BONGRAIN SA

CONSOLIDATED FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2013

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1. Consolidated income statement

		Fiscal years ended	
In thousands of euro	**Notes**	**12/31/2013**	**12/31/2012 restated**
NET SALES	**3**	**4,407,548**	**4,084,080**
Purchases adjusted for changes in inventories	4	-2,889,530	-2,610,293
Personnel costs	5	-801,103	-773,788
Depreciation, amortization, impairment and provisions	6	-115,468	-112,586
Other current operating expense	7	-447,755	-437,074
CURRENT OPERATING PROFIT		**153,692**	**150,339**
Other operating expense	8	-33,342	-41,774
Other operating income	8	13,140	24,449
TOTAL OPERATING PROFIT		**133,490**	**133,014**
Financial expense	9	-38,525	-42,155
Financial income	9	13,792	20,009
Group share of results of associates	10	4,052	6,668
PROFIT BEFORE TAX		**112,809**	**117,536**
Taxes on income	11	-57,671	-43,325
Net income from continuing operations		**55,138**	**74,211**
Net income from operations discontinued or in process of sale	2	**96**	**-41**
NET INCOME FOR THE YEAR		**55,234**	**74,170**
Attributable to equity holders of the parent company		48,893	64,151
Attributable to non-controlling interests		6,341	10,019
EARNINGS PER SHARE (in euro)	12		
Attributable to equity holders of the parent company:			
• basic		**3.49**	**4.53**
• diluted		**3.38**	**4.38**
From continuing operations:			
• basic		**3.48**	**4.53**
• diluted		**3.37**	**4.38**

On January 1, 2013 and with retroactive effect from January 1, 2012 the Group applied IAS 19 (amended) on employee benefits. The financial statements for 2012 have therefore been restated in accordance with the new standard (cf. note 34).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Fiscal years ended	
In thousands of euro	**Notes**	**12/31/2013**	**12/31/2012 restated**
NET INCOME FOR THE YEAR		**55,234**	**74,170**
Other comprehensive income:			
Foreign exchange differences		-34,023	-7,246
Change in fair value of available-for-sale financial assets		45	-271
Change in fair value of cash flow hedges(1)		-2,512	-2,440
Total recyclable components of other comprehensive income		**-36,490**	**-9,957**
Actuarial gains and losses for post-employment benefit plans (IAS 19R)		5,296	-10,933
Other movements(2)		-1,717	-1,632
Total non-recyclable components of other comprehensive income		**3,579**	**-12,565**
Other comprehensive income net of tax	**23**	**-32,911**	**-22,522**
TOTAL COMPREHENSIVE INCOME NET OF TAX		**22,323**	**51,648**
Attributable to equity holders of the parent company		16,963	42,843
Attributable to non-controlling interests		5,360	8,805

(1) Mainly relating to interest rates and raw materials.

(2) Relating in 2013 to adjustment of long-term employee benefits and in 2012, to IFRS adjustments for an equity accounted investment.

The notes provided are an integral part of these consolidated financial statements.

2. Consolidated statement of financial position

ASSETS

In thousands of euro	Notes	12/31/2013	12/31/2012 restated
Intangible assets	13	480,140	423,810
Property, plant and equipment	14	846,718	744,336
Other financial assets	15	33,490	44,401
Investments in associates	16	132,407	133,534
Non-current derivative financial instruments	20	1,691	1,517
Deferred tax assets	17	83,549	93,221
TOTAL NON-CURRENT ASSETS		**1,577,995**	**1,440,819**
Inventories and work in progress	18	453,469	368,538
Trade and other receivables	19	842,286	731,696
Tax credits		16,979	14,234
Derivative financial instruments	20	4,937	6,154
Other current financial assets	21	94,559	72,837
Cash and cash equivalents	22	387,899	416,820
TOTAL CURRENT ASSETS		**1,800,129**	**1,610,279**
Assets relating to operations discontinued or in process of sale	2	1,066	1,283
TOTAL ASSETS		**3,379,190**	**3,052,381**

EQUITY AND LIABILITIES

In thousands of euro	Notes	12/31/2013	12/31/2012 restated
Paid-in capital		**94,100**	**33,091**
Reserves		-40,292	-9,875
Retained earnings		1,048,507	1,089,415
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**1,102,315**	**1,112,631**
Equity attributable to non-controlling interests		102,969	66,231
TOTAL EQUITY	**24**	**1,205,284**	**1,178,862**
Provisions	**25**	97,260	100,036
Non-current borrowings	26	374,566	455,397
Other non-current liabilities	27	20	21
Non-current derivative financial instruments	29	11,445	2,679
Deferred tax liabilities	17	126,640	114,454
TOTAL NON-CURRENT LIABILITIES		**609,931**	**672,587**
Trade and other payables	28	952,998	821,996
Taxes on income payable		10,204	13,019
Derivative financial instruments	29	1,760	2,035
Bank borrowings	26	598,760	363,586
TOTAL CURRENT LIABILITIES		**1,563,722**	**1,200,636**
Liabilities relating to operations discontinued or in process of sale	2	253	296
TOTAL LIABILITIES		**2,173,906**	**1,873,519**
TOTAL EQUITY AND LIABILITIES		**3,379,190**	**3,052,381**

The notes provided are an integral part of these consolidated financial statements.

3. Consolidated statement of cash flows

		Fiscal years ended	
In thousands of euro	**Notes**	**12/31/2013**	**12/31/2012 restated**
Net income from operations discontinued or in process of sale		**96**	**-41**
Net income from continuing operations		**55,138**	**74,211**
Taxes on income	11	57,671	43,325
Depreciation, amortization, impairment and provisions	6	115,468	112,586
Gains and losses on disposal of assets		191	-11,218
Group share of results of associates	10	-4,052	-6,668
Net financial expense		16,003	16,510
Other non-cash income and expense		9,754	22,993
Gross operating margin		**250,173**	**251,739**
Interest paid		-26,559	-30,113
Interest received		10,628	14,942
Taxes on income paid		-50,828	-33,734
Change in working capital	30	-72,254	9,455
Net cash from continuing operations		**111,160**	**212,289**
Net cash for operations discontinued or in process of sale		**-42**	**-41**
NET CASH FROM OPERATING ACTIVITIES		**111,118**	**212,248**
Acquisition of subsidiaries, operating units and non-controlling interests		-74,351	-8,912
Disposal of businesses net of the cash transferred		4,706	13,981
Purchase of tangible and intangible non-current assets		-183,111	-145,334
Proceeds from disposal of assets		4,195	4,015
Acquisition/disposal of financial assets and changes in other current financial assets		-26,046	-25,655
Merger adjustments		-3,000	126
Dividends received from associates		1,569	3,538
Net investment associated with continuing operations		**-276,038**	**-158,241**
Net investment associated with operations discontinued or in process of sale		**-**	**-**
NET CASH USED IN INVESTING ACTIVITIES		**-276,038**	**-158,241**
NET CASH USED IN FINANCING ACTIVITIES			
Proceeds from exercise of share purchase options		-	-
Net purchase of treasury shares	24	1,156	-6,785
Change in the parent company's share capital		-1,399	-
Subscription to the share capital of an associate		-2,158	-
Proceeds from borrowings		211,317	73,527
Repayment of borrowings		-92,538	-123,212
Dividends paid		-22,700	-21,042
Net financing associated with continuing operations		**93,678**	**-77,512**
Net financing associated with operations discontinued or in process of sale		**-**	**-**
NET CASH USED IN FINANCING ACTIVITIES		**93,678**	**-77,512**
Impact of foreign exchange differences		501	560
Net increase/decrease in cash and cash equivalents		**-70,741**	**-22,945**
Reclassification of cash and cash equivalents associated with operations discontinued or in process of sale		**8**	**-20**
Opening cash and cash equivalents	22	**336,314**	**359,279**
CLOSING CASH AND CASH EQUIVALENTS	22	**265,581**	**336,314**

The notes provided are an integral part of these consolidated financial statements.

4. Consolidated statement of changes in equity

	Equity attributable to equity holders of the parent company				
In thousands of euro	**Paid-in capital (note 24)**	**Reserves (note 24)**	**Retained earnings**	**Non-controlling interests**	**Total consolidated equity**
EQUITY AT 01/01/2012 (published)	**38,953**	**10,617**	**1,066,817**	**64,722**	**1,181,109**
Adjustment to opening reserves for the amendments to IAS 19	-	-	-17,222	-407	-17,629
EQUITY AT 01/01/2012 (restated)	**38,953**	**10,617**	**1,049,595**	**64,315**	**1,163,480**
Dividends distributed			-17,006	-4,036	-21,042
Total comprehensive income at 12/31/2012 (published)	**-**	**-9,797**	**62,748**	**9,029**	**61,980**
Actuarial gains and losses for defined benefit pension plans	-	-10,695	587	-224	-10,332
Total comprehensive income at 12/31/2012 (restated)	**-**	**-20,492**	**63,335**	**8,805**	**51,648**
Stock purchase option plans:					
• Value of services provided	**923**				**923**
• Sale of treasury shares	**462**				**462**
Purchase of treasury shares	**-7,247**				**-7,247**
Changes in consolidation scope:					
• Purchase of minority interests			**-46**	**-523**	**-569**
• Put options granted to minority interests			**-6,463**	**-2,330**	**-8,793**
EQUITY AT 12/31/2012 (published)	**33,091**	**820**	**1,106,050**	**66,862**	**1,206,823**
EQUITY AT 12/31/2012 (restated)	**33,091**	**-9,875**	**1,089,415**	**66,231**	**1,178,862**
Dividends distributed			-18,221	-4,478	-22,699
Total comprehensive income at 12/31/2013		**-30,417**	**47,380**	**5,360**	**22,323**
Stock purchase option plans:					
• Value of services provided	548				548
• Sale of treasury shares	61,412		-60,704		708
Purchase of treasury shares	448	,			448
Change in paid-in capital	-1,399			8	-1,391
Changes in consolidation scope:					
• Purchase of minority interests			51	16,201	16,252
• Put options granted to minority interests			-9,414	-3,517	-12,931
• Increase following a business combination				23,164	23,164
EQUITY AT 12/31/2013	**94,100**	**-40,292**	**1,048,507**	**102,969**	**1,205,284**

The notes provided are an integral part of these consolidated financial statements.

5. Notes to the consolidated financial statements

Bongrain SA is a *Société Anonyme à Conseil d'Administration* (French limited liability company with a board of directors) domiciled and registered in France and whose registered office is located in Viroflay (78). Its shares are traded in on the Paris stock exchange.

Bongrain SA and its subsidiaries (hereafter the "Group") operate within two business segments: cheese products and other dairy products (cf. note 3).

The consolidated financial statements were authorized for issue by the Board of Directors on March 6, 2014. Unless otherwise stated they are expressed in thousands of euro. They will become definitive after their approval by stockholders at the Annual General Meeting scheduled for April 24, 2014.

