016	31 December 2015
Gross amount of trade receivables	466,170	451,192
Impairment	(10,907)	(12,911)
TOTAL	455,263	438,281

Changes in depreciation in the trade receivables recognised in the income statement for 2016 and 2015 are referred to in note 4.4. There are no significant trade receivables in the sense of IFRS 8.

4.17 OTHER ACCOUNTS PAYABLE

	31 December 2016	31 December 2015
Advances and deposits received	25,236	31,374
Social charges	2,057	2,189
Tax expenses excluding corporate tax	65,360	64,621
Active current accounts	2,730	3,859
Prepayments under assets	9,657	8,121
Other accounts payable	17,268	31,116
TOTAL	122,308	141,280

4.18 CASH AND CASH EQUIVALENTS

	31 December 2016	31 December 2015
Marketable securities and investments	2,275	3,461
Cash assets	49,251	38,996
TOTAL	51,526	42,457

Some marketable securities that do not meet the "Cash Equivalent" criteria in the sense of the IFRS have been reclassified, up to €1.1 million in other receivables and current financial assets.

4.19 SHARE CAPITAL

The number of shares comprising the share capital is 13,165,649 shares with a nominal value of €1 at 31 December 2016 unchanged compared to 2015.

The Board of Directors meeting on 16 March 2017 set the dividend to be paid for the 2016 financial year at €2.25 per share (€1.95 for the 2015 financial year). This dividend was not recognised in the 2016 consolidated financial statements and will constitute a Company liability if approved by the Shareholders' Meeting.

To ensure a certain trading volume in STEF shares, the Group signed a liquidity contract with a financial institution.

4.20 EARNINGS PER SHARE

The non-diluted earnings per share is determined by dividing the net profit attributable to STEF shareholders by the weighted average number of shares in circulation during the year.

The weighted average number of shares in circulation is determined by taking into account shares issued as a result of the exercising of stock options by the beneficiaries of these options, treasury shares acquired by the Group that are cancelled and treasury shares allocated to beneficiaries who exercise their share purchase options.

The diluted earnings per share is calculated based on a number of shares increased by the effect of exercising all these instruments.

The reconciliation between the existing shares at the beginning of the financial year and the weighted average number of shares in the calculations of the earnings per share is as follows:

	2016 financial year	2015 financial year
GROUP SHARE PROFIT	**87,052**	**75,186**
Number of shares comprising share capital at 31 December (a)	13,165,649	13,165,649
Number of treasury shares at the end of the financial year (b)	879,475	895,521
Number of treasury shares assigned to the performance action plan (d)	(26,304)	
Weighting of financial year's treasury share movements (c)	(10,320)	24,335
Weighted average number of shares in the financial year for calculating the non-diluted earnings (a) - (b) + (c) - (d)	**12,302,158**	**12,294,463**
Number of BSAARs at 31 December		
Weighting of financial year's BSAAR movements	(447)	(9,506)
Weighted average number of shares used for calculating the diluted earnings per share	**12,301,711**	**12,284,957**
Earnings per share in euros		
- Non-diluted	7.08	6.12
- Diluted	7.08	6.12

Details on the movements on dilutive instruments are provided in note 4.24.

4.21 FINANCIAL LIABILITIES

	31 December 2016	31 December 2015
Non-current financial liabilities		
Bank borrowings and drawdowns of confirmed lines of credit of more than one year	279,533	406,378
Liabilities associated with finance leases	40,392	45,337
Fair value of financial derivatives	9,449	10,885
TOTAL	**329,374**	**462,600**
Current financial liabilities		
Portion at less than one year of:		
- Bank loans and spot lines of credit	38,996	62,509
- Liabilities associated with finance leases	10,081	10,205
- Other miscellaneous financial liabilities	2,992	2,237
- Commercial papers	147,500	
Fair value of financial derivatives	4,186	4,587
Bank overdrafts and short-term loans	37,592	35,286
TOTAL	**241,347**	**114,824**
TOTAL FINANCIAL LIABILITIES	**570,721**	**577,424**

The Group mainly used bank loans and issued commercial papers to finance its real estate investments.

The maturities of financial liabilities at 31 December 2016 and 31 December 2015 are shown below.

2016	Total	Less than one year	Maturities of more than one and less than five years	Over 5 years
Bank borrowings and drawdowns (including fair value of derivatives)	332,164	43,182	202,991	85,991
Finance leases	50,473	10,081	34,049	6,343
Commercial papers	147,500	147,500		
Bank overdrafts	37,592	37,592		
Miscellaneous financial liabilities	2,992	2,992		
TOTAL	**570,721**	**241,347**	**237,040**	**92,334**

2015	Total	Less than one year	Maturities of more than one and less than five years	Over 5 years
Bank borrowings and drawdowns (including fair value of derivatives)	484,359	67,096	324,714	92,549
Finance leases	55,542	10,205	36,706	8,631
Bank overdrafts	35,286	35,286		
Miscellaneous financial liabilities	2,237	2,237		
TOTAL	**577,424**	**114,824**	**361,420**	**101,180**

The Group's exposure to exchange rate, interest rate and liquidity risks due to its financial liabilities is analysed in note 4.25.

4.22 STAFF BENEFITS

This note concerns post-employment defined benefits which include the length-of-service awards payable on retirement in France and Switzerland and the termination benefits in Italy on the one hand and other long-term benefits including long-service awards in France and Switzerland on the other.

POST-EMPLOYMENT BENEFITS

	2016	2015
Actuarial liability	54,838	46,705
Hedge assets	(32,838)	(28,929)
subtotal Length-of-service awards payable on retirement	22,000	17,776
Long-service awards	9,817	9,380
TOTAL	**31,817**	**27,156**

CHANGE IN NET VALUES REPORTED IN THE BALANCE SHEET

	2016	2015
AMOUNT AT 1 JANUARY	**17,776**	**17,821**
Expenses for the year	3,158	2,852
Change in scope	494	
Change in actuarial gains	2,668	(1,202)
(Premiums paid) / payments received from insurance companies	80	168
Benefits paid	(2,176)	(1,863)
AMOUNT AT 31 DECEMBER	**22,000**	**17,776**

CHANGE IN ACTUARIAL LIABILITY

	2016	2015
AMOUNT AT 1 JANUARY	**46,705**	**46,073**
Rights acquired during the year and financial cost of undiscounting the actuarial liability	3,365	2,852
Benefits paid	(2,176)	(1,863)
Projected actuarial liability at 31 December based on the assumptions at the start of the financial year	47,894	47,062
Swiss pension integration	4,054	0
Change in scope	494	
Actuarial gains related to:		
- demographic assumptions	(1,114)	0
- financial assumptions	2,743	(949)
- experience adjustments	767	592
AMOUNT AT 31 DECEMBER	**54,838**	**46,705**

DETAILS OF EXPENSES FOR THE YEAR

	2016	2015
Rights acquired during the year	2,480	2,585
Financial cost of undiscounting the actuarial liability	885	762
Forecast return on ring-fenced funds	(579)	(495)
Swiss pension integration	372	0
	3,158	**2,852**

The payment schedule for theoretical benefits is as follows:

YEARS	2017	2018	2019	2020	2021
Payment of theoretical benefits	2,772	1,809	2,029	2,464	3,497

CHANGE IN THE FAIR VALUE OF HEDGE ASSETS

FAIR VALUE OF ASSETS AT 31 DECEMBER 2014	**28,252**
Expected financial return for 2015	495
Actuarial gains	350
Repayments on services received of funds	(168)
FAIR VALUE OF ASSETS AT 31 DECEMBER 2015	**28,929**
Expected financial return for 2016	579
Actuarial gains	(271)
Repayments on services received of funds	(80)
Swiss pension integration	3,681
FAIR VALUE OF ASSETS AT 31 DECEMBER 2016	**32,838**

Expenses for the year were recorded as operating expenses. Ring-fenced funds, managed in euros, are deposited with institutional investors in France and Switzerland. They benefit from a capital guarantee and, for the most part, from a minimum return guarantee. The ring-fenced funds with insurance companies are comprised of assets in euros (main component) and diversified assets, some offering a minimum rate guarantee and in all cases a capital guarantee.

The main assumptions used to measure the actuarial liability of commitments of length-of-service awards payable on retirement, are as follows:

	2016	2015
Discount rate	1.5% (Switzerland 0.75%)	2.00%
Forecast rate of increase of workforce	2.25% or 1.75% (Switzerland 0%)	2 or 2.5%
Forecast rate of return of ring-fenced funds	2%	3%
Retirement age	60 – 66 years of age	58 – 62 years of age
Mortality table	TGH 05 and TGF 05 RGM/RGF 48 BVG 2015	TGH 05 and TGF 05

The retirement age depends on the employees' classification and the sectors of activity in which they are employed. Moreover, it is assumed that employees leave the Group based on a request for voluntary departure. The benefits paid to them in France are therefore subject to social security contributions in accordance with the Fillon law of 2003 and subsequent social security financing laws.