5.1 Basis of preparation of the consolidated financial statements

In accordance with European regulation CE N° 1606/2002 dated July 19, 2002 the Group's consolidated financial statements at December 31, 2013 have been prepared in accordance with the IFRS Framework as published by the IASB (International Accounting Standards Boards) and adopted by the European Union at that date, as well as on the basis of the International Financial Reporting Standards (IFRSs) published by the IASB. They reflect the individual financial statements of each Group entity which have been restated as necessary in accordance with the Group's accounting policies. They have been prepared using the historical cost accounting convention with the exception of available-for-sale financial assets, financial assets and financial liabilities at fair value through profit or loss (including derivative financial instruments), biological assets and assets and liabilities subject to fair value hedges. Unless otherwise stated, accounting policies have been consistently applied to all the periods presented.

The preparation of financial statements in accordance with IFRS requires the exercise of judgment by management both for certain material accounting estimates and more generally in the application of certain accounting policies.

In accordance with IFRS 2, "Share-based Payment", only the share purchase option plans instituted after November 7, 2002, and that had not yet vested at January 1, 2005 have been recognized and accounted for as part of personnel costs. Earlier plans have not been retrospectively recognized.

The Group has applied with effect from 2013 the following standards which became obligatory for accounting periods beginning on or after January 1, 2013:

- IAS1 Amendment, *Presentation of Items of Other Comprehensive Income,* which now distinguishes between items depending on whether or not they are reclassified from equity to profit or loss as a reclassification adjustment.

- IFRS13, *Fair Value Measurement,* which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. As required by the standard, the Group has applied the new valuation requirements on a prospective basis but the modifications involved have not had any material impact on the Group's assets and liabilities.

- IAS19 Amendment, *Employee Benefits*:
  The amendments were mandatory as of January 1, 2013 with retroactive effect from January 1, 2012. The main impacts were as follows:

  - Suppression of the corridor method. As a result, €41.1 million of actuarial differences unrecognized as of December 31, 2011 were recognized in consolidated equity as of January 1, 2012 and in other comprehensive income in respect of the movements for 2012. They will never be recycled to profit or loss;

  - €1 million of past service cost unrecognized as of December 31, 2011 was recognized in consolidated equity as of January 1, 2012 and the past service cost pertaining to plan curtailments and settlements after January 1, 2012 was recognized in profit or loss (no material impact for the Group);

  - The expected yield on plan assets is assessed using the discount rate applicable to measurement of the associated benefit obligations.

The retrospective application of the IAS19 amendments has required restatement of the consolidated financial statements for 2012, the detailed impacts of which are presented in note 34.

Other amendments to standards and interpretations applicable on or after January 1, 2013 do not apply to, or have no impact for, the Group.

The Group has not made early application of standards and interpretations that will not become applicable until 2014, but reviews all such new standards and interpretations with a view to assessing their potential impact on reported performance and financial statement presentation in 2014. In this respect, it may be noted that the application of IFRS 10 and 11 will result in the adoption of the equity method of accounting for most of the Group's investments currently subject to proportionate consolidation.

5.2 Bases of consolidation

The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Subsidiaries are fully consolidated, joint ventures are subject to proportionate consolidation and investments in associates are accounted for using the equity method.

5.2.1 Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. Subsidiaries are fully consolidated and minority interests are disclosed in the statement of financial position in a separate category of equity. Minority interests in profit or loss are presented distinctly in the income statement.

The acquisition of subsidiaries is accounted for using the purchase method as described in IFRS 3 (revised). The consideration transferred is measured on the basis of the fair value, at the date of acquisition, of the elements of remuneration conferred on the seller, excluding any element remunerating transactions distinct from the acquisition of control over the subsidiary, and which may include:

- Assets remitted to the seller;
- Liabilities or contingent liabilities assumed;
- Equity instruments issued by the Group (cf p.6); and
- Any price adjustments applicable to the business combination.

Costs directly attributable to business combinations are written off as incurred (to other operating expense) with the exception of:

- Issue costs for any equity instruments issued as consideration for the acquisition, which are deducted from equity; and
- Costs pertaining to any financial liabilities contracted for the purposes of the business combination, which are deducted from the applicable financial liabilities.

The acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. Non-controlling interests are valued on the basis of:

- Either their share of the fair value at the acquisition date of the identifiable net assets of the acquiree (i.e. not taking goodwill into account);
- Or their share of the full fair value of the acquiree.

The amount of goodwill recognized at the date of control thus represents the difference between:

- The consideration transferred for the acquisition of control, measured at its fair value at the date of acquisition, plus the value of any minority interests and plus the fair value at the acquisition date of any previous minority interests held; and
- The fair value at the date of acquisition of the identifiable net assets acquired.

Any “negative” goodwill arising as a result of the above calculation is immediately credited to profit or loss.

In the event of control arising as the result of successive purchases, the interests acquired prior to the date of control are readjusted to their fair value at the date of control by charging or crediting profit or loss.

As required by IAS 27, the impact of increases or decreases in percentage interests not affecting control is recognized outside profit or loss.

In the event of loss of exclusive control, the full impact of the disposal is recognized even if a residual interest is retained.

5.2.2 Interests in joint ventures

The existence of joint control is established on the basis of the Group's contractual arrangements with other parties. Entities under joint control are subject to proportionate consolidation from the date that joint control commences until the date that joint control ceases.

5.2.3 Investments in associates

An associate is an entity over whose financial and operating policy decisions the Group exerts significant influence without exercising control. The Group recognizes, in its consolidated financial statements, its share of the net assets of the investee from the date that significant influence commences until the date that significant influence ceases. If the Group's share of losses of an associate equals or exceeds its investment in the associate, the carrying amount of the investment is reduced to zero. Additional losses are not provided for unless the Group is legally or constructively liable for them.

5.2.4 Elimination of intragroup transactions and balances

Intragroup transactions and balances are eliminated, as are unrealized gains resulting from intragroup transactions. Unrealized gains resulting from transactions with associates or jointly controlled entities are eliminated to the extent of the Group's interest therein.

5.2.5 Assets held for sale, operations discontinued or in process of sale

A group of assets and liabilities is defined as held for sale when its carrying amount is intended to be recovered by means of a sale and not by its continuing use. Such classification requires that the assets be available for immediate sale and that their effective sale be highly probable. The assets, measured at the lower of their carrying amount or estimated net sales proceeds, are presented separately from other assets in the statement of financial position as are the associated liabilities.

An operation in process of sale is defined as a business component either covered by a sale agreement, or discontinued/held for sale, and which either:

- Represents a significant activity or geographical zone for the Group; or
- Forms part of an overall proposal for disposal of a significant activity or geographical zone for the Group; or
- Is a material subsidiary acquired solely with a view to its subsequent resale.

There is no change in the statement of financial position presentation of discontinued operations. Separate presentation of the income statement and statement of cash flows data (for all periods presented) relating to discontinued operations is made if the associated impact is material.

5.2.6 Foreign currencies

Transactions of Group companies denominated in foreign currencies are initially translated at the exchange rates applying at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are subsequently translated at the exchange rates applying at the end of the reporting period and any differences arising are recognized in profit or loss.

For consolidation purposes, Group entities' assets and liabilities expressed in foreign currencies are translated into euro using the exchange rates applying at the end of the reporting period. Income and expense items are translated using the average exchange rates for the period or the specific rates applying at the transaction dates. Exchange differences arising from this process are recognized in other comprehensive income.

The goodwill and fair value adjustments associated with the acquisition of foreign operations are accounted for as assets and liabilities of the foreign operation and as such, are translated into euro using the exchange rates applying at the end of the reporting period. The financial statements of Group companies operating in hyperinflationary economies are restated, using official indices, to reflect the changes in the general purchasing power of the local currencies, and are then translated into euro using the exchange rates applying at the end of the reporting period.

5.2.7 Segment reporting

The Group's segment information is presented in accordance with IFRS 8, "Operating Segments".

The standard requires the presentation of segment information in accordance with the internal reporting format regularly used by the Chief Executive Officer, the main operational decision-taker, for the purposes of assessing the performance of each operating segment and allocating resources.

Segment results represent the operating results for each segment after appropriate allocation of head office overhead and research and development costs.

Segment assets comprise all the applicable current and non-current assets, including allocation of those head office assets used by operating segments and of the Group's interests in entities accounted for using the equity method.

5.2.8 Income statement

Income and expenses are classified in the income statement according to their nature. Expenses include purchases (raw materials, additives, utilities etc.) adjusted for changes in inventories, personnel costs, depreciation and amortization and other current operating expense (professional fees, rent etc.).

5.2.9 Measurement bases and definitions

5.2.9.1 NET SALES

Net sales comprise third party sales of goods and services net of all rebates. Net sale are recognized when the significant risks and rewards of ownership of the goods or benefit from the services have been transferred to the buyer, and are measured at the fair value of the consideration received or receivable. Disposals of surplus milk, exchanges of milk and sales of by-products are recognized as part of the net cost of raw material purchases.

For customer loyalty programs, the portion of net sales equating with benefits granted for use in the future is deferred, based on the fair value of the benefits, and is credited to the income statement at the time the benefits are used.

5.2.9.2 LEASES

Leases under which the lessor retains a substantial portion of the risks and rewards incidental to ownership of the leased assets are classified as operating leases. Operating lease payments (net of any incentives provided by the lessor) are recognized as an expense on a straight-line basis over the lease term.

5.2.9.3 CURRENT OPERATING PROFIT

Current operating profit is as defined by CNC recommendation 2009-R.03 and does not take into account other operating income and expense resulting from unusual or abnormal events that only occur infrequently.

5.2.9.4 FINANCIAL INCOME AND EXPENSE

Financial expense includes both the interest payable on third party borrowings, bank commissions and foreign exchange differences.

Financial income includes both the interest receivable from deposits with third parties, the foreign exchange differences associated with financial assets and liabilities and the gains and losses arising from interest rate hedging instruments accounted for in profit or loss.

5.2.9.5 TAXES ON INCOME

Taxes on income comprise both current and deferred tax. The tax effect of items accounted for outside profit or loss is also recognized outside profit or loss.

For reasons of substance over form, French research tax credit is treated as an operating subsidy as provided for by IAS20 and the French tax credit designed to stimulate competitiveness and employment is treated as a deduction from personnel costs.

As provided for by IAS 12, “Income taxes”, deferred tax, calculated using the statement of financial position liability method, is provided in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities are recognized in respect of all taxable temporary differences with the exception of goodwill. Deferred tax assets are recognized, in respect of both tax losses carried forward and other deductible temporary differences, to the extent that it is probable that adequate future taxable profits will be available to absorb them. At the end of each reporting period, the carrying amount of net deferred tax assets is reviewed in the light of the Group’s three-year plans and impairment is recognized whenever the expectations of profit, and therefore of tax charges, are not adequate to ensure their recoverability.

Deferred tax assets and liabilities are measured using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The effect of changes in tax rates is recognized in profit or loss with the exception of the portion relating to items recognized outside profit or loss.

5.2.9.6 PROPERTY, PLANT AND EQUIPMENT

Items of property, plant and equipment owned by the Group are recognized at historical cost less accumulated depreciation and impairment losses. Each component is depreciated on a straight-line basis over its estimated useful life and taking any residual value into account.

The principal estimated useful lives are as follows:

• Building, fixtures and fittings	10 to 30 years
• Plant and equipment	5 to 20 years
• Tooling, furniture, computer equipment and miscellaneous items	3 to 15 years
• Vehicles	4 to 7 years

Land is not depreciated.