A sensitivity test was performed with discount rates differing by 0.25% compared to the above rates. This results in a decrease in the commitment of 2.9% or an increase of 3.3% depending on whether the discount-rate increments are added or subtracted.

4.23 PROVISIONS

The detail of the provision for risks and expenses on the balance sheet is as follows:

	31 December 2016	31 December 2015
Length-of-service awards payable on retirement (cf. note 4.22)	22,000	17,776
Long-service awards	9,817	9,380
Dispute provisions	12,370	13,232
Other provisions	13,908	10,967
TOTAL	**58,095**	**51,355**

The change in the provisions for risks and expenses can be explained primarily by provisions for dismantling costs of real estate assets and non-recurring expenses related to site restructuring.

The change in provisions, other than those relating to length-of-service awards payable on retirement is presented as follows:

	Long-service awards	Disputes	Others	Total
AT 1 JANUARY 2016	**9,380**	**13,231**	**10,968**	**33,579**
Changes in scope				0
Other changes		(40)	(756)	(796)
Allocations	917	10,349	8,353	19,619
Reversals	(480)	(11,170)	(4,657)	(16,307)
AT 31 DECEMBER 2016	**9,817**	**12,370**	**13,908**	**36,095**
Non-current	9,817	3,067	10,211	23,095
Current	0	9,303	3,697	13,000
AT 31 DECEMBER 2016	**9,817**	**12,370**	**13,908**	**36,095**

	Long-service awards	Disputes	Others	Total
AT 1 JANUARY 2015	**9,154**	**12,764**	**5,924**	**27,842**
Changes in scope			624	624
Other changes	(4)		(2)	(6)
Allocations	947	11,244	6,133	18,324
Reversals	(717)	(10,777)	(1,711)	(13,205)
AT 31 DECEMBER 2015	**9,380**	**13,231**	**10,968**	**33,579**
Non-current	9,380	2,861		12,241
Current	0	10,370	10,968	21,338
AT 31 DECEMBER 2015	**9,380**	**13,231**	**10,968**	**33,579**

The provision for disputes covers, for the current portion of the income statement, the costs incurred from loss or damage occurring during transport, handling or storage services, and, for the non-current portion of the income statement, the consideration of risks arising from various disputes.

The other provisions cover tax and social risks as well as risks related to the maritime business.

4.24 DILUTIVE INSTRUMENTS

	2016 financial year	2015 financial year
	Number	Number
Number of shares existing at the beginning of the financial year		19,719
BSAAR options exercised in the year		(19,719)
NUMBER OF OPTIONS EXISTING AT THE END OF THE FINANCIAL YEAR	**0**	**0**

4.25 FINANCIAL RISK MANAGEMENT

CREDIT RISK

No customer accounts for more than 5% of the Group's turnover, which limits the risk that the bankruptcy of one customer could have a significant impact on the Group's financial position. The Group has credit insurance covering it against the risk of bankruptcy of its customers, which is renewed on a regular basis.

Financial investments consist of senior securities and are negotiated with tier one banks.

The Group subscribes to OTC derivatives with tier one banks under agreements that provide for the offsetting of the amounts due and to be received in the event that one of the contracting parties defaults.

These conditional offsetting agreements do not comply with the criteria of the IAS 32 standard to allow the offsetting of derivative assets and liabilities on the balance sheet.

INTEREST RATE RISK

Currently, the Group's consolidated debt is partly at a variable rate and partly at a fixed rate.

The structure of the financial debt by rate type, after taking account of the hedging instruments in place, is as follows:

	2016		2015	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Bank loans	270,675	195,352	268,075	200,812
Liabilities associated with finance leases	45,337	5,136	35,614	19,928
Miscellaneous financial liabilities	2,992	13,636	2,237	15,472
Bank overdrafts and short-term loans		37,592		35,286
TOTAL FINANCIAL LIABILITIES NET OF HEDGES	**319,004**	**251,717**	**305,926**	**271,498**

The Group's objective in terms of interest rate risk management is to use micro-hedging as and when new real-estate financing contracts are signed while actively monitoring the change in interest rates in order to hedge the Group's other financing, when the market conditions are favourable. This hedging policy by the Group should optimise the contracting of financial instruments to hedge the underlying liabilities, while improving its effectiveness and complying with accounting requirements in terms of hedge accounting.

In France, 28 swaps were contracted between 2007 and 2016, totalling a hedged notional amount of €248 million at 31 December 2016. In 2014, the Group took advantage of the fall in interest rates in order to convert part of the fixed rate debt by contracting to two swaps with regard to medium-term credit lines for a notional principal amount of €80 million, over a three-year term.

Other interest rate swaps were contracted with regard to long-term financing in terms of duration and amortisable notional principal amount. Their maturity depends on the duration of the underlying financing, i.e. between 9 and 15 years at the start.

In Spain, two swaps cover part of the lease debt for an amount of €5 million. Moreover, an interest rate swap hedges the financing of the Tórrejon platform for a notional principal amount of €6 million over a residual period of 4 years.

In Italy, the subsidiary STEF ITALIA contracted an interest rate swap to hedge the Tavazzano platform for a notional principal amount of €7 million; the end of the contract is in 2022.

In Belgium, the subsidiary STEF LOGISTICS SAINTES contracted an interest rate swap to hedge the Saintes platform for a notional principal amount of about €3 million; the end of the contract is in 2024.

In the Netherlands, the subsidiary Speksnijder, acquired in September 2014 contracted an interest rate swap for a notional principal amount of €0.7 million, the end of the contract is in 2020.

ANALYSIS OF INTEREST RATE RISK SENSITIVITY

A change of 50 basis points in the interest rates at the balance sheet date would have impacted equity and profit (before tax) up to the amounts shown below. For the purposes of this analysis, all other variables are assumed to be constant.

(-) DEBIT / (+) CREDIT	Impact on profit and loss		Impact on comprehensive income	
	Rise of 50 bps	Fall of 50 bps	Rise of 50 bps	Fall of 50 bps
Floating rate interest charges on assets/liabilities	1,190	(1,190)		
Change in fair value of derivatives			4,083	(4,530)
NET IMPACT	**1,190**	**(1,190)**	**4,083**	**(4,530)**

BALANCE SHEET EXPOSURE TO RATE RISK AT 31 DECEMBER 2016

AT 31 DECEMBER 2016	Current		Non-current	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Financial liabilities*	10,247	226,915	39,466	280,457
Non-current financial assets (note 4.12)			(25,395)	(3,080)
Cash and cash equivalents (note 4.18)		(51,526)		
NET EXPOSURE BEFORE TAKING ACCOUNT OF DERIVATIVES	**10,247**	**175,389**	**14,071**	**277,377**
Notional amounts of derivatives	119,257	(119,257)	150,035	(150,035)
NET EXPOSURE AFTER TAKING ACCOUNT OF DERIVATIVES	**129,774**	**55,862**	**164,106**	**127,342**

* Excluding market value of derivatives.

AT 31 DECEMBER 2015	Current		Non-current	
	Fixed rate	Floating rate	Fixed rate	Floating rate
Financial liabilities*	9,351	100,885	28,014	423,701
Non-current financial assets (note 4.12)			(24,694)	(2,897)
Cash and cash equivalents (note 4.18)		(42,457)		
NET EXPOSURE BEFORE TAKING ACCOUNT OF DERIVATIVES	**9,351**	**58,428**	**3,320**	**420,804**
Notional amounts of derivatives	21,067	(21,067)	247,494	(247,494)
NET EXPOSURE AFTER TAKING ACCOUNT OF DERIVATIVES	**30,418**	**37,361**	**250,814**	**173,310**

* Excluding market value of derivatives.

EXCHANGE RATE RISK

Most of the flows outside the Eurozone concern Switzerland, where the business represents less than 1% of the Group's turnover. In this scope, the income and associated costs are mostly accounted for in Swiss francs, which limits the impact of a change in the exchange rate €/CHF on the Group's results.

LIQUIDITY RISK

The Group's cash management is centralised which gives it control over all its subsidiaries' cash flows.

The Group's cash needs are mainly provided by credit lines at parent company level.

At 31 December 2016, STEF had 15 confirmed medium-term credit lines, totalling €185 million. At 31 December 2016, up to €86 million had been drawn down. Drawdowns were made for periods of between one and three months, on which the applicable interest rate was that of the day of the drawdown. The initial duration of these lines varies between 4 and 5 years.

In February 2016, in order to complement and diversify its lenders' base and make savings on financial expenses, the Group implemented a commercial papers programme of a maximum amount of €250 million. These papers are issued by STEF SA on maturities ranging from 1 day to 1 year. The outstanding amount of the programme at 31 December 2016 was €148 million.

STEF also has spot loans totaling €32 million, unused at 31 December 2016 and overdraft agreements, with no agreed expiry date, totalling €99 million, of which €38 million was used at 31 December 2016. The current cash needs of the subsidiaries are provided mainly by the parent company through a European centralised cash management agreement.