Interest financing the construction of items of property, plant and equipment is recognized in accordance with IAS 23 (revised). Subsequent expenditure is recognized in profit or loss as incurred unless it increases the capacity of the assets concerned to generate future economic benefits.

Leases under which substantially all the risks and rewards incidental to ownership of the leased assets are transferred to the Group are classified as finance leases. In this case, the leased property is initially recognized in the statement of financial position at an amount equal to its fair value or, if lower, the present value of the minimum lease payments at the inception of the lease, and is subsequently measured at this amount less depreciation, and less any impairment losses, calculated on the same basis as for other similar assets. The associated finance is classified as a financial liability.

Investment grants are deducted from the gross amount of the assets financed.

5.2.9.7 INTANGIBLE ASSETS

Intangible assets comprise goodwill and other acquired intangible assets such as management information systems, intellectual property rights, other rights of use (e.g. exclusive distribution rights, leasehold rights etc.) and brands.

Goodwill, including goodwill in respect of milk collection zones, represents the excess of the acquisition cost of a business over the fair value of the identifiable net assets acquired measured as of the date of acquisition. Goodwill relating to investments in associates is included within the carrying amount of the investments. Goodwill is tested for impairment on an annual basis (or whenever indications of impairment are noted) and is measured at cost less accumulated impairment losses (which are not reversible). The gain or loss recognized on disposal of an entity takes account of the carrying amount of related goodwill (which is therefore derecognized). For the purpose of impairment testing, goodwill is allocated to the cash-generating unit, or groups of cash-generating units, associated with the business combinations giving rise to the goodwill. A cash-generating unit generally equates with a geographical zone.

Purchased intangible assets are recognized at historical cost and amortized on a straight-line basis over their estimated useful lives when determinable, which is the case for management information systems (3 to 7 years), intellectual property rights (based on the length of legal protection afforded) and other rights of use (based on the contractual arrangements). The useful lives of purchased brands are of indefinite length so they are not amortized; instead, their estimated useful lives are reviewed annually, or more often if any indication of impairment arises, and any impairment loss is recognized on the same basis as for goodwill.

Costs of acquisition of software licenses and other costs directly attributable to installation of the software are recognized as assets, whilst software running costs, and costs of maintenance, are recognized in profit or loss as incurred. Development costs (comprising personnel costs and an appropriate overhead allocation) which confer unique qualities on software or related products acquired by the Group are recognized as assets inasmuch as they are expected to generate future economic benefits for the Group and are amortized over the estimated useful lives of the associated software.

Research expenditure is recognized in profit or loss as incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognized if, and only if, all of the following can be demonstrated:

(a) The technical feasibility of completing the intangible asset so that it will be available for use or sale;

(b) The intention to complete the intangible asset and use or sell it;

(c) The ability to use or sell the intangible asset;

(d) How the intangible asset will generate probable future economic benefits, e.g. by demonstrating the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;

(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;

(f) The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The Group's development costs are related to new products and are not capitalized as the probability of obtaining future economic benefits can only be confirmed once the products have been launched.

5.2.9.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

Intangible assets with indefinite useful lives are not depreciated but are subject to annual impairment testing. Depreciable assets are subject to impairment testing whenever indications exist that their carrying amount may exceed their recoverable amount. Impairment losses are recognized as other operating expense on the basis of any excess of carrying amounts over recoverable amounts and are first allocated as a reduction of any related amount of goodwill. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is calculated by discounting, using the Group's weighted average cost of capital adjusted for the geographical risks inherent in the asset (and for inflation in the case of countries outside the euro zone), the future cash flows expected to be derived from the asset (based on three-year forecasts approved by management plus a terminal value assuming no further growth). Assets are grouped into cash-generating units defined as the smallest identifiable groups of assets that generate largely independent cash flows.

Brands are tested for impairment by estimating the future cash flows expected to be derived from the branded product with the flows that could be expected for an unbranded product.

With the exception of goodwill, prior impairment losses for non-financial assets are reviewed for potential reversal at the end of each annual or interim reporting period.

5.2.9.9 FINANCIAL ASSETS

Financial assets (other than own equity instruments) with a maturity in excess of one year include non-current receivables and other financial instruments such as investments in respect of which the Group exercises neither control nor significant influence. These assets are classified, depending on the Group's intention in acquiring them, as held-to-maturity investments or available-for-sale financial assets, and they are recognized immediately the Group undertakes to purchase them.

Non-interest-bearing receivables are measured at their fair value based on market rates of interest.

The majority of the Group's financial assets are classified as available for sale or held to maturity.

Financial assets available for sale are measured at their fair value with changes in fair value recognized in other comprehensive income except in the case of material or lasting impairment, in which case the associated losses are charged to profit or loss. When assets are disposed of, the accumulated fair value adjustments previously recognized in equity are transferred to profit or loss. Fair value is determined on the basis of market prices at the time contracts are signed or, if no market price is available, by using appropriate discounted cash flow modeling techniques incorporating market data.

Non-current receivables and other debt instruments barred from sale by contract are designated as held-to-maturity investments and measured at amortized cost less any applicable impairment losses.

5.2.9.10 INVENTORIES

Inventories are measured at the lower of cost and net realizable value.

Purchased milk is measured at actual purchase cost at the end of the reporting period. Milk produced by the Group's dairy herds is measured at its fair value at the date of production less estimated point-of-sale costs. Goods purchased for resale are measured at actual purchase cost. Work in progress and manufactured products are measured at cost, including direct conversion costs and an allocation for production overhead (including depreciation of production facilities), but excluding any borrowing costs.

Inventory movements for non-dairy raw materials and goods purchased for resale are accounted for on a first-in, first-out (FIFO) basis, whilst other inventories are measured on a weighted average cost basis.

If net realizable value, i.e. the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, is lower than cost as described above, the difference is recognized as an impairment loss.

5.2.9.11 TRADE AND OTHER RECEIVABLES

Trade and other receivables are initially recognized at their fair value and subsequently measured at amortized cost, using the effective interest method, less any applicable impairment losses. Impairment losses are recognized whenever indications exist that the Group will be unable to recover amounts due totally and in accordance with the timing provided for at the original transaction dates. Such indications may include significant financial difficulties on the part of the debtor, a probability that the debtor may be involved in bankruptcy or financial restructuring, or non-payment. The amount of any impairment loss is based on the excess of the asset's carrying amount over the present value of future cash flows discounted at the asset's initial effective interest rate, and is recognized as part of other operating expense. Trade and other receivables also include prepaid expenses.

Bad debts are written off when the debtor's irremediable default has been proven e.g. by receipt of a certificate of irrecoverableness or by expiry of any basis for legal claim.

5.2.9.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, bank deposits and other fixed rate investments subject to an insignificant risk of changes in value and with a maturity of no more than three months at the acquisition date. Bank deposits with maturities in excess of three months may also be classified as cash equivalents so long as they provide from the outset the option for cancellation at will, or at least every three months, without penalty. Other investments with maturities in excess of three months (or of less than three months, but subject to changes in their value) are classified as "Other current financial assets" in accordance with IAS 7 and as recommended by the *Autorité des Marchés Financiers* (AMF, the French financial market regulator).

Cash and cash equivalents are measured at their fair value with changes in fair value recognized in profit or loss.

Negotiable securities held with a view to short-term gain are measured at their fair value with changes in fair value recognized in profit or loss. Fair value is determined on the basis of market prices or, if no market price is available, by using appropriate discounted cash flow modeling techniques incorporating market data.

5.2.9.13 DERIVATIVE FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to manage its business exposure to foreign currency risk, interest rate risk and certain commodity price risks. The principal derivatives utilized by the Group are firm or optional forward exchange contracts, raw material forward purchases or options and contracts providing for the exchange of foreign currencies or interest rates.

All derivatives are measured at their fair value which is based on:

- The prices quoted in an active market; or
- The use of appropriate option valuation or discounted cash flow modeling techniques incorporating market data; or
- The use of other valuation techniques integrating parameters estimated by the Group, in the absence of observable data.

In certain circumstances, hedge accounting may be applied to financial instruments which are designed to compensate, wholly or partly, for changes in the fair value of recognized assets or liabilities or unrecognized firm commitments, or for variability in the cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction, or for changes in the value of a net investment in a foreign operation. The effectiveness of hedges is assessed at regular intervals and at least once per quarter.

Fair value hedges comprise derivatives designed to hedge exposure to foreign currency and/or interest rate risk. The gain or loss from remeasuring such hedging instruments at fair value at the end of the reporting period is recognized in profit or loss, whilst the gain or loss on the hedged items attributable to the hedged risks adjusts the carrying amount of the hedged items and is also recognized in profit or loss.

Derivatives may also be used to hedge the exposure to variability in cash flows of future transactions such as export sales, purchases of plant and equipment denominated in foreign currencies, commodity purchases (whether in terms of price variability or foreign currency risk) and borrowings. Gains or losses relating to the effective portion of such hedges are recognized in other comprehensive income, in a specific cash flow hedge reserve, whilst the ineffective portion of such gains or losses is recognized in profit or loss. When the hedged forecast transaction subsequently results in the recognition of a financial asset or financial liability, the associated gains or losses that were recognized in other comprehensive income are reclassified as part of the cost of acquisition of the asset or liability.

Derivatives are equally used to reduce the exposure to foreign currency risk of net investments in foreign operations. Changes in the fair value of such instruments are recognized directly in other comprehensive income until such time as the foreign operation is disposed of.

Trading derivatives include derivatives used in accordance with the Group's hedging policies, but to which hedge accounting is not applied, as well as derivatives acquired in order to attain targeted returns on investment portfolios. Changes in the fair value of such derivatives are recognized in profit or loss.

5.2.9.14 PAID-IN CAPITAL

Paid-in capital is included as part of equity. Costs directly attributable to the issue of new equity shares or options are recognized in equity, net of tax, as a deduction from the issue proceeds.

When a Group company purchases shares of the Company (treasury shares), the amount of consideration paid, including any directly attributable costs net of tax, is treated as a deduction from consolidated equity pending any cancellation, re-issue or sale. In the event of re-issue or sale, the amount of consideration received, less any directly attributable costs net of tax, is added to the amount of equity attributable to equity holders of the parent company.

5.2.9.15 SHORT, MEDIUM AND LONG-TERM BORROWINGS

Interest-bearing debts are initially recognized at their fair value net of transaction costs and are subsequently measured at amortized cost using the effective interest method. They are classified as current liabilities unless the Group has an unconditional right to defer repayment for at least twelve months after the end of the reporting period.

5.2.9.16 PUT OPTIONS GRANTED TO NON-CONTROLLING STOCKHOLDERS

Under IAS 32, when non-controlling stockholders dispose of put options in respect of their investments, those interests are reclassified as financial liabilities measured at the present value of the exercise prices for the options.

Under the revised version of IAS 27 applicable with effect from January 1, 2010, any difference between the exercise price of options granted and the historical value of the applicable non-controlling interests classified as financial liabilities is eliminated by adjusting the Group share of equity. The Group has chosen to freeze any differences in respect of put options granted prior to the revision of IAS 27, but to adjust the Group share of equity (as opposed to goodwill previously) for any subsequent changes in the estimated exercise value of options. The impact of unwinding the discounted value of the financial liability continues to be recognized in profit or loss.

5.2.9.17 EMPLOYEE BENEFITS AND SHARE-BASED PAYMENT

In accordance with the laws and practices of each country, Group companies incur obligations for pensions and other retirement or early retirement benefits and for other provident or miscellaneous benefits such as long service medals etc. These obligations generally apply to all employees and/or ex-employees of the companies concerned.

In the case of defined contribution plans and of short-term benefit obligations, annual expense is recognized on the basis of the contributions payable or benefits earned.

In the case of defined benefit plans, benefit obligations are estimated using the projected unit credit method based on the particular rules applicable to each plan as well as on actuarial assumptions for such matters as mortality rates, staff turnover and salary increases. Future obligations (and returns on plan assets) are discounted using rates determined by reference to market yields on high quality corporate bonds (or on government bonds if there is no deep market in corporate bonds) in the currencies of, and for similar terms to, the obligations.

The actuarial gains and losses arising from changes in actuarial assumptions or improved experience are recognized in other comprehensive income as they arise, and are never recycled to profit or loss.

Past service cost following the introduction of, or changes to, a defined benefit plan is recognized immediately as an expense. For each plan, if the defined benefit obligation less any related plan assets and less any unrecognized gains and losses is a net liability, the amount is disclosed within “Provisions”; if the net amount is an asset, it is disclosed within “Other financial assets”.

Post-employment benefit costs are classified as personnel costs with the exception of financial costs and the expected return on plan assets which are classified as financial income or expense.

Certain subsidiaries propose other post-employment benefits mainly in the form of long-service benefits the cost of which is estimated on an actuarial basis and charged to profit or loss over the applicable service periods. Actuarial gains and losses and past service costs are recognized immediately.

The Group has instituted a remuneration plan involving the attribution of stock options. The fair value of the services rendered by employees in exchange for the stock options is recognized as an expense such that the total expense recognized over the period of acquisition of rights equates with the fair value (as of the date of allocation) of the options granted. At each end of the reporting period, the Group reassesses the number of options liable to be exercised and, if necessary, recognizes an adjustment in profit or loss and a corresponding adjustment in equity. The consideration received when options are exercised, net of any directly attributable transaction costs, is credited to share capital (for the nominal share amount) and to share premium for the surplus.

5.2.9.18 OTHER PROVISIONS

Provisions for site restoration, restructuring, legal action and other risks are recognized when the Group is under a legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation. Restructuring provisions, which include amounts relating to penalties for termination of leases and employee termination benefits, are not recognized until detailed plans have been prepared and implementation has commenced or valid expectations as to the discharge of the obligation have otherwise been created (notably by an announcement). Provisions are never recognized for future operating losses.

When there exists a certain number of similar obligations, the probability that an outflow of resources may be required to discharge the obligations is considered for the category of obligations taken as a whole and, albeit the probability of an outflow of resources for each individual element may be low, if it is probable that a certain outflow of resources will be required to discharge the category of obligations as a whole, a provision is recognized.

The amount recognized as a provision is the best estimate of the present value of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to each liability. Unwinding of discount is recognized as part of net financial expense.

5.2.10 Management of financial risk

5.2.10.1 FINANCIAL RISK

The Group’s activities expose it to different types of financial risk: market risk, credit risk and liquidity risk. The Group engages in risk management, sometimes involving the use of derivative financial instruments, in order to minimize the potentially unfavorable effects of these risks on the Group’s financial performance.

Risk management is carried out in accordance with policies approved by the Board of Directors. Financial risks are identified, measured and hedged in close cooperation with the Group’s operating units. Specific procedures for each transaction category specify the instruments which may be employed, the maximum authorized amounts, the authorized counterparties and the controls to be applied.

5.2.10.2 MARKET RISK

Market risk may be defined as the exposure to changes in factors such as foreign exchange rates, interest rates and the price of equity instruments, liable to affect the Group’s financial performance or the value of its financial instruments. Management of market risk is designed to contain such exposure within acceptable limits whilst optimizing the tradeoff between risk and profitability. As regards raw material prices (mainly for milk, butter and powder), the Group can only manage the associated risks where organized markets exist and this is only the case in the USA.

5.2.10.3 FOREIGN CURRENCY RISK

The Group has an international presence but suffers little exposure to foreign currency risk given that its products are for the most part locally manufactured. Foreign currency risk otherwise applies to forecast commercial transactions, recognized assets and liabilities denominated in foreign currency and net investments in foreign operations.

The Group uses firm or optional forward exchange contracts to hedge its exposure to foreign currency risk in respect of forecast commercial transactions and recognized assets and liabilities. In this respect, the Group’s policy is to hedge approximately 80% of the amount of its forecast transactions in each significant foreign currency for the coming 12 months.

The Group possesses certain investments in foreign operations whose net assets are exposed to foreign currency risk.

5.2.10.4 INTEREST RATE RISK

The Group is exposed to interest rate risk on its borrowings. Borrowings initially contracted at variable rates expose the Group to the risk of variation in future cash flows, whilst borrowings initially contracted at fixed rates expose the Group to the risk of changes in fair value. The Group adapts its policy in respect of hedging of interest rate risk according to the evolution of interest rates and of its borrowings.

5.2.10.5 CREDIT RISK

Credit risk may be defined as the exposure to loss as a result of the failure of a customer, or of the counterparty to a financial instrument, to honor its contractual obligations. The risk is essentially associated with trade receivables (cf. note 19), investments (cf. note 15) and derivative financial instruments with asset balances (cf. note 20).

The Group does not have material exposure to credit risk, since it has implemented policies which enable it to ensure that customers purchasing its products present appropriate credit credentials. The Group also selects its banking partners in such a way as to spread its deposits and requirements for derivative financial instruments judiciously and to ensure that it deals with first class banks and financial institutions, thus avoiding any material concentration of financial risks.

5.2.10.6 LIQUIDITY RISK

Liquidity risk arises when certain counterparties are liable not to discharge their obligations for financing or investment. In terms of financing, the Group ensures its liquidity via a policy of confirmed medium- and long-term facilities which are only partially used. In terms of investment, liquidity is ensured by limiting recourse to non-monetary investments (cf. notes 26 and 29).

5.2.10.7 ESTIMATION OF FAIR VALUES

Certain of the Group's accounting policies and required disclosures involve estimation of the fair value of both financial and non-financial assets and liabilities. The requisite estimation is performed under supervision by the Group's finance department.

Fair value is based on:

- The prices quoted in an active market; or
- The use of appropriate option valuation or discounted cash flow modeling techniques incorporating market data; or
- The use of other valuation techniques integrating parameters estimated by the Group, in the absence of observable data.

The fair value of trade and other receivables and payables is assumed to equate with their nominal amount less any applicable impairment losses.

5.2.10.8 CRITICAL JUDGMENTS AND ESTIMATES

The preparation of consolidated financial statements in accordance with International Standards (IFRS) requires the use of estimates and assumptions liable to affect the value of the Group's assets, liabilities, equity and earnings. Such estimates and assumptions mainly relate to the valuation of goodwill and other intangible assets, provisions, post-employment benefit obligations and deferred tax. Estimates are prepared on the basis of the information available at the time the financial statements are prepared and are detailed in the applicable notes (cf. notes 8, 13, 14, 17 and 25).

5.2.10.9 CAPITAL MANAGEMENT

The Group's policy is to maintain a sufficient level of equity to preserve the confidence of its investors and creditors and of the market in general and to sustain the future development of its operations.

The Group's employees hold 2.16% of the parent company's ordinary shares via a company savings plan.

The Group occasionally repurchases its own shares. The rhythm of any purchases is determined by the perceived requirements of capital management and by the market price. Shares are mainly acquired within the framework of the Group's stock option plans. Decisions for the purchase or resale of shares are taken on an ad hoc basis.

No changes were made in the Group's capital management policy during 2013. Bongrain SA repurchased and then cancelled 1,399,286 treasury shares.

Neither the parent company nor its subsidiaries are subject to any specific external requirements in respect of capital.

NOTE 1. CHANGES IN CONSOLIDATION SCOPE

The following changes took place in 2013:

- Acquisition in January 2013 of a 55% interest in Dutch Cheese Masters SAS;
- Acquisition on March 19, 2013 of control over Fromagerie Berthaut, in which the Group has a 90% stake;
- Sale on June 10, 2013 of Fromagerie Paul Renard, a dormant subsidiary;
- Acquisition of control over Söbbeke Gmbh (80%) and Rogge KG (92.49%), German companies specializing in bio dairy products;
- Sale on October 8, 2013 of a 29% interest in Jiangsu Howbetter Food and Chemical Company Ltd (China);

  (all the above movements relate to the cheese products operating segment);

- Acquisition of 100% control over Sinodis, a company classified in the other dairy products operating segment;

- Implementation, following agreement by France's competition authority, of a partnership with Terra Lacta involving, with effect from October 1, 2013, the creation of a joint venture company, Fromageries Lescure, of which Bongrain Europe holds 51% and which is mainly engaged in the production and sale of goat's milk cheeses. Terra Lacta also transferred its cow's milk processing and soft cheese activities to Fromageries St Saviol. The companies are classified in the cheese products operating segment.

  Terra Lacta also transferred its activities of production and sale of butter, cream, cow's milk cheeses and dairy ingredients (mainly in the form of tangible fixed assets, cf. note 14) to Compagnie Laitière Européenne (CLE), a subsidiary of Bongrain SA. In return, Terra Lacta has become a minority shareholder of CLE. All those activities are classified in the other dairy products operating segment.

- Acquisition on December 19, 2013 of Sodilac, a company manufacturing special milk powders, and of various intangible assets held by the Ordesa Group (Spain). The transaction will allow the Group to diversify its dairy product offering and enhance the value of its know-how in the area of dairy specialties.

The following main changes took place in 2012:
- Acquisition of 100% of Les Vergers des Coteaux du Périgord SAS on July 24, 2012. The company is classified within the other dairy products reporting segment;
- Sale of a 20% interest in Fromagerie des Doukkala SA (Morocco).

NOTE 2. OPERATIONS DISCONTINUED OR IN PROCESS OF SALE

Operations discontinued or in process of sale contributed the following amounts to the consolidated income statements presented herein:

	Income statements	
In thousands of euro	**2013**	**2012**
Net sales	1	-
Current operating profit/(loss)	-19	-19
Operating profit/(loss)	188	-20
Profit/(loss) before tax	168	-41
Taxes on income	-72	-
Net income from discontinued operations	96	-41

No amount of income or expense related to the operations held for sale has been recognized outside profit or loss.

The consolidated assets and liabilities at December 31, 2013 and 2012 relating to operations discontinued or in process of sale were as follows:

In thousands of euro	**12 31 2013**	**12 31 2012**
Non-current assets	899	1,075
Current assets	167	208
TOTAL ASSETS IN PROCESS OF SALE	**1,066**	**1,283**
Non-current liabilities		
Current liabilities	253	296
TOTAL LIABILITIES	**253**	**296**

NOTE 3. SEGMENT REPORTING

The Group's segment reporting reflects the internal reporting used by the Chief Executive Officer, the Group's main operational decision-taker. The data reported is prepared in accordance with the Group's accounting framework.

Two operating segments are distinguished:

The cheese products segment: manufacture and distribution of branded cheeses and cheese specialties in most markets;

The other dairy products segment: manufacture and distribution of fresh butter and cream for mass consumption, food service products such as fresh cream and UHT, dessert preparations, butter for baking and milk-based preparations for international luxury hotels, as well as technical butters and highly specialized dairy proteins for the food, nutrition and health industries.