Confirmed, unused credit lines and available overdrafts and spot loans, together with effective cash flow planning, ensure that the Group has excellent control of its liquidity risk.

Some lines and loans are supported by commitments from the Group, including respecting financial ratios. The main ratios are as follows: EBITDA / Net financial expenses higher than 6 or 6.5 and Net Debt / Equity less than 1.7. At 31 December 2016, the Group met all commitments attached to the funding available to it.

Contractual cash flows attached to the financial liabilities and finance lease liabilities are broken down as follows:

	2016	Terms of contractual cash flows		
	Book value	Less than one year	More than one and less than five years	Over 5 years
Bank loans	318,528	38,995	194,654	84,879
Finance leases	50,473	10,081	34,049	6,343
Bank overdrafts	37,592	37,592		
Commercial papers	147,500	147,500		
Derivative financial liabilities	13,636	4,187	8,337	1,112
Miscellaneous financial liabilities	2,992	2,992		
Sub-total of financial liabilities	**570,721**	**241,347**	**237,040**	**92,334**
Trade accounts payable	356,802	356,802		
Other current liabilities	334,552	334,552		
TOTAL	**1,262,075**	**932,701**	**237,040**	**92,334**

DIESEL RISK

As a large consumer of diesel, STEF, which is exposed to changes in the price of this fuel, does not currently intend to purchase hedging instruments. Besides the impact of this expense, the Group especially prefers to optimise purchases with dedicated buyers and implement measures to reduce consumption by vehicles.

INFORMATION ON THE FAIR VALUE OF FINANCIAL INSTRUMENTS BY CATEGORY

	Balance sheet value 31/12/2016	Fair value through the income statement	Assets available for sale	Loans and receivables	Assets not qualified as financial
Unconsolidated equity instruments	203		203		
Other non-current financial assets	7,809			7,809	
Loans and receivables from financial activities	20,369			20,369	
Marketable securities	94		94		
Sub-total: non-current financial assets	**28,475**	**-**	**297**	**28,178**	**-**
Customers	455,263			465,263	
Other accounts receivable	142,904			142,904	
Cash and cash equivalents	51,526	51,526			
ASSETS	**678,168**	**51,526**	**297**	**626,345**	**-**

	Balance sheet value 31/12/2016	Fair value through the income statement	Debts measured at amortised cost	Derivatives qualified as hedges	Liabilities not qualified as financial
Non-current financial liabilities	13,636			13,636	
Debts from financial activities	519,493		469,020		50,473
Current financial liabilities	37,592		37,592		
Sub-total: Financial liabilities	**570,721**	**-**	**506,612**	**13,636**	**50,473**
Trade accounts payable	356,802		356,802		
Other accounts payable	334,552		334,552		
LIABILITIES	**1,262,075**	**-**	**1,197,966**	**13,636**	**50,473**

	Balance sheet value 31/12/2015	Fair value through the income statement	Assets available for sale	Loans and receivables	Assets not qualified as financial
Unconsolidated equity instruments	347		347		
Other non-current financial assets	8,462			8,462	
Loans and receivables from financial activities	18,689			18,689	
Marketable securities	93		93		
Sub-total: non-current financial assets	**27,591**	**-**	**440**	**27,151**	**-**
Customers	438,281			438,281	
Other accounts receivable	154,780			154,780	
Cash and cash equivalents	42,457	42,457			
ASSETS	**663,109**	**42,457**	**440**	**620,212**	**-**

	Balance sheet value 31/12/2015	Fair value through the income statement	Debts measured at amortised cost	Derivatives qualified as hedges	Liabilities not qualified as financial
Non-current financial liabilities	15,472			15,472	
Debts from financial activities	526,666		471,124		55,542
Current financial liabilities	35,286		35,286		
Sub-total: Financial liabilities	**577,424**	**-**	**506,410**	**15,472**	**55,542**
Trade accounts payable	357,138		357,138		
Other accounts payable	332,224		332,224		
LIABILITIES	**1,266,786**	**-**	**1,195,772**	**15,472**	**55,542**

The financial assets and liabilities not covered within the scope of IAS 39 mainly comprise finance lease liabilities.

Hierarchy of fair values at 31 December 2016

Financial instruments at fair value are classified according to the following hierarchy levels:

- level 1: financial instruments which are listed on an active market;
- level 2: financial instruments whose evaluation requires the use of valuation techniques based on observable parameters;
- level 3: financial instruments whose evaluation requires the use of valuation techniques based in whole or in part on non-observable parameters.

	Level 1	Level 2	Level 3
Financial assets available for sale		297	
Cash and cash equivalents		51,526	
ASSETS	-	**51,823**	
Derivatives		13,636	
LIABILITIES		**13,636**	

DERIVATIVES PORTFOLIO AT 31 DECEMBER 2016

	Fair value	On assets	On liabilities	Effective portion recorded in net comprehensive income for the period	Nominal hedged	Average maturity	Reference rate
Swaps	(13,636)		(13,636)	1,904	269,292	3-4 years	Euribor

METHOD FOR DETERMINING FAIR VALUES

The fair value of interest rate swaps and options is based on quotes made by financial intermediaries. The Group ensures that these quotes are reasonable by valuing the swaps by discounting estimated future cash flows and the options using a valuation model (Black & Sholes type).

The fair value of "trade accounts payable" and "trade accounts receivable" is equal to the book value on the balance sheet because the discounting of cash flows has a negligible impact given the short payment and settlement deadlines.

The fair value of floating rate debts is very nearly equal to the book value with close credit risk.

4.26 OTHER LIABILITIES

	31 December 2016	31 December 2015
Advances and deposits paid	34,202	31,740
Social debt	170,363	169,311
Tax debt	95,490	94,681
Deferred income	15,624	14,958
Current accounts in debit	935	1,917
Debt on asset acquisitions	12,871	6,211
Other liabilities	3,762	12,610
TOTAL	**333,247**	**331,428**

4.27 OPERATING LEASES

Rents reported under operating leases on property, transportation equipment and other equipment amounted to €75.1 million in 2016 (€75.3 million in 2015).

4.28 OPERATIONS WITH RELATED PARTIES

Related parties with regard to STEF are associated companies, STEF's Directors and senior executives. The shareholding structures of managers and senior executives are also in this position, as well as employee investment funds which, acting together, control 84.6% of the voting rights at the STEF Shareholders' Meeting.

The following net remuneration and other benefits were paid to Directors and senior executives, in euros:

	31 December 2016	31 December 2015
Salaries and wages	1,572,414	1,514,546
Directors' attendance fees	109,300	118,324
TOTAL	**1,681,714**	**1,632,870**
Short-term benefits	1,681,714	1,632,870
Post-employment benefits	-	-
Long-term benefits	None	None
Retirement benefits	None	None
Share-based payments	None	None

The salaries and wages presented give the annual total of net remunerations and benefits paid to Directors and senior executives.

Balances and transactions with associated companies break down as follows:

	Balances at 31 December 2016				Transactions for the year	
	Customers	Trade accounts payable	Long-term loans	Current account	Sales of goods and services	Purchases of goods and services
Groupe Primever	318	(221)			2,338	(8,870)
Froid Combi						
Messageries Laitières	3,156	(1)	2,459	2,442	26,913	(44)
Olano Seafood Iberica						
Olano Valencia	6					
Stefover Tunisie					8	

	Balances at 31 December 2015				Transactions for the year	
	Customers	Trade accounts payable	Long-term loans	Current account	Sales of goods and services	Purchases of goods and services
Brigantine de Navigation[1]				1		
Groupe Primever	245	(236)			1,640	(7,059)
Froid Combi						
Messageries Laitières	3,191	(1)	2,459	2,469	28,152	(54)
Olano Seafood Iberica						
Olano Valencia	7					
Stefover Tunisie					4	

(1) Company with no business or in administration.

All transactions with related parties are invoiced at normal market conditions. There were no significant transactions in 2016 and 2015 between the Group and the shareholding structures of managers and senior executives and employee investment funds.

4.29 CAPITAL MANAGEMENT

The Group's policy is to maintain a strong capital base to preserve the confidence of investors, creditors and the market and to allow the future growth of the business and ensure the liquidity of STEF shares.

4.30 STATUTORY AUDITOR'S FEES

	Mazars				KPMG			
	Amounts		%		Amounts		%	
	2016	2015	2016	2015	2016	2015	2016	2015
AUDIT								
I) Statutory auditors, certification, review of individual and consolidated financial statements	908	805	92%	92%	773	751	100%	100%
a) Issuer	107	106	11%	12%	155	153	20%	20%
b) Fully consolidated subsidiaries	801	699	81%	80%	618	598	80%	80%
II) Other procedures and services directly related to the duties of the statutory auditor	77	69	8%	8%			0%	0%
a) Issuer	24	21	2%	2%			0%	0%
b) Fully consolidated subsidiaries	53	48	5%	5%			0%	0%
TOTAL	**985**	**874**	**100%**	**100%**	**773**	**751**	**100%**	**100%**

Fees for other firms amounted to €112 thousand for 2016 (€154 in 2015).