The Group's summarized income statement by operating segment may be reconciled as follows to its overall income statement:

	Cheese products		Other dairy products		Other items		Total	
In thousands of euro	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012***
Net sales by segment	2,717,038	2,614,131	1,788,526	1,556,085	61,175	45,947	4,566,739	4,216,163
Inter-segment revenue	-82,548	-69,321	-31,572	-30,802	-45,071	-31,960	-159,191	-132,083
Third party net sales	**2,634,490**	**2,544,810**	**1,756,954**	**1,525,283**	**16,104**	**13,987**	**4,407,548**	**4,084,080**
Charges for depreciation, amortization, impairment and provisions	-80,558	-82,623	-26,124	-23,246	-8,786	-6,717	-115,468	-112,586
Current operating profit/(loss)	**100,533**	**110,558**	**71,768**	**56,161**	**-18,609**	**-17,355**	**153,692**	**149,364**
Restructuring costs	-2,492	-5,089	-4,485	-4,208	-	-	-6,977	-9,297
Impairment of assets	-10,706	-19,423	185	-930	-	-	-10,521	-20,353
Segment profit/(loss)	**87,335**	**86,046**	**67,468**	**51,023**	**-18,609**	**-17,355**	**136,194**	**119,714**

* *Published data*

Assets employed by operating segment may be reconciled as follows to the Group's statement of financial position:

In thousands of euro	2013	2012	2013	2012	2013	2012	2013	2012*
Total assets of which:	**2,062,094**	**1,937,565**	**1,125,281**	**918,867**	**191,815**	**182,822**	**3,379,190**	**3,039,254**
Investments in associates	60,370	62,290	68,139	67,918	3,898	3,326	132,407	133,534

Cash flows by operating segment may be reconciled as follows to the Group's cash flows:

Investment in tangible and intangible non-current assets	**112,802**	**85,012**	**43,217**	**48,603**	**27,092**	**11,719**	**183,111**	**145,334**

Reconciliation of segment profit to net income for the year:

	2013	2012 *
Segment profit	**136,194**	**119,714**
Other operating expense	-10,719	-9,492
Other operating income	8,015	21,817
Operating profit	**133,490**	**132,039**
Financial expense	-38,525	-42,099
Financial income	13,792	20,009
Group share of results of associates	4,052	6,668
Profit before tax	**112,809**	**116,617**
Taxes on income	-57,671	-43,007
Net income from operations discontinued or in process of sale	96	-41
Net income for the year	**55,234**	**73,569**

* *Published data*

Net sales and investment in tangible and intangible non-current assets by geographical zone:

In thousands of euro	France	Rest of Europe	Rest of the world
Net sales			
2013	**1,431,101**	**1,763,110**	**1,213,337**
2012	1,282,489	1,612,994	1,188,597
Investment in tangible and intangible non-current assets			
2013	**94,093**	**34,161**	**54,857**
2012	85,924	33,695	25,715
Total assets			
2013	**2,796,543**	**408,124**	**174,523**
2012	2,401,745	415,982	221,527

NOTE 4. PURCHASES ADJUSTED FOR CHANGES IN INVENTORIES

In thousands of euro	2013	2012
Raw materials and goods consumed	-3,098,523	-2,714,790
Changes in inventory	73,727	12,933
Expenditure capitalized	3,401	3,086
Other consumption	-229,663	-221,294
Sales of surpluses and by-products and exchanges of milk	361,528	309,772
	-2,889,530	**-2,610,293**

NOTE 5. PERSONNEL COSTS

In thousands of euro	**2013**	**2012 ***
Gross remuneration	-516,561	-497,657
Social contributions	-213,646	-210,559
Profit-sharing	-14,841	-13,634
Temporary personnel	-56,568	-53,584
Grants received	513	671
	-801,103	**-774,763**

* *Published data*

The Group had an average of 19,301 employees (including temporary employees) in 2013 (compared with 18,870 in 2012), of whom 7,912 were employed in France, 5,904 in the rest of Europe (out of France) and 5,485 in the rest of the world. Of employees working in France 17% were employed as managers, 28% as technicians or supervisors and 55% as operatives.

NOTE 6. DEPRECIATION, AMORTIZATION AND PROVISIONS

In thousands of euro	**2013**	**2012**
Depreciation and amortization	-113,057	-112,827
Movements on operating provisions	-2,411	241
	-115,468	**-112,586**

NOTE 7. OTHER CURRENT OPERATING EXPENSE

In thousands of euro	**2013**	**2012**
Purchased services (1)	-411,486	-401,107
Taxes other than taxes on income	-39,966	-39,424
Other current operating income (2)	3,698	3,457
	-447,755	**-437,074**

(1) Including €2.9 million of acquisition costs (€0.6 million in 2012)
(2) Including €4.2 million of research tax credits (€3.4 million in 2012)

NOTE 8. OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense for 2013 included net impairment of certain assets (€10.5 million), industrial restructuring (€7 million), net costs of litigation including in respect of tax (€2.3 million) and other net expense (€0.4 million).

Other operating income and expense for 2012 included net impairment of certain assets (€20.4 million), industrial restructuring (€9.3 million), net costs of litigation including in respect of tax (€1.4 million), gains on disposal of financial assets (€11.3 million) and other net income (€2.5 million).

The impairment losses recognized in 2013 and 2012 follow systematic impairment testing of all cash-generating units including intangible assets with indefinite useful lives as well as testing of other cash-generating units for which indications of impairment had been noted.

The main assumptions applied in determining value in use related to:

- Market trends;
- The trend in prices for milk, butter and powder;
- Foreign exchange rates and hedging costs, inflation and interest rates;
- Discount factors.

The assumptions used were based on market data when available (for foreign exchange and interest rates etc.) or failing that (with regard to raw materials), were determined on the basis of internal historical data adjusted for anticipated changes in market conditions.

The discount rates applied reflect the Group's average weighted cost of capital adjusted by risk factors for each country in which the Group undertakes cheese and other dairy product activities. The adjusted rates are as follows:

- 5% for Japan and the United States;
- 6% for Western Europe;
- 8% for Southern Europe;
- Between 6% and 10% for the European Union Member States of Central and Eastern Europe, China and Chile;
- Between 12% and 21% for Serbia, Russia, Ukraine, India, Brazil, Uruguay, Egypt and Argentina.

In 2013 the outlook for the Group's long-range plan took account of new trends in the markets and competition, as well as of the difficult economic situation of certain countries not expected to exit from economic crisis in the near future, resulting in the recognition of €2.7 million of impairment losses against intangible assets, €10.1 million of impairment losses against tangible assets including €9.8 million for the European Union Member States of Central and Eastern Europe cash-generating unit, €1.8 million for Serbia and €1.2 million for Ukraine. €2.2 million of impairment losses previously recognized against tangible assets in Uruguay were reversed.

At the end of December 2013, the cumulative impairment losses amounted to €71 million concentrated on Southern Europe (€35 million), Eastern Europe (€30million) and the Middle East (€4 million).

A change of 0.5% in the discount factors applied would have an impact of plus or minus €8.5 million on the impairment losses recorded against the European Union Member States of Central and Eastern Europe cash-generating unit, but no impact elsewhere.

In 2012 the outlook for the Group's long-range plan took account of new trends in the markets and competition, as well as of the difficult economic situation of certain countries not expected to exit from economic crisis in the near future, resulting in the recognition of €22.1 million of impairment losses against tangible assets including €21 million for the Southern European cash-generating unit and €1.1 million for specific underutilized assets. €1.9 million of impairment losses previously recognized against tangible assets in Japan were reversed.

NOTE 9. NET FINANCIAL EXPENSE

In thousands of euro	**2013**	**2012 ***
Interest payable (1)	-21,581	-26,597
Bank commissions	-6,829	-5,990
Other net financial expense	-8,966	-7,394
Net result of interest rate hedging (3)	-	-2,118
Net foreign exchange losses	-1,149	-
FINANCIAL EXPENSE	**-38,525**	**-42,099**
Financial income (2)	13,258	17,002
Net result of interest rate hedging (3)	534	-
Net foreign exchange gains	-	3,007
FINANCIAL INCOME	**13,792**	**20,009**
Net financial expense	-24,733	-22,090
Of which: net interest payable (1)+(2)+(3)	-7,789	-11,713

* *Published data*

The favorable impact of falling interest rates was not sufficient to offset the unfavorable foreign exchange impacts and the increase in other financial expense.

NOTE 10. GROUP SHARE OF RESULTS OF ASSOCIATES

In thousands of euro	**2013**	**2012**
Group share of results before tax	4,052	6,668
Minus Group share of taxes on income	-2,474	-1,614
	1,578	**5,054**

The Group's share of results of associates is attributable to the cheese products segment for -€3.2 million, the other dairy products segment for €4.1 million and unallocated transactions for €0.6 million.

NOTE 11. TAXES ON INCOME

Taxes on income may be broken down as follows:

In thousands of euro	**2013**	**2012 ***
Taxes born by associates	-2,474	-1,614
Current tax	-45,438	-38,290
Deferred tax	-9,759	-3,103
	-57,671	**-43,007**

The Group's effective tax charge differs from the theoretical weighted average charge applying to the profits of consolidated subsidiaries for the following reasons:

In thousands of euro	2013	2012 *
Profit before tax	112,809	116,617
Theoretical tax based on national tax rates	**40,043**	**38,554**
Tax impact of:		
• Non-taxable profits and non-deductible expenses	-3,071	-3,163
• Current and deferred tax resulting from the analysis of France's CVAE as a tax on income	5,715	5,431
• Tax credits	-671	-1,174
• Use of tax losses not previously recognized and Impairment of net deferred tax assets (1)	7,948	3,760
• Tax rate changes affecting deferred tax	-67	-111
• Other items (2)	7,774	-290
Income tax charge	**57,671**	**43,007**
Weighted average tax rate	**51.12%**	**36.88%**

* *Published data*

(1) Deferred tax assets are recognized in respect of tax losses carried forward to the extent that their recovery appears probable. In 2013 the Group's forecast taxable profits for the three coming years have required the recognition of €10.3 million of impairment losses against its deferred tax assets compared with €8.4 million in 2012.
(2) Including the impact of tax inspections.

The parent company's tax rate amounts to 38%.

The capping of tax losses carried forward did not result in any additional consolidated current tax charge in 2013 (resulted in additional consolidated current tax charges of €3.8 million in 2012). The other new tax measures applicable in 2013 had an additional impact of €1.5 million of income.

NOTE 12. EARNINGS AND DIVIDEND PER SHARE

Basic earnings per share are calculated by dividing the net income attributable to equity holders of Bongrain SA by the weighted average number of shares outstanding during each period with the exception of treasury shares held by the parent company (cf note 24).

In thousands of euro	2013	2012
Net income attributable to equity holders of Bongrain SA	**48,893**	**63,564**
Weighted average number of shares in circulation	14,021,032	14,165,945
Basic earnings per share	3.49	4.49

Diluted earnings per share is calculated by increasing the weighted average number of shares outstanding by the number of additional shares which would be created assuming the exercise of all outstanding share purchase options.