4.31 CONTINGENT LIABILITIES

As part of its normal activities, the Group may be a defendant in litigation and disputes. It recognises a provision each time an unfavourable outcome is considered likely to result in an outflow of resources of which the amount can be reliably estimated. At 31 December 2016 and 31 December 2015, there was no litigation or dispute likely to have a significant impact on the Group's financial situation and future results.

4.32 PUBLIC SERVICE CONCESSION AGREEMENT

STEF's maritime business is primarily conducted through La Méridionale, which provides services to Corsica by virtue of a Public Service Concession agreement concluded with the Corsican Transport Office (OTC).

Under the previous public service concession agreement which ended on 31 December 2013, there is a receivable of €15.2 million concerning the Corsican Transport Office which is committed to repaying it in 2017.

A new agreement signed on 24 September 2013 came into effect on 1 January 2014 for a term of 10 years. This authorised La Méridionale to operate three ro-ro mixed passenger and cargo vessels under the territorial continuity principle.

In a ruling of 7 April 2015, the administrative court of Bastia terminated the Public Service Concession agreement (PSC) between Corsica and the continent granted to the group of companies La Méridionale and SNCM by the Corsican authorities (CTC) which covered the period from 1 January 2014 to 31 December 2023. Termination took effect on 1 October 2016.

On 6 January 2016, CMN signed a sub-concession agreement for a service to Corsica with Mr Rocca, who took over SNCM renamed MCM.

On 25 July 2016, La Méridionale lodged its candidacy with the Corsican Transport Office (OTC) for the awarding of a temporary public service concession agreement between 1 October 2016 and 30 September 2017.

La Méridionale is participating in a call for tenders for a new PSC which will take effect from 1 October 2017 for a period of 21 months.

4.33 EVENTS SUBSEQUENT TO YEAR-END CLOSING

None.

NOTE 5 LIST OF CONSOLIDATED COMPANIES

In accordance with the rules shown in paragraph 2.1 above, the following companies are included in the consolidated financial statements:

FULLY CONSOLIDATED COMPANIES	Percentage of control	
COMPANY STEF-S.A. (PARENT)	31 December 2016	31 December 2015
Atlantique SA (Spain)	100%	100%
Bretagne Frigo	100%	100%
Entrepôts Frigorifiques de Nord et de l'Est (EFNE)	100%	100%
Entrepôts Frigorifiques du Sud-Ouest (EFSO)	100%	100%
FSD	100%	100%
GIE STEF Geodis	50%	50%
Institut des métiers du froid	100%	100%
SLD Aix-en-Provence	100%	100%
SNC Navale STEF-TFE	-	100%
SNC PIANA	100%	100%
SNC STEF-TFE Services	100%	100%
STEF Information et Technologies	100%	100%
STEF IT Portugal	100%	-
STEF Logistics Courcelles (Belgium)	100%	100%
STEF Logistics Saintes (Belgium)	100%	100%
STEF Logistique Plouénan	100%	100%
STEF Switzerland	99%	99%
STEF Nederland (the Netherlands)	100%	100%
VERS-EXPRESS	100%	-
Speksnijder Transport BV and its subsidiaries:	100%	100%
Speksnijder Bodegraven	100%	100%
Speksnijder Transport DHZ BV	100%	100%
Société des Glacières et frigorifiques de St Nazaire (SGN) and its subsidiary:	100%	100%
SNC Loudéac Froid	100%	100%
Immostef and its subsidiaries:	100%	100%
Entrepôts Frigorifiques de Normandie Loire (EFNL)	100%	100%
Frigaurice	100%	100%
Frigorifiques du Périgord	100%	100%
GEFA	100%	100%
Normandie Souchet	100%	100%
SCI BV 18	100%	100%

FULLY CONSOLIDATED COMPANIES	Percentage of control	
COMPANY STEF-S.A. (PARENT)	31 December 2016	31 December 2015
SCI des Vallions	100%	100%
SCI Fresh 5	100%	100%
SCI Fresh 7	100%	100%
SCI Immo	100%	100%
SCI Immotrans 42	100%	100%
SCI PPI 45	-	100%
SNC Adour Cap de Gascogne	100%	100%
SNC Agen Champs de Lassalle	100%	100%
SNC Allonnes Entrepôts	100%	100%
SNC Atton Logistique	100%	100%
SNC Bondoufle la Haie Fleurie	100%	100%
SNC Brignais Charvolin	100%	100%
SNC Burnhaupt les Mulhouse	100%	100%
SNC Carros la Manda	100%	100%
SNC Cavaillon le Castanie	100%	100%
SNC Cergy Frais	100%	100%
SNC Cergy Froid	100%	100%
SNC de la Vesvroise	100%	100%
SNC Donzenac Entrepôts	100%	100%
SNC Donzenac la Maleyrie	100%	100%
SNC France Plateformes	100%	100%
SNC Gap Plan de Lardier	100%	100%
SNC Immotrans 49	100%	100%
SNC Immotrans 56	100%	100%
SNC Immotrans 69	100%	100%
SNC La Pointe de Pessac	100%	100%
SNC Le Mans Faraday (ex FIM)	100%	100%
SNC Les Essarts Sainte-Florence	100%	100%
SNC Louverne Les Guicherons	100%	100%
SNC Mâcon Est Replonges	100%	100%
SNC Mions La Perrinnière	100%	100%
SNC Plan d'Orgon-sur-Durance	100%	100%
SNC Reims La Pompelle	100%	100%
SNC Saran Les Champs Rouges	100%	100%
SNC St Herblain Chasseloire	100%	100%

FULLY CONSOLIDATED COMPANIES	Percentage of control	
COMPANY STEF-S.A. (PARENT)	31 December 2016	31 December 2015
SNC Strasbourg Pont de L'Europe	100%	100%
SNC Toussieu Chabroud	100%	100%
SNC Trangé Le Bois Chardon	100%	100%
SNC Valence Pont des Anglais	100%	100%
STEF Logistique and its subsidiaries:	100%	100%
KL Services (KLS)	100%	100%
STEF Logistique Aix	100%	100%
STEF Logistique Alsace	100%	100%
STEF Logistique Arnage	100%	100%
STEF Logistique Atton	100%	100%
STEF Logistique Aurice	100%	100%
STEF Logistique Bain de Bretagne	100%	100%
STEF Logistique Bondoufle	100%	100%
STEF Logistique Bourgogne	100%	100%
STEF Logistique Bretagne Nord	100%	100%
STEF Logistique Bretagne Sud	100%	100%
STEF Logistique Cergy	100%	100%
STEF Logistique Darvault	100%	-
STEF Logistique Distribution Cergy	100%	100%
STEF Logistique Distribution Montsoult	100%	100%
STEF Logistique Distribution Vitry	100%	100%
STEF Logistique Fuveau	100%	-
STEF Logistique Givors	100%	100%
STEF Logistique Tigery	100%	100%
STEF Logistique Le Plessis Belleville	100%	100%
STEF Logistique Lesquin	100%	100%
STEF Logistique Lorraine Surgelés	100%	100%
STEF Logistique Mediterranée	100%	100%
STEF Logistique Midi-Pyrénées Limousin	100%	100%
STEF Logistique Montbartier	100%	100%
STEF Logistique Montsoult	100%	100%
STEF Logistique Moulins-Les-Metz	100%	100%
STEF Logistique Nemours	100%	100%
STEF Logistique Niort	100%	100%
STEF Logistique Nord	100%	100%

FULLY CONSOLIDATED COMPANIES	Percentage of control	
COMPANY STEF-S.A. (PARENT)	31 December 2016	31 December 2015
STEF Logistique Normandie	100%	100%
STEF Logistique Pays-de-Loire	100%	100%
STEF Logistique Pessac	100%	100%
STEF Logistique Rhône-Alpes	100%	100%
STEF Logistique Rouen	100%	100%
STEF Logistique Saint-Dizier	100%	100%
STEF Logistique Saint-Sever	100%	100%
STEF Logistique Santé	100%	100%
STEF Logistique Sorgues	100%	100%
STEF Logistique Tours	100%	100%
STEF Logistique Toussieu	100%	100%
STEF Logistique Venissieux	100%	100%
STEF Logistique Vitry	100%	100%
STEF Restauration France	100%	100%
STEF Transport Montsoult	100%	100%
STEF TSA	100%	100%
STEF TSA Orléans Nord	100%	-
STEF TSA Rhône-Alpes	100%	100%
Stim d'Orbigny and its subsidiaries:	100%	100%
Atlantique Développement	100%	100%
Sata-Minfos	-	100%
Compagnie Méridionale de Participation (CMP) and its subsidiary:	100%	100%
Compagnie Méridionale de Navigation (CMN) and its subsidiaries:	98%	98%
A.M.C	98%	98%
Cie Méridionale de Manutention (CMM)	98%	98%
STEF Transport and its subsidiaries:	100%	100%
Dispack	100%	100%
Ebrex France and its subsidiary:	100%	100%
STEF Logistique Salon-de-Provence	100%	100%
Immotrans 35	100%	100%
STEF Eurofrischfracht	100%	100%
STEF International Strasbourg	100%	100%
STEF International Strasbourg	100%	100%
STEF International Ouest	100%	100%

FULLY CONSOLIDATED COMPANIES	Percentage of control	
COMPANY STEF-S.A. (PARENT)	31 December 2016	31 December 2015
STEF International Lyon	100%	100%
STEF International Bordeaux	100%	100%
STEF Logistique Caen	100%	100%
STEF Logistique Vannes	100%	100%
STEF Transport Agen	100%	100%
STEF Transport Alpes	100%	100%
STEF Transport Angers	100%	100%
STEF Transport Avignon	100%	100%
STEF Transport Bordeaux Bègles	100%	100%
STEF Transport Boulogne	100%	100%
STEF Transport Bourges	100%	100%
STEF Transport Brive	100%	100%
STEF Transport Caen	100%	100%
STEF Transport Cavaillon	100%	100%
STEF Transport Chaulnes	100%	100%
STEF Transport Clermont-Ferrand	100%	100%
STEF Transport Côte d'Azur	100%	100%
STEF Transport Dijon	100%	100%
STEF Transport Epinal	100%	100%
STEF Transport Saint-Lô	100%	100%
STEF Transport Investissement	100%	100%
STEF Transport Landivisiau	100%	100%
STEF Transport Langres	100%	100%
STEF Transport Laval	100%	100%
STEF Transport Le Mans	100%	100%
STEF Transport Le Rheu	100%	100%
STEF Transport Lesquin	100%	100%
STEF Transport Lille	100%	100%
STEF Transport Limoges	100%	100%
STEF Transport Lorient	100%	100%
STEF Transport Lyon	100%	100%
STEF Transport Lyon Est	100%	100%
STEF Transport Mâcon	100%	100%
STEF Transport Marseille	100%	100%
STEF Transport Metz	100%	100%

FULLY CONSOLIDATED COMPANIES	Percentage of control	
COMPANY STEF-S.A. (PARENT)	31 December 2016	31 December 2015
STEF Transport Metz Nord	100%	100%
STEF Transport Montpellier	100%	100%
STEF Transport Mulhouse	100%	100%
STEF Transport Nantes Carquefou	100%	100%
STEF Transport Narbonne	100%	100%
STEF Transport Niort 1-La Crèche	100%	100%
STEF Transport Niort 2-La Crèche	100%	100%
STEF Transport Orléans	100%	100%
STEF Transport Paris Athis	100%	100%
STEF Transport Paris Plessis Belleville	100%	100%
STEF Transport Paris Rungis	100%	100%
STEF Transport Paris Vitry	100%	100%
STEF Transport Epinal	100%	100%
STEF Transport Plan d'Orgon	100%	100%
STEF Transport Quimper	100%	100%
STEF Transport Reims	100%	100%
STEF Transport Rennes	100%	100%
STEF Transport Rennes Châteaubourg	100%	100%
STEF Transport Rethel	100%	100%
STEF Transport Rouen	100%	100%
STEF Transport Saint-Amand	100%	100%
STEF Transport Saint-Brieuc	100%	100%
STEF Logistics Saintes (Belgium)	100%	100%
STEF Transport Saint-Sever	100%	100%
STEF Transport Strasbourg	100%	100%
STEF Transport Tarbes	100%	100%
STEF Transport Toulouse	100%	100%
STEF Transport Tours	100%	100%
STEF Transport Valence	100%	100%
STEF Transport Vannes	100%	100%
STEF Transport Velaines	100%	100%
STEF Transport Vendée	100%	100%
STEF Transport Vire	100%	100%
Epsilon	100%	-

FULLY CONSOLIDATED COMPANIES	Percentage of control	
COMPANY STEF-S.A. (PARENT)	31 December 2016	31 December 2015
Eta	100%	-
Zeta	100%	-
STEFOVER	100%	100%
TFE International Ltd (United Kingdom)	100%	100%
Tradimar Bordeaux	100%	100%
Transport Frigorifique Normandie	100%	100%
Transports Frigorifiques des Alpes (TFA)	100%	100%
Transports Frigorifiques Spadis and its subsidiary:	100%	100%
STEF Transport St-Etienne	100%	100%
STEF Italia Holding and its subsidiaries:	100%	100%
STEF Logistics Italia Srl	100%	100%
Immostef Italia (49% owned by Immostef France)	100%	100%
STEF Italia SpA and its subsidiaries:	100%	100%
Calabria Dist Log	51%	51%
SLF Sicilia	97%	97%
STEF Trento	51%	51%
STEF International Italia Slr	100%	100%
STEF Seafood Italia Srl	100%	100%
STEF Logistica e Distribuzione Srl	100%	-
STEF Iberia and its subsidiaries:	100%	100%
Immostef Portugal	100%	100%
Logirest Slu	100%	100%
STEF Los Olivos	100%	100%
STEF Portugal-Logistica E Transporte, Lda	100%	99%
Immostef España and its subsidiary:	100%	100%
Friomerk and its subsidiary:	100%	100%
Euromerk	100%	100%

EQUITY-ACCOUNTED ASSOCIATES	Percentage of control	
Shareholding of STEF SA	31 December 2016	31 December 2015
Société Brigantine de Navigation	-	100%
Shareholdings of STEF Transport		
Froidcombi	25%	25%
Messageries Laitières	39%	39%
Olano Valencia (Spain)	20%	20%
Stefover Tunisie (subsidiary of Stefover)	49%	49%
Groupe Primever (ex Transcosatal Développement)	49%	49%
Olano Seafood Iberica	32%	32%
Shareholdings of Immostef		
Norfrigo	38%	38%
Shareholdings of STEF Nederland		
NETKO	40%	-

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 31 December 2016

Shareholders,

In accordance with the assignment entrusted to us by your Shareholders' Meeting, we hereby present our report for the year ended 31 December 2016, relating to:

- the audit of the accompanying consolidated financial statements for the company STEF S.A., as attached to this report;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

1 OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

We conducted our audit in accordance with the professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2 JUSTIFICATION OF OUR ASSESSMENTS

In accordance with the requirements of Article L. 823-9 of the French Commercial Code relating to the justification of our assessments, we bring to your attention the following matters:

- when preparing its consolidated financial statements, STEF S.A. made estimates that impacted certain assets, liabilities, income and expenses, in the areas specified in note 1 of the appendices to the consolidated financial statements, such as estimates on the periods of use for fixed assets and the recoverable value of fixed assets. For all these areas, we verified the appropriateness of the accounting methods used, examined the consistency of the assumptions made, their documentation and their translation into figures, and, on these bases, we assessed the reasonableness of the estimates used and verified the appropriateness of the information given in the notes appended;
- the assessments were performed as part of our audit of the consolidated financial statements taken as a whole and contributed to the expression of the opinion in the first part of this report.

3 SPECIFIC PROCEDURES

We have also verified, in accordance with professional standards applicable in France, the financial information contained in the Group Management report.

We have no comment to make as to the fair presentation of this information or its consistency with the consolidated financial statements.

Paris La Défense and Courbevoie, 18 April 2017

THE STATUTORY AUDITORS

KPMG Audit IS Benoît Lebrun Associate	MAZARS Olivier Thireau Associate

RESULTS OF THE PARENT COMPANY

The company STEF, solely a holding company, comprises the Group functional divisions and owns all buildings, machinery and equipment leased to the Group's operational companies. Turnover, comprising revenue from leases and services provided within the Group, amounted to €14.1 million, compared with €13.4 million in 2015 due to additional labour invoicing. Income attributable to third parties, reversals of impairment and other income accounted for €43.1 million, compared with €41.3 million for 2015. This mainly comprises Group expenses billed to the Group's subsidiaries.

Financial income, mainly comprising revenue from shareholdings amounted to €50.4 million compared to €25.9 million in 2015. The change in financial income over the financial year is primarily explained by the receivable related to the financing of the vessel "Le Piana" and the increase in dividends paid by Group subsidiaries. Related financial income and expenses represented a net expense of €2.7 million, compared with €4.2 million in 2015.

Exceptional items amounted to -€0.3 million compared with €2.4 million in 2015. Exceptional items include tax depreciation on software design expenses.

In 2016, the Company posted a tax saving of €2.2 million (STEF is the parent of the tax group), compared with €4.3 million for 2015. Due to the principle of offsetting between the different net profits (losses) of the Group's companies, the tax consolidation system provided for by Article 223 A of the French Tax Code allows, in particular, a tax income to be obtained.

The parent company posted a net profit of €19.9 million, compared with €23.2 million in 2015.

PROPOSED APPROPRIATION

Net profit for the year €19,890,764

Retained earnings €66,883,799

GIVING A TOTAL AMOUNT AVAILABLE FOR DISTRIBUTION OF €86,774,563

Proposed appropriation:

Payment of a dividend of €2.25 per share

which is a total theoretical dividend payment of €29,622,710

Retained earnings of €57,151,853

If the Company holds certain treasury shares when the dividends are paid, the sum corresponding to the amount of the dividend not paid under these shares will be credited to the retained earnings account.