In thousands of euro	2013	2012
Net income attributable to shareholders of Bongrain SA	48,893	63,564
Weighted average number of shares in circulation	14,021,032	14,165,945
Dilutive effect of share purchase options	443,389	473,016
Adjusted weighted average number of shares	14,464,421	14,638,961
Diluted earnings per share	**3.38**	**4.34**

Dividends paid in 2013 and 2012 amounted respectively to €1.30 and €1.20 per share. The Board of Directors will propose at the Annual General Meeting on April 24, 2014 that a dividend of €1 per share be distributed in respect of the fiscal year ending December 31, 2013.

NOTE 13. INTANGIBLE ASSETS

In thousands of euro		Goodwill (1)	Intellectual property rights and brands (2)	Other rights of use	Total
At 12/31/2011					
Cost		268,223	203,709	27,982	499,914
Cumulative amortization and impairment losses		-1,605	-63,684	-16,639	-81,928
CARRYING AMOUNT		**266,618**	**140,025**	**11,343**	**417,986**
2012					
Opening carrying amount		266,618	140,025	11,343	417,986
Foreign exchange differences		-104	-161	-38	-303
Acquisitions		-	4,300	11,093	15,393
Disposals		-	-15	-6	-21
Impairment	(Note 8)	-	-1	3	2
Change in consolidation scope		-130	-	244	114
Amortization charge	(Note 6)	-	-7,347	-2,014	-9,361
CARRYING AMOUNT		**266,384**	**136,801**	**20,625**	**423,810**
At 12/31/2012					
Cost		267,989	208,850	36,849	513,688
Cumulative amortization and impairment losses		-1,605	-72,049	-16,224	-89,878
CARRYING AMOUNT		**266,384**	**136,801**	**20,625**	**423,810**
2013					
Opening carrying amount		266,384	136,801	20,625	423,810
Foreign exchange differences		-1,138	-209	-129	-1,476
Acquisitions		-	7,459	3,437	10,896
Disposals		-	-33	-	-33
Impairment	(Note 8)	-2,698	-1	-	-2,699
Change in consolidation scope(3)		29,907	28,246	18	58,171
Amortization charge	(Note 6)	-	-6,594	-1,935	-8,529
CARRYING AMOUNT		**292,455**	**165,669**	**22,016**	**480,140**
At 12/31/2013					
Cost		296,758	242,435	39,897	579,090
Cumulative amortization and impairment losses		-4,303	-76,766	-17,881	-98,950
CARRYING AMOUNT		**292,455**	**165,669**	**22,016**	**480,140**

(1) *Net goodwill for the cheese products reporting segment amounted to €100.4 million (2012: €99.3 million) and that for the other dairy products segment amounted to €192.1 million (2012: €167.1 million).*

(2) *Net brands for the cheese products reporting segment amounted to €107.2 million (2012: €90.8 million) and that for the other dairy products segment amounted to €33.6 million (2012: €22.3 million).*

(3) *The goodwill applicable to changes in consolidation scope is subject to change during the twelve months following the date of acquisition. The impacts for the period included the goodwill for the acquisition of Sodilac and Fromagerie Berthaut as well as that for the following brands: Epoisses (Fromagerie Berthaut) and Modilac (Sodilac and Sobbeke).*

Intangible assets with indefinite lives had a carrying amount of €433.2 million at December 31, 2013 compared to €379.5 million at December 31, 2012. They comprise goodwill and brands.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT

In thousands of euro		Land	Buildings, fixtures and fittings	Plant, equipment and tooling	Other items	Total
At 12/31/2011						
Cost		40,321	527,944	1,303,234	219,419	2,090,918
Cumulative depreciation, amortization, impairment		-2,030	-291,649	-933,930	-118,758	-1,346,367
CARRYING AMOUNT		**38,292**	**236,295**	**369,304**	**100,661**	**744,552**
2012						
Opening carrying amount		38,292	236,295	369,304	100,661	744,552
Foreign exchange differences		-301	-627	-1,268	-884	-3,080
Acquisitions		374	18,547	84,152	26,425	129,498
Disposals		-335	-142	-917	-2,643	-4,037
Impairment	(Note 8)	-	-7,201	-13,987	-955	-22,143
Reversal of impairment	(Note 8)	1	1,517	348	-	1,866
Change in consolidation scope		-	585	107	34	726
Amortization charge	(Note 6)	-	-22,296	-71,068	-10,102	-103,466
Impact operations in process of sale		217	203	-	-	420
CARRYING AMOUNT		**38,248**	**226,881**	**366,671**	**112,536**	**744,336**
At 12/31/2012						
Cost		40,209	544,457	1,357,784	235,651	2,178,101
Cumulative depreciation, amortization, impairment		-1,961	-317,576	-991,113	-123,115	-1,433,765
CARRYING AMOUNT[(1)]		**38,248**	**226,881**	**366,671**	**112,536**	**744,336**
2013						
Opening carrying amount		**38,248**	**226,881**	**366,671**	**112,536**	**744,336**
Foreign exchange differences		-738	-4,555	-7,250	-5,616	-18,159
Acquisitions		504	28,726	91,516	53,240	173,986
Disposals		-329	-2,456	-1,677	-456	-4,918
Impairment	(Note 8)	202	-4,637	-5,199	-727	-10,361
Reversal of impairment	(Note 8)	1	1,314	1,221	3	2,539
Change in consolidation scope		2,072	36,873	23,323	1,380	63,648
Amortization charge	(Note 6)	-	-22,711	-69,043	-12,774	-104,528
Impact operations in process of sale		38	137	-	-	175
CARRYING AMOUNT		**39,998**	**259,572**	**399,562**	**147,586**	**846,718**
Au 12/31/2013						
Cost		41,475	597,353	1,436,980	278,244	2,354,052
Cumulative depreciation, amortization, impairment		-1,477	-337,781	-1,037,418	-130,658	-1,507,334
CARRYING AMOUNT [(1)]		**39,998**	**259,572**	**399,562**	**147,586**	**846,718**
Gross finance lease items		126	42,249	13,126	6,878	62,379
Depreciation of finance lease items		-	-30,044	-10,912	-3,646	-44,602
(1) Of which: net finance lease items		126	12,205	2,214	3,232	17,777

The expense for leased items of property, plant and equipment amounted to €42 million in 2013 and €39.4 million in 2012.

Bank borrowings of €0.5 million were secured against land and buildings at December 31, 2013 (2012: €1.5 million).

In 2013, investment grants of €8.4 million were deducted from the cost of the assets financed (2012: €7.6 million).

Items of property, plant and equipment under construction amounted to €95 million in 2013 (2012: €63 million).

NOTE 15. OTHER FINANCIAL ASSETS

In thousands of euro	December 31, 2013	December 31, 2012
Available-for-sale financial assets	7,822	8,670
Held-to-maturity investments	15,295	15,307
Loans and receivables	17,573	27,136
Impairment losses	-7,200	-5,705
	33,490	**45,408**

The impairment losses mainly relate to non-controlling interests classified as held-to-maturity investments.

NOTE 16. INVESTMENTS IN ASSOCIATES

In thousands of euro	December 31, 2013	December 31, 2012
At January 1	133,534	136,287
Change in consolidation scope	-2,902	-2,640
Result for the period	1,578	5,054
Dividends paid	-1,413	-3,676
Other items	2,165	-1,633
Impact of foreign exchange differences	-555	142
CLOSING BALANCE	**132,407**	**133,534**

The principal companies accounted for using the equity method are Capsa and Emmi Fondue in which the Group's interests amount respectively to 27% and 34%.

In thousands of euro	2013		2012	
100% basis	**Capsa**	**Emmi Fondue**	**Capsa**	**Emmi Fondue**
Assets	381,650	87,316	382,276	90,298
Equity	205,023	72,194	204,193	70,908
Liabilities	176,627	15,122	178,083	19,390
Net sales	575,100	74,765	643,793	72,594
Net income	1,448	3,081	-446	3,164

The Group holds less than 20% of the voting (or potential voting) rights of Rupp and Financière Louis, it exerts significant influence via its representation on the Boards of Directors of both these companies which are therefore consolidated using the equity method as required by IAS 28.7.

NOTE 17. DEFERRED TAX

Deferred tax recognized in the statement of financial position reflects all the temporary differences existing between the carrying amounts of consolidated assets and liabilities and their amounts for tax purposes.

Deferred tax assets relate principally to liabilities for taxes and social contributions, and for employee benefits, in respect of which tax deductibility is subordinated to the effective payment of amounts. They also relate to prior period tax losses carried forward mainly for periods in excess of five years.

Unrecognized deferred tax assets amounted to €55.8 million at December 31, 2013 and €44.7 million at December 31, 2012, mainly relating to tax losses.

Deferred tax liabilities relate principally to differences in the rhythm of depreciation of property, plant and equipment and amortization of intangible assets for accounting purposes and for tax purposes in the various countries where the Group is present.

The €9.8 million deferred tax charge recognized for the year is essentially the result of the impairment of deferred tax assets.

A -€0.94 million deferred tax adjustment was recognized in other comprehensive income as of December 31, 2013, to take account of the change in fair value of the Group's available-for-sale securities and other financial instruments, as well as of actuarial gains and losses.

The Group has decided to treat CVAE tax as a tax on income and as a result, recognized an applicable deferred tax liability of €3.3 million as of December 31, 2009. With effect from 2010, the total current and deferred charge for CVAE tax is included as part of the same line item.

In thousands of euro	At January 1, 2013 *	Expense /income	Changes in fair value	Actuarial gains and losses	Changes of accounting policy	Changes in scope	Other changes	Conversion differences	At December 31, 2013
Intangible assets and property, plant and equipment	23,293	897	-	-	-	11	691	-684	24,208
Provisions	15,412	2,816	-	-	-	-1,488	-992	-391	15,357
Provisions for employee benefits	7,409	-497	-	-3,032	13,914	500	899	-16	19,177
Financial instruments and other financial assets	6,715	5,113	-	-	-	-	-	-	11,828
Tax losses	62,441	-1,314	-	-	-	194	-	-2,204	59,117
Other deferred tax assets	8,556	1,233	-	-	-	5	329	-452	9,671
Deferred tax assets	**123,826**	**8,248**	**-**	**-3,032**	**13,914**	**-778**	**927**	**-3,747**	**139,358**
Impairment of deferred tax assets	-44,739	-12,346	-	-	-	-65	-	1,341	-55,809
Net deferred tax assets	**79,087**	**-4,098**	**-**	**-3,032**	**13,914**	**-843**	**927**	**-2,406**	**83,549**
Intangible assets and property, plant and equipment	100,862	4,482	-	-	-	8,378	-1,518	-741	111,463
Financial instruments and other financial assets	7,423	2,939	-1 293	-	-	-	-	8	9,077
Other deferred tax liabilities	6,169	-1,760	-	-	-	169	1,561	-39	6,100
Deferred tax liabilities	**114,454**	**5,661**	**-1 293**	**-**	**-**	**8,547**	**43**	**-772**	**126,640**
TOTAL	**-35,367**	**-9,759**	**1 293**	**-3,032**	**13,914**	**-9,390**	**884**	**-1,634**	**-43,091**

** Published data*

NOTE 18. INVENTORIES AND WORK IN PROGRESS

In thousands of euro	December 31, 2013	December 31, 2012
Raw materials, work in progress and miscellaneous items	196,910	180,443
Goods purchased for resale	26,971	23,249
Finished products	245,829	177,652
Impairment losses	-16,241	-12,806
	453,469	**368,538**

The impairment losses relate essentially to inventories of intermediate and finished products. A charge of €3.4 million was made in 2013 compared with a charge of €2.2 million in 2012.