The dividend will be paid out as of 17 May 2017.

DIVIDENDS PAID OUT IN RESPECT OF THE PAST THREE FINANCIAL YEARS

FINANCIAL YEAR	Number of shares	Dividend paid per share[a]
2013	13,515,649	1.50
2014	13,515,649	1.70
2015	13,165,649	1.95

(a) Payment fully eligible for 40% tax allowance

In accordance with Article 223d of the French Tax Code, there were no overhead expenses giving rise to add-back to taxable profit under Article 39-5 of the French Tax Code. Furthermore, the Company has not recorded charges under article 39-4 of the same code.

The table of STEF's net profit for the last five financial years is shown in the notes to the individual company financial statements.

REGULATED AGREEMENTS

Previous agreements were reviewed by the Board of Directors in accordance with the law.

RESEARCH AND DEVELOPMENT

Innovative projects primarily concern the Group's sustainable development policy (alternative fuel for vehicles, systems to reduce energy consumption for operating the platforms; see chapter on the Environment) and the developments of the information and management systems used by the Group.

The Group did not select any specific projects in terms of the research tax credit for 2016 since the expenses incurred for this item were not significant.

STEF TRADE ACCOUNTS SCHEDULE BY DUE DATE (IN €)

BALANCE OF TRADE ACCOUNTS PAYABLE	Total	due	due date		
			between 1 and 31 days	between 32 and 61 days	beyond
31.12.2016	2,964,121	246,237	2,653,567	64,317	0
31.12.2015	4,931,357	1,204,529	3,593,769	131,058	2,001

CHAIRMAN'S REPORT ON THE BOARD OF DIRECTORS' ACTIVITIES AND INTERNAL CONTROL

2016 financial year

The purpose of this report is to give an account of the preparation and organisation of the work of the Board of Directors and internal control and risk management procedures established by the Company, in accordance with Article L. 225-37 of the French Commercial Code.

It also describes the principles and rules laid down by the Board of Directors to determine the remuneration and benefits paid to company officers.

1 PRINCIPLES OF GOVERNANCE

SEPARATION OF THE POSITIONS OF CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The positions of Chairman and Chief Executive Officer have been separated in accordance with article L. 225-51-1 of the French Commercial Code. The choice of this type of organisation seemed relevant with regards the development of the Group's business, particularly in Europe and its decentralised operational structure.

Mr Francis Lemor is the Chairman of the Board of Directors. He organises and supervises the Board of Directors' work, an account of which is then provided to the Shareholders' Meeting.

Mr Jean-Pierre Sancier holds the position of the Company's Chief Executive Officer. He has full authority to act under any circumstances on behalf of the Company. He exercises these powers within the limits of the corporate purpose and subject to the powers that the law expressly assigns to the Shareholders' meetings and the Board of Directors.

Two Deputy Chief Executive Officers assist the Chief Executive Officer in the management of the Group:

- Mr Serge Capitaine, in charge of sales and marketing;
- Mr Stanislas Lemor, in charge of administration and finance.

CHAIRMAN'S RESPONSIBILITIES

The Board of Directors has set out the responsibilities for the Chairman of the Board of Directors in areas that do not necessarily fall under organising the activities of the Board of Directors and the responsibilities under legal provisions:

- Maritime business;
- High-level and strategically important external relations;
- Corporate communication;
- Relations with shareholders. In particular, the Chairman will be the liaison between the Board of Directors and the Company's shareholders;
- Relations with investors;
- Strategic external growth and disposal operations;
- Significant real estate investment and disinvestment projects.

At the request of the Chief Executive Officer, the Chairman can provide support to the executive management in internal discussions and works, focusing on the strategy, organisation and main directions of company life.

Actions that come under the Chairman's areas of intervention are exercised in coordination with the executive management and without prejudice to its executive functions. These operating principles do not limit the powers of the Chief Executive Officer and the Deputy Executive Officers in their respective fields, as provided for in law. They have no impact on the authority of the Board of Directors.

THE BOARD OF DIRECTORS AND ITS RULES OF PROCEDURE

On the date of this report, the Board of Directors comprises 13 members, one of whom represents employee shareholders and two of whom represent the employees.

Changes in the composition of the Board of Directors in 2016 and until the date this report was established:

Members of the Board	Type of change	Effective date
Jean-François Laurain	First appointment – Independent director	28 January 2016
Dorothée Pineau	First appointment – Independent director	18 May 2016
Gilles Bouthillier	Resignation	14 December 2016

The Rules of Procedure for the Board of Directors organise the operation of the Board of Directors within the legislative and regulatory framework applicable to the company. They determine the scope of the Board of Directors' responsibility and of its members, its mode of operation and that of the Audit Committee and the Remuneration Committee, lastly it includes the Director's charter.

THE COMPANY'S CORPORATE GOVERNANCE CODE

The company governance code that the company refers to is the Middlenext code. The Board of Directors believed that the Middlenext Code offered governance principles better suited to STEF's size and capital structure. The Company has taken account of the watch-points and new recommendations from the update to the code in September 2016, particularly those focusing on the identification and treatment of conflicts of interest, the relationships to be maintained with minority shareholders, the succession plan for managers and the annual review of watch-points.

Independent directors: on the date of this report, the Board of Directors includes five independent directors in the sense of the Middlenext Code that characterises the independence of directors by the absence of any shareholding, financial, payroll, contractual or close family relationship likely to affect their independence of judgement. These directors are Mrs Lemoine, Mrs Ducottet, Mrs Pineau, Mr Hau and Mr Laurain.

Concurrent holding of company office – employment contract: the employment contracts of the Chief Executive Officer and the Deputy Executive Officers were suspended during their appointment. Furthermore, the Chairman is exclusively remunerated in respect of his company office.

Length-of-service awards for senior executives: Commitments exceeding the conventional limits were subject to meeting the performance criteria, assessed against those of the company and which are to achieve an annual increase in consolidated turnover and operating profit. These commitments were approved by the Company's Shareholders' Meeting.

Remuneration of company officers: the remuneration policy for senior executives resulted from a consistent approach, based on objective criteria, consistent with the overall salaries and wages policy applied within the Group.

Equality: the Board of Directors includes four female directors. The appointment of Mrs Lucie Maurel-Aubert was proposed to the Shareholders' meeting of 10 May. The Company therefore complies with the requirements of Article L. 255-17, paragraph 2 of the French Commercial Code on balanced representation of women and men on the Board of Directors (minimum percentage of directors of each gender of 40% from 2017). In accordance with the law, directors representing employees are not taken into account when determining this percentage.

PREPARATION AND ORGANISATION OF THE BOARD OF DIRECTORS' ACTIVITIES

1. ORGANISATION OF THE BOARD OF DIRECTORS' ACTIVITIES

The Chairman of the Board of Directors will convene the Board as often as he deems appropriate, depending on the corporate interest.

The schedule of meetings for the coming year is set at the end of the year. Five meetings are scheduled, the following are optional depending on the subjects requiring decisions.

Each Director is individually requested to attend each Board of Directors meeting; invitations are sent approximately 15 days before each meeting. Invitations are sent together with the meeting's agenda and a draft of the minutes of the previous meeting. In the days preceding a meeting (usually five days), each Director receives a file containing the documents relating to the main topics on the agenda.

Every month, the company's Directors receive financial data with comments enabling them to assess the Group's performance for the previous month.

The articles of association and rules of procedure of the Board of Directors set out the terms for the Directors' participation at Board meetings, which are held via video conferencing. The issues likely to be dealt with and decisions made by this mode of participation are governed by the applicable laws and regulations.

The attendance rate of Directors at Board meetings in 2016 was 90%, in 2015 it was 90.5%.

2. BOARD OF DIRECTORS' ACTIVITIES

The Board of Directors met five times in 2016.

The forecast results from the preceding year and the main components of the budget for the current year are usually discussed at the meeting, which is held at the end of January.

The meetings in March and the end of August are mainly devoted to approving the annual and half-yearly accounts.

The meeting held as a result of the Shareholders' Meeting in May is normally used to implement the share repurchasing plan voted by the Shareholders' Meeting.

In December, the Board examines any changes to the Group's business over the current financial year and compares it to the updated budget projection.

At every board meeting, the Group's results from the previous month are analysed.

The Board of Directors is advised by two specialist committees.

COMMITTEES OF THE BOARD OF DIRECTORS

1. THE AUDIT COMMITTEE

On the date of the report, the Audit Committee is comprised of three members: Mr Hau, Mr Jolivet and Mr Etzenbach. Mr Hau, independent director, chairs the Audit Committee.

In addition to the functions relating to the review of accounting and budgetary statements, the Audit Committee is responsible for monitoring the effectiveness of internal control and risk management systems. In this context, it ensures the establishment of the internal control and risk management procedures and the adequacy of assignments undertaken by the internal audit department in terms of these issues and the effectiveness of the checks performed on identified risks.