NOTE 19. TRADE AND OTHER RECEIVABLES

In thousands of euro	December 31, 2013	December 31, 2012
Trade receivables	718,628	631,347
Payroll and tax receivables (excluding taxes on income)	74,834	63,617
Miscellaneous receivables	49,932	34,537
Prepayments and other miscellaneous items	12,975	14,833
Impairment losses	-14,083	-12,638
	842,286	**731,696**

The Group has little exposure to credit risk in respect of its trade receivables, given that our products are essentially sold to major distributors and that the associated receivables are often covered by specific insurance, thus leaving only residual amounts subject to risk. A total non-guaranteed amount of €2.1 million was more than six months overdue as of December 31, 2013 compared with €2 million as of December 31, 2012.

A net reversal of impairment of €0.8 million was recognized in 2013 compared to a net reversal of €0.5 million in 2012.

Prepaid expenses mainly comprise insurance and rent.

NOTE 20. FINANCIAL ASSETS – DERIVATIVES

	December 31, 2013		Maturity in 2014		Maturity beyond 2014	
In thousands of euro	**Fair value**	**Underlying**	**Fair value**	**Underlying**	**Fair value**	**Underlying**
Fair value hedges:						
Commodity derivatives	430	-	430	-	-	-
Interest rate swaps (1)	90	110,000	-	-	90	110,000
Currency derivatives	17	-	17	-	-	-
Instruments held for trading:						
Currency derivatives	4,170	82,408	4,170	82,408	-	-
Interest rate derivatives (2)	1,601	455,000	-	-	1,601	455,000
Commodity derivatives	320	-	320	-	-	-
	6,628	**-**	**4,937**	**-**	**1,691**	**-**
Of which: classified as current	4,937	-	4,937	-	-	-
Of which: classified as non-current	1,691	-	-	-	1,691	-

1) Maturity in 2015.

2) Maturity in 2017 (165,000), 2018 (150,000), 2019 (20,000) and 2020 (110,000).

	December 31, 2012		Maturity in 2013		Maturity beyond 2013	
In thousands of euro	**Fair value**	**Underlying**	**Fair value**	**Underlying**	**Fair value**	**Underlying**
Fair value hedges:						
Commodity derivatives	375	-	375	-	-	-
Interest rate swaps (3)	157	62,000	-	-	157	62,000
Currency derivatives	-	-	-	-	-	-
Instruments held for trading:						
Currency derivatives	5,445	60,687	5,445	60,687	-	-
Interest rate derivatives (4)	1,360	335,000	-	-	1,360	335,000
Commodity derivatives	334	-	334	-	-	-
	7,671	**-**	**6,154**	**-**	**1,517**	**-**
Of which: classified as current	6,154	-	6,154	-	-	-
Of which: classified as non-current	1,517	-	-	-	1,517	-

3) Maturity in 2015.

4) Maturity in 2017 (165,000), 2018 (150,000) and 2019 (20,000).

NOTE 21. OTHER CURRENT FINANCIAL ASSETS

Other current financial assets comprise short-term investments not meeting all the criteria, based on analysis of the related issue prospectuses and of market data, enabling them to be recognized as cash equivalents.

NOTE 22. CASH AND CASH EQUIVALENTS

In thousands of euro	**December 31, 2013**	**December 31, 2012**
Cash	132,639	130,889
Cash equivalents	255,260	285,931
TOTAL	387,899	416,820

Cash equivalents essentially comprise available-for-sale financial assets (term deposits, shares in unit trusts etc.).

Cash and cash equivalents per the statement of cash flows may be reconciled as follows to the Group's consolidated statement of financial positions.

In thousands of euro	**December 31, 2013**	**December 31, 2012**
Cash and cash equivalents	387,899	416,820
Bank overdrafts and financial current account payables	-122,318	-80,506
CASH AND CASH EQUIVALENTS	**265,581**	**336,314**

NOTE 23. BREAKDOWN BY NATURE OF OTHER COMPREHENSIVE INCOME

In thousands of euro	Period from January 1 to December 31, 2013			Period from January 1 to December 31, 2012 (restated)		
	Pre-tax amount	Tax effect	Net of tax amount	Pre-tax amount	Tax effect	Net of tax amount
Translation differences	**-34,023**	**-**	**-34,023**	**-7,246**	**-**	**-7,246**
Changes in fair value of available-for-sale financial assets	70	-25	45	-413	142	-271
Changes in fair value of future cash flows	-3,830	1,318	-2,512	-3,722	1,282	-2,440
Total elements available for "recycling" to profit or loss	**-37,783**	**1,293**	**-36,490**	**-11,381**	**1,424**	**-9,957**
Actuarial gains and losses for post-employment benefit plans (IAS19)	8,328	-3,032	5,296	-16,248	5,315	-10,933
Other movements	-2,601	884	-1,717	-1,632	-	-1,632
Total elements not re-classifiable to profit or loss	**5,727**	**-2,148**	**3,579**	**-17,880**	**5,315**	**-12,565**
OTHER COMPREHENSIVE INCOME	**-32,056**	**-855**	**-32,911**	**-29,261**	**6,739**	**-22,522**

Note 24. EQUITY

In thousands of euro	Evolution of paid-in capital				
	Number of shares outstanding	Ordinary shares	Share premium	Treasury shares	Total
BALANCE AT 01/01/2012	**14,167,257**	**15,432**	**79,261**	**-55,740**	**38,953**
Share purchase option plan					
• Value of services rendered			923		923
• Sale of treasury shares	-			462	462
• Purchase of treasury shares	-151,276			-7,247	-7,247
BALANCE AT 12/31/2012	**14,015,981**	**15,432**	**80,184**	**-62,525**	**33,091**
Share purchase option plan					
• Value of services rendered			548		548
• Sale of treasury shares*	17,720	-1,399		61,412	60,013
• Purchase of treasury shares	-19,149			448	448
BALANCE AT 12/31/2013	**14,014,552**	**14,033**	**80,732**	**-665**	**94,100**

**In which cancellation of own shares*

In thousands of euro	Evolution of reserves				
	Hedging reserves	Available-for-sale financial asset fair value reserves	Actuarial gains and losses	Translation differences	Total
BALANCE AT 01/01/2012	**-646**	**-2,036**		**13,299**	**10,617**
Revaluation – gross		-413			**-413**
Revaluation – tax effect		142			**142**
Cash flow hedges					
• Fair value adjustments for the period	-3,722				**-3,722**
• Tax effect	1,282				**1,282**
Actuarial gains and losses – gross			-15,886		**-15,886**
Actuarial gains and losses – tax effect			5,191		**5,191**
Translation differences					
• Group				-7,233	**-7,233**
• Associates				147	**147**
BALANCE AT 12/31/2012 (published)	**-3,086**	**-2,307**		**6,213**	**820**
BALANCE AT 12/31/2012 (restated)	**-3,086**	**-2,307**	**-10,695**	**6,213**	**-9,875**
Revaluation – gross		70			**70**
Revaluation – tax effect		-25			**-25**
Cash flow hedges					
• Fair value adjustments for the period	-3,830				**-3,830**
• Tax effect	1,318				**1,318**
Actuarial gains and losses – gross			8,322		**8,322**
Actuarial gains and losses – tax effect			-2,865		**-2,865**
Translation differences					
• Group				-32,720	**-32,720**
• Associates				-687	**-687**
BALANCE AT 12/31/2013	**-5,598**	**-2,262**	**-5238**	**-27,194**	**-40,292**

The capital is full paid up as of December 31, 2013. It is composed by 14 032 930 ordinary shares which underlying value is €1 a share.

Shares held in a registered account and in the same name for at least six years have dual voting rights.

As of December 31, 2013 Bongrain held 18,378 (2012: 1,416,235) treasury shares of which 4,098 (2012: 4,449) held in the context of the Group's liquidity agreement. The Group's various share purchase option plans represented 419,780 shares at December 31, 2013 (471,500 at December 31, 2012). Share premium and similar reserves, representing a total amount of €80,732 thousand at December 31, 2013, comprise the French legal reserve for €1,613 thousand, share premium arising from mergers and other share issues for €73,609 thousand and share premium arising on the exercise of options for €5,510 thousand.

Share purchase options have been granted to certain directors and managers of the Company and its subsidiaries. Their exercise prices are equal to the average market prices for the twenty days preceding their dates of issue. They may be exercised between one and ten years from their dates of issue (between four and ten years commencing with the 2006 plan with any resale only allowed after the sixth year).

The number of share purchase options outstanding and their weighted average exercise prices are as follows:

	2013		2012	
	Weighted average exercise price (euro per share)	Options	Weighted average exercise price (euro per share)	Options
At January 1	51.89	471,500	51.76	476,000
Granted	44.69	-17,720	38.35	-4,500
Expired	53.61	-34,000		
AT DECEMBER 31	**52.06**	**419,780**	**51.89**	**471,500**

The dates of expiry and exercise prices of share purchase options outstanding at the end of the reporting period are as follows:

	Exercise price (euro per share)	Options outstanding	
		2013	2012
June 29, 2013	38.71	-	12,500
December 13, 2014	51.67	29,000	29,000
December 12, 2015	46.17	20,500	33,500
December 14, 2016	68.73	46,500	50,000
December 12, 2017	75.84	60,500	64,000
December 11, 2018	42.78	76,780	83,500
December 16, 2019	51.14	35,000	39,500
December 16, 2020	57.11	73,500	79,500
December 15, 2021	46.87	78,000	80,000

NOTE 25. PROVISIONS

	Pensions, other retirement benefits and long-service benefits	Restructuring	Other contingencies and costs	Total
In thousands of euro				
At January 1, 2012	**29,278**	**2,956**	**19,426**	**51,660**
Translation differences	30	-6	-328	-304
Charges	8,189	3,692	6,541	18,422
Uses	-5,655	-688	-4,670	-11,013
Changes in consolidation scope	84	-	99	183
At December 31, 2012	**31,926**	**5,954**	**21,068**	**58,948**
IAS19 (amended) restatement at January 1, 2013	41,088	-	-	41,088
At December 31, 2012 (restated)	**73,013**	**5,954**	**21,067**	**100,036**
Translation differences	-229	-23	-541	-793
Charges (1)	7,341	1,942	5,819	15,102
Uses (2)	-6,895	-2,437	-4,157	-13,489
Change in actuarial differences	-9,565	-	-	-9,565
Changes in consolidation scope	5,541	-	428	5,969
At December 31, 2013	**69,206**	**5,436**	**22,616**	**97,260**

(1) €3.8 million was charged for litigation and €2 million for other contingencies and costs.
(2) €2.7 million of reversal was made for provisions used (including €1.4 million of provisions for litigation) and €1.5 million for provisions no longer required.

Provisions for contingencies and disputes are destined to cover known risks and litigation. Provisions for disputes are not recognized until such time as the Group, in agreement with its legal advisors, deems that it will be faced with an unfavorable settlement.