The Audit Committee defined its mode of operation, for both its internal functioning and in respect of its contacts within the company, and specified its field of action. Members of executive management and representatives of financial management and the internal audit department may be seen by the Audit Committee, as well as the statutory auditors.

The Audit Committee generally meets three times a year, with an attendance rate of 100% in 2016.

At the sessions preceding the Board of Directors' meetings to prepare the annual and half-yearly accounts, the Committee reviews the presentation of the accounting statements submitted to it. It hears from members of the Executive Management, the Financial division and the statutory auditors.

In December, the Audit Committee reviews the work conducted by the Audit department over the past year, the analysis of reports on specific assignments, the examination of the internal audit work schedule for the coming year and, finally, the review of the statutory auditors' fees.

The Chairman of the Audit Committee reports on the Committee's work to the Board of Directors.

2. COMPANY OFFICERS REMUNERATION AND APPOINTMENTS COMMITTEE

This Committee is comprised of three members: Mrs Lemoine, Mr Bouthillier and Mr Etzenbach. Mrs Lemoine chairs the committee.

It is responsible for making recommendations to the Board of Directors for determining senior executives' remunerations, namely, the Chairman, the Chief Executive Officer and the Deputy Executive Officers. The Chairman of the Board of Directors participates in the work of the Committee, presenting the elements for achieving the objectives set for the Chief Executive Officer and the Deputy Executive Officers. The Committee also reviews the policy and the draft allocation plan for performance shares.

The Committee met twice in 2016 with an attendance rate of 100%, firstly to review the draft allocation plan for outperformance shares passed by the Shareholders' Meeting of May 2016 and thus formulate an opinion for the Board of Directors, secondly, to determine the fixed and variable aspects of senior executives' remuneration.

PRINCIPLES AND RULES DETERMINING COMPANY OFFICERS' REMUNERATION

1. SENIOR EXECUTIVES

The determining of the Company's senior executives' remuneration is the responsibility of the Board of Directors, which makes its decisions based on the advice of the company officers' Remuneration Committee.

The Committee members formulate proposals to determine the fixed and variable components of this remuneration. To do this, the committee draws on both qualitative and quantitative factors, the criteria being based on the Group's overall performance and objective comparative aspects. The general criteria for determining the variable components are constant.

In accordance with the provisions of Article L. 225-42-1 of the French Commercial Code, the company's Board of Directors approved the principles subjecting the payment of deferred remuneration for the Chief Executive Officer and the Deputy Executive Officers to the performance conditions. Consequently, commitments exceeding the conventional limits are subject to meeting the performance criteria to achieve an annual increase of at least 3% in consolidated turnover and operating profit. These commitments were approved by the Company's Shareholders' Meeting.

The elements of senior executives' remuneration are shown in the Board of Directors' management report.

2. THE BOARD OF DIRECTORS

The allocation of Directors' attendance fees, remunerating members of the Board of Directors and Audit Committee, is based solely on attendance at meetings of both these bodies. Accordingly, the proportion of the overall budget voted in advance by the Shareholders' Meeting depends on the number of meetings Directors have attended.

SHAREHOLDERS' MEETING ATTENDANCE

Shareholders' attendance at shareholders' meetings is governed by the conditions established by law and the provisions of Articles 17 and 18 of the Company's articles of association.

STATUTORY PROVISIONS ON CHANGE IN CONTROL

The Company's articles of association do not contain provisions that would delay, defer or impede a change of control.

2 INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES

One of the objectives usually assigned to internal control is to prevent and manage the risks resulting from the Company's business and the risks of error or fraud, including in accounting and financial areas, thus contributing to improving the efficiency of operations.

The internal control procedures at STEF aim to:

- ensure compliance with applicable laws and regulations;
- ensure that management activities, the conducting of operations and the activities of staff are in line with the instructions and guidelines defined by the Company's organisations and executive management as well as with Company's values, standards and internal rules;
- ensure the reliability of accounting, financial and management data.

STEF has implemented a continuous improvement process for managing risk. It is based on the internal control framework defined by the French financial markets authority (AMF) and, in particular, on its implementation guide applicable to mid-cap companies.

1. INTERNAL CONTROL ENVIRONMENT

The scope of internal control refers to the parent company and the subsidiaries contained in the scope of the Group's consolidation.

STEF SA (parent) is a holding company, only providing management and administration services. The Group's activities are divided into four operational segments.

In France, the Transport division brings together all refrigerated and frozen transport activities in a single network (STEF Transport), the transport of sea products and international flows, the Logistics division (STEF Logistique) manages chilled and frozen logistical services, out-of-home foodservice and the supermarket companies activity, the European Activities division (STEF International) encompasses activities outside France. Finally, the Maritime division mainly comprises La Méridionale.

Two centres of expertise ensure cross-segment operations: the IT systems centre (STEF Information and Technologies) includes the computer teams working on business and customer IT and the Real Estate centre (Immostef) manages all the real estate, operating and lease assets and liabilities.

Operational-type functions are generally decentralised, with a region/site pyramidal structure, each site or group of sites is represented by a subsidiary.

Conversely, the support functions, including human resources, administration, governance and finance are centralised.

2. INTERNAL CONTROL BODIES

The organisation of internal control is based on a distribution of roles and responsibilities between the following bodies:

EXECUTIVE COMMITTEE

The Executive Committee establishes the strategic directions and the Group's medium- and long-term prospects. It ensures that the goals are achieved.

The Executive Committee is the main decision-making and arbitration body within the Group, especially with regard to investments.

Comprising 12 members, it covers and controls all the Group's functions. In addition to the Chief Executive Officer and the Deputy Executive Officers, it brings together the Directors of each division and the heads of the main functions.

Each of the Group's strategic functions is embodied by an appointed member, who ensures the implementation of decisions in the area s/he supervises.

This structure streamlines the operational processes and allows greater efficiency in managing activities.

The Executive Committee meets every month.

MANAGEMENT COMMITTEES

The activities of each of the four operational segments come under the responsibility and control of a management committee. These committees, led by the Chief Executive Officer of each division are responsible for deploying the strategies decided on by Executive Management and the Executive Committee as well as monitoring the budgetary commitments of profit centres attached to each division.

International activities are organised into three divisions: Italy-Switzerland / Spain-Portugal and Benelux, each managed by an Executive Management member.

Moreover, an operations management committee regularly brings together the members of the Executive Committee, Group Business Units and the directors of the operating subsidiaries outside France.

This organisation enables to ensure consistency when communicating the Group's policy throughout Europe.

THE GROUP'S FUNCTIONAL AND OPERATIONAL DIVISIONS

The Group operates in an extremely regulated environment, each division is responsible for implementing the legal requirements for its area.

These divisions may have scope of action limited to a network or cross-division skills, whether technical (Group Business Unit, Real Estate Technical division, Vehicles Technical division), or support-focused, (Purchasing, Human Resources, Information Systems, Finance, Administration).

The divisions below perform defined roles in their own areas of activity.

FINANCIAL DIVISION

The Financial division is responsible for producing and ensuring the reliability of accounting and financial information, managing financial risks, the Group's financing policy and monitoring objectives through the budgetary process.

The Tax department coordinates the Group's tax policy and assists entities with any tax issues.

The treasury function is centralised in order to optimise the management of surplus cash and the cost of financial liabilities, including that of cash flows and banking costs

Group accounting is placed under the auspices of the financial division.

The accounting function for the whole Group is provided by a dedicated company, STEF-TFE Services, which prepares the individual financial statements for the French companies and draws up the Group's consolidated financial statements.

This division was set up to support the Group's growth and to structure and standardise the accounting treatment of transactions and meet the requirements relating to the application of IFRS and legislative and regulatory developments.

The organisation in place is based on regional accounting centres run by accountants who perform the tasks to prepare the financial statements for the companies in their scope. Consequently, the Group has the required contacts to ensure the consistency of the accounting treatment of transactions across all its activities.

These regional accounting centres also ensure the optimisation of upstream and downstream information flows to avoid double entries and breaks, as well as providing a good separation of tasks.

The Accounting division, at Head Office, draws up specific directives to ensure this function's effectiveness, through procedures and working group meetings.

This Group-wide organisation strengthens the independence of the accounting function in relation to the operational divisions.

INTERNAL AUDIT

The purpose of Internal Audit is to assist executive management in the process of controlling the risks associated with the Group's operations. In this framework, Internal Audit:

– assesses risk management and internal control procedures;

– verifies the implementing of policies drawn up by the executive management within the different subsidiaries and Group-wide functions;

– ensures the compliance of operations vis-à-vis external and internal obligations (laws, regulations, recommendations, instructions and procedures, etc.);

– makes recommendations for the improvement of procedures;

– ensures their implementation, monitors their application and reports to executive management on the progress of action plans.

Internal Audit is also responsible for conducting audits regarding Group subsidiaries, including when they are acquired and consolidated.

Internal Audit is therefore involved in identifying, assessing and preventing risks. It is also associated with the activities of the different working groups to establish procedures.

Internal Audit reports directly to the executive management and is attached to the Financial Division. Its scope of intervention extends over the whole Group.

Internal Audit drafts an annual audit plan based on consultation with Executive Management, the Executive Committee and the Audit Committee. It also draws on the risk areas identified through its different assignments.

INFORMATION SYSTEMS

The managing of IT systems is a major internal control tool for the Group, efficient Group activities depend on quick, reliable data access. Also, they are grouped together within a dedicated entity, STEF Information and Technologies.

3. INTERNAL CONTROL PROCEDURES

DELEGATIONS OF AUTHORITY

There are procedures, including delegations of authority, across the Group.

Thus, each regional and subsidiary Director has the general framework with which his activities are in line, in the form of a formalised delegation of authority and responsibility.

With the support of the delegation of responsibility, most of the internal procedures that relate to operations or functions are the subject of manuals which give the standard for all operators and functions concerned.

Purchase and/or sale of securities transactions, shareholding acquisitions, purchases and sales of businesses, real estate transactions, borrowing and granting of guarantees remain the sole responsibility of the Group's executive management.

EXTERNAL GROWTH OPERATIONS – INVESTMENTS

Any acquisition project is audited in detail as part of due diligence. To do this, the Group's support functions are called upon (legal, human resources, audit, finance, business units, real estate) to draw up a collective report, which is submitted to Executive Management.

Following an acquisition, an integration committee is responsible for establishing and/or standardising processes and Group organisation modes within the subsidiary.

Any project to install or extend a platform or warehouse is subject to selective arbitration. The investment programme must be validated by the Executive Committee and by the Executive Management.

VALIDATION OF COMMERCIAL OFFERS/CLIENT CONTRACTS

Calls for tenders are analysed and validated internally through a series of stages from accepting the offer to launching the service. The mechanism involves the regional division(s) concerned and, where needed, the research departments within the Group Business Units and a project team, set up upstream of the process. The offer's parameters, required resources and investment, inherent risks and their hedging and the project's expected profitability are examined.

ACCOUNTING AND FINANCIAL PROCESSES

The principles and technical applications of the treatment of accounting and financial information are standardised, in accordance with the organisation described above "Financial division".

The Group's accounts are consolidated by the Group's Accounting division, at Head Office, which works closely with the managers of the regional accounting centres.

Its role is to collect and control information from all companies in the Group, then perform the consolidation adjustments in accordance with the IFRS applicable to the Group and finally, prepare the consolidated financial statements. The process is carried out using a software package interfaced with the Group's accounting software.

The consolidation team also monitors any developments to IFRS and distributes procedures and instructions to accounting managers to ensure the consistency of the consolidated whole.

Each administrative and regional accounting manager, together with the audit department, verifies that the organisation, in their scope of regional intervention, meets the expected safety and quality requirements for financial information.

Through the consolidation software (SAP), the audit department has permanent access to all accounting entries posted in the branches and subsidiaries. It can then examine, using random checks, all the accounting entries and carry out any consistency checks.

BUDGETARY CONTROL AND REPORTING

The budgetary process is conducted as follows: each division prepares its own budget and has it approved by the executive management at the end of the year during the budgetary conferences. Annual results are updated throughout the year.

Financial reporting is produced in the second half of each month and is systematically communicated to Executive Committee members in the form of a management chart comprising the key monthly operational and financial indicators.

Each month the Executive Committee analyses the data from the reporting.

In addition, every month the Group's financial information is sent to the members of the Board of Directors, in the form of monthly and cumulative data.

COMPLIANCE WITH LAWS AND REGULATIONS – ETHICAL CHARTER – SUSTAINABLE PURCHASING CHARTER

The Legal department ensures that the Group's and its subsidiaries' activities comply with the laws and regulations of each country in which the Group operates.

Adherence to laws and regulations remains the responsibility of each operational subsidiary or each functional division for its area of competency.

Any incorporation of a company, or any action concerning real estate or businesses is the sole responsibility of the Legal department, which, for this purpose, follows the directives of the Executive Management.

With regards trade agreements, the mechanisms for limiting liability are determined by statutory and regulatory provisions specific to the activities of transport and warehouse management and by the applicable clauses of the general conditions of services in the Group. The role of the Legal department is to implement these principles during contract negotiations.

Moreover, the STEF Group has implemented its own Ethical charter. This document brings together the basic principles and the rules of conduct that apply to all of the Group's employees in the working environment, everywhere in Europe. A Sustainable purchasing charter has also been deployed with the Group's suppliers.

MANAGEMENT OF INSURABLE RISKS AND INSURANCE PROGRAMMES

STEF centralises the management of its insurance and risk hedging policy. The Insurance department establishes the guidelines, in cooperation with the executive management relays the insurance policy in a structured and consistent way within the Group, throughout Europe. Insurance policies, referred to as "master" policies, have been effected to cover against the main risks such as property damage and business interruption, company public liability and cargo public liability. An insurance data management tool for the Group (SIGR) is used to manage and guide the whole policy. Maritime risks, life and credit insurance covered by the divisions concerned.

The Insurance department participates in the risk audit. Furthermore, a standardised policy for real-estate risk prevention is deployed at the Group level, based on audits, evaluation tools and following recommendations.

PROCEDURES RELATING TO THE GROUP'S BUSINESS ENVIRONMENT

Within the Operating Division, STEF has established internal skills, resources and procedures allowing compliance with and the anticipation of changes in regulatory obligations.

Accordingly, as regards compliance with environmental standards, capital investment projects are examined to ensure compliance with the regulation specific to facilities classified for environmental protection (ICPE) and the recommendations of the "sustainable logistics platform" AFILOG Charter and the High Environmental Quality (HEQ) guidelines specific to refrigerated storage.

SAFETY OF PERSONS

In the framework of Health and Safety at Work (HSW), the Group has established dedicated resources and structured training programmes for employees and to educate management.

FINANCIAL RISKS RELATED TO THE EFFECTS OF CLIMATE CHANGE

To date, the Group has not identified a clear financial risk related to the effects of climate change. The company's priority commitments and the low-carbon strategy are summarised in the Sustainable Development section of the annual report.

4. PREVENTION AND INTERNAL CONTROL

The internal audit department contributes to improving internal control and preventing risks, whether in the context of its audits or during specific works which are largely based on mapping the Group's risks.

The audits conducted in 2016 were based on the programme established with Executive Management and the Audit Committee with, in particular, compliance reviews and control operations on the security and performance of business organisations, support functions or Group processes.

The work that was carried out in collaboration with the operational and functional branches also highlighted that no new major risk had appeared during the 2016 financial year.

The Chairman

STATUTORY AUDITORS' REPORT, PREPARED IN ACCORDANCE WITH L.225-235 OF THE FRENCH COMMERCIAL CODE, ON THE REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS OF THE COMPANY STEF S.A.

Year ended 31 December 2016

Shareholders,

In our capacity as Statutory Auditors of the company STEF S.A. and in accordance with Article L. 225-235 of the French Commercial Code, we hereby present our report on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French Commercial Code for the year ended 31 December 2016.

It is the Chairman's responsibility to prepare and submit for the Board of Directors' approval a report on internal control and risk management procedures implemented by the Company and to provide the other information required by Article L. 225-37 of the French Commercial Code relating to matters such as corporate governance.

Our role is to:

– report on any matters as to the information contained in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information, and

– confirm that the report also includes the other information required by Article L. 225-37 of the French Commercial Code; it should be noted that our role is not to verify the fairness of this other information.

We conducted our work in accordance with the professional standards applicable in France.

INFORMATION ON INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES RELATING TO THE PREPARATION AND PROCESSING OF ACCOUNTING AND FINANCIAL INFORMATION

The professional standards require that we perform the necessary procedures to assess the fairness of the information provided in the Chairman's report in respect of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information.

These procedures consist mainly in:

– obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of the accounting and financial information on which the information presented in the Chairman's report is based and of the existing documentation;

– obtaining an understanding of the work involved in the preparation of this information and of the existing documentation;

– determining if any material weaknesses in the internal control procedures relating to the preparation and processing of the accounting and financial information that we would have noted in the course of our work are properly disclosed in the Chairman's report.

On the basis of our work, we have no matters to report on the information relating to the Company's internal control and risk management procedures relating to the preparation and processing of the accounting and financial information contained in the report prepared by the Chairman of the Board of Directors in accordance with Article L. 225-37 of the French Commercial Code.

OTHER INFORMATION

We confirm that the report prepared by the Chairman of the Board of Directors also contains the other information required by Article L. 225-37 of the French Commercial Code.

Paris La Défense and Courbevoie, 18 April 2017

THE STATUTORY AUDITORS

KPMG Audit IS	MAZARS
Benoît Lebrun	Olivier Thireau
Associate	Associate

CONTACTS

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Marie-Line PESQUIDOUX – General Secretary

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