In 1999, a subsidiary was subject to an assessment for €3.3m of additional tax and interest for late payment, and €6.1m of penalties, for which the company has recognized no provision since it has always refuted the elements with which it is reproached. Following several appeals, in 2011 the Paris court of appeal confirmed the tax authority's position, thereby rendering the liability payable by the subsidiary. In November 2011, the subsidiary lodged a further appeal with the European Court of Human Rights in Strasbourg. In December 2011, the company declared bankruptcy and was placed in judicial liquidation early in 2012. The evolution of this case has had no impact on the Group's consolidated financial statements.

At December 31, 2013 the principal contingencies and disputes provided for related to restructuring for €5.4 million (2012: €6 million), to commercial disputes for €0.9 million (2012: €1 million), to disputes relating to matters of employment or social security for €4.6 million (2012: €3.3 million), to tax disputes for €5.9 million (2012: €5.8 million) and to miscellaneous other contingencies for €11.3 million (2012: €10.9 million).

The assumptions relating to pensions, other retirement benefits and long-service benefits vary according to each country and its applicable requirements. They may be summarized as follows:

	France		Germany		USA		UK		Belgium	
	2013	2012	2013	2012	2013	2012	2013	2012	2013	2012
Discount rate (1)	2.95%	3%	2.95%	3%	4.86%	4.63%	4.40%	4.30%	2.95%	3%
Expected return on plan assets	-	4%	-	4.70%	-	7.50%	-	3.84%	-	3.80%
Rate of salary increases	2.50%	3.25%	3%	3%	n/a	n/a	3.90%	3.35%	2%	2.25%

(1) 2.3% for annuities and long-service benefits in 2013 (2.6% in 2012).

The discount rates employed were based on the IBOXX AA10+ index equating with the issue rate for first-class corporate bonds in the euro zone.

A 0.5% increase in the rates would reduce the present value of the obligations by €3.3 million for France, €3.6 million for Germany and €2.3 million for the USA.

A 0.5% decrease in the rates would increase the present value of the obligations by €3.5 million for France, €1.1 million for Germany and €2.6 million for the USA.

The expected return on plan assets is determined for each plan (under IAS 19 (revised)) based on the discount rates applicable for each country.

Mortality rates are based on each country's published death and life expectancy statistics. Retirement age reflects the rules applying in each country.

Evolution of benefit obligations	2013	Pro-forma 2012	2012
Opening benefit obligations	**147,956**	**118,906**	**118,906**
Interest expense	4,822	5,094	5,883
Cost of services rendered	5,663	3,686	3,699
Past service cost	-76	203	-24
Actuarial gains and losses:	-	-	24,155
Related to demographic assumptions	186	181	-
Related to financial assumptions	-7,216	24,848	-
Related to experience	-539	-714	-
Benefits paid	-4,933	-4,347	-4,371
Internal reclassification	37	733	-
Taxes and administrative costs	10	89	89
Translation differences	-1,660	-723	-722
Changes in consolidation scope	7,972	-	84
Other movements	221	-	-
Closing benefit obligations	**152,443**	**147,956**	**147,699**

The closing benefit obligations of €152.4 million may be broken down as to €39.9 million for non-financed plans and €112.5 million for entirely financed plans.

Evolution of plan assets	2013	Pro-forma 2012	2012
Opening plan assets	**74,943**	**62,781**	**62,781**
Expected return from plan assets	3,130	2,709	3,542
Benefits paid	-3,479	-2,815	-2,734
Contributions paid by Group companies	5,432	4,223	4,068
Internal reclassification	-	798	-
Taxes and administrative costs	-72	-	-
Translation differences	-1,431	-488	-486
Actuarial gains and losses	1,996	7,735	6,742
Changes in consolidation scope	2,468	-	-
Other movements	250	-	-
Closing plan assets	**83,237**	**74,943**	**73,913**

Charge for the period	2013	Pro-forma 2012	2012
Cost of services rendered	5,663	3,686	3,699
Past service cost	-76	86	2,052
Curtailments and settlements	-	89	97
Total service cost	**5,587**	**3,861**	**5,848**
Interest expense	**4,822**	5,094	5,883
Yield on plan assets	-3,130	-2,709	-3,542
Net interest expense	**1,692**	**2,385**	**2,341**
Taxes and administrative costs	62	-	-
Charge for the period	**7,341**	**6,246**	**8,189**

Opening actuarial gains and losses impacting other comprehensive income	**2013**	**Pro-forma 2012**	**2012**
Amounts recognized during the period:			
- Related to demographic assumptions	186	181	-
- Related to financial assumptions	-7,216	24,848	-
- Related to experience	-539	-714	-
- Related to assets (other than financial income)	-1,996	-7,818	-
Translation differences	-	93	-
Closing actuarial gains and losses impacting other comprehensive income	**-9,565**	**16,591**	**-**

Evolution of provisions	**2013**	**Pro-forma 2012**	**2012**
Opening provisions	**73,013**	**29,278**	**29,278**
Charge for the period	7,341	6,246	8,189
Actuarial gains and losses impacting other comprehensive income	-9,565	16,591	-
Benefits paid directly by the employer	-1,463	-1,580	-1,587
Translation differences	-229	-263	30
Contributions paid by Group companies	-5,432	-4,223	-4,068
Change of accounting policy at 01/01/2012:			
- Actuarial gains and losses not previously recognised	-	25,699	-
- Past service cost not previously recognised	-	1,177	-
Transfers	37	88	-
Changes in consolidation scope	5,504	-	84
Closing provisions	**69,206**	**73,013**	**31,926**

Reconciliation of net benefit obligations and provisions	**2013**	**Pro-forma 2012**	**2012**
Net obligations	**152,443**	**147,956**	**147,699**
Plan assets	-83,237	-74,943	-73,913
Unrecognized actuarial gains and losses	-	-	-41,860
Unrecognznzed pas service cost	-	-	-
Closing provisions	**69,206**	**73,013**	**31,926**

The Group paid €1 million of contributions for 2014 in respect of its French companies.

Most Group companies have insured all or part of their liability for lump sum retirement benefits. The estimated amount of the related third party funds as of December 31, 2013 may be broken down as follows:

	France		**Germany**		**USA**		**UK**		**Belgium**	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Equity instruments	34.2%	36.0%	4.0%	8.6%	50.0%	50.0%	42.6%	41.5%	-	-
Debt instruments	54.8%	55.0%	51.6%	-	-	-	43.8%	42.5%	-	-
Real estate	5.0%	-	10.2%	-	-	-	11.4%	12.4%	-	-
Insurance policies	-	-	6.5%	76.1%	50.0%	50.0%	-	-	100.0%	100.0%
Other assets	6.0%	9.0%	27.7%	15.3%	-	-	2.2%	3.6%	-	-

NOTE 26. BORROWINGS AND OTHER FINANCIAL LIABILITIES

In thousands of euro	December 31, 2013	Non-current	Current	December 31, 2012	Non-current	Current
Borrowings from financial and similar institutions	588,629	138,546	450,083	482,064	205,228	276,836
Deferred liabilities for profit-sharing payments	14,142	11,729	2,413	15,155	11,524	3,631
Bond issues	197,007	176,077	20,930	176,877	175,792	1,085
Finance lease borrowings	6,492	2,824	3,668	9,595	6,393	3,202
Current bank facilities	121,666	-	121,666	78,832	-	78,832
SUB TOTAL	**927,936**	**329,176**	**598,760**	**762,523**	**398,937**	**363,586**
Debt related to put options granted to minority shareholders	45,390	45,390	-	56,460	56,460	-
	973,326	**374,566**	**598,760**	**818,983**	**455,397**	**363,586**

Bond issues include a private placement of 2003, with a nominal amount of €100m, repayable in five annual installments commencing in 2014, and a second private placement made in 2011 and 2013, maturing in 2026, with a nominal amount of $132.5 million and repayable in installments commencing on November 22, 2019.

Borrowings from financial and similar institutions represent the use of credit facilities such as the syndicated facility arranged in 2010 with a final maturity of 2015. The Group's average borrowings from financial and similar institutions amounted in 2013 to €952 million, with an average interest cost of 2.96% after hedging and inclusive of bank commission.

In order to limit the impact on its results of changes in interest rates, the Group uses interest rate swaps and options to hedge its total net medium and long-term floating rate euro borrowings. The principal variable rates used by the Group are Euribor and Eonia.

Equally, to limit the impact of changes in the value of the dollar, the Group applies a policy of foreign currency hedging covering the total amount, and total duration, of its dollar-denominated borrowings.

Certain of the Group's facilities are subject to clauses requiring compliance with certain financial ratios essentially expressed in terms of minimum equity requirements or maximum indebtedness expressed as a multiple of recurring EBITDA and equity. These ratios are always met by the Group.

The Group's unused confirmed medium and long-term borrowing facilities are adequate to cover its use of short-term facilities.

The borrowings mentioned above are repayable as follows:

In thousands of euro	December 31, 2013	December 31, 2012
Within one year	598,760	363,586
In from two to five years	246,803	329,569
In excess of five years	127,763	125,828
	973,326	**818,983**

They are denominated in the following currencies:

In thousands of euro	December 31, 2013	December 31, 2012
EUR	782,255	649,311
JPY	2,704	3,564
USD	139,485	119,403
Other currencies	48,882	46,705
	973,326	**818,983**

They may be broken down as follows by type of interest payable:

In thousands of euro	December 31, 2013	December 31, 2012
Fixed rate borrowings	238,174	217,569
Floating rate borrowings	735,152	601,414
	973,326	**818,983**

Floating rate borrowing costs are based on Euribor or Eonia plus margins not exceeding 125 basis points. The above analysis is before the impact of hedging.

Net borrowings are determined as follows for the purpose of calculating financial ratios:

In thousands of euro	December 31, 2013	December 31, 2012
Non-current borrowings	-374,566	-455,397
Current bank borrowings	-598,760	-363,586
Other current financial assets	94,559	72,837
Cash and cash equivalents	387,899	416,820
	-490,868	**-329,326**

NOTE 27. OTHER NON-CURRENT LIABILITIES

Other non-current liabilities essentially comprise amounts payable in excess of one year for acquisitions of fixed assets.

NOTE 28. TRADE AND OTHER PAYABLES

In thousands of euro	**December 31, 2013**	**December 31, 2012**
Operating payables	689,877	583,108
Fixed asset payables	13,903	10,294
Payroll and tax liabilities (excluding taxes on income)	210,037	199,311
Deferred revenue	697	709
Other items	38,484	28,574
CLOSING BALANCES	**952,998**	**821,996**

NOTE 29. FINANCIAL LIABILITIES – DERIVATIVES

	December 31, 2013		**Maturity in 2014**		**Maturity beyond 2014**	
In thousands of euro	**Fair value**	**Underlying**	**Fair value**	**Underlying**	**Fair value**	**Underlying**
Fair value hedges:						
Commodity derivatives	-	-	-	-	-	-
Interest rate swaps (1)	11,182	96,077	-	-	11,182	96,077
Interest rate options	-	-	-	-	-	-
Instruments held for trading:						
Currency derivatives	1,441	21,125	1,441	21,125	-	-
Interest rate derivatives (2)	263	80,000	-	-	263	80,000
Commodity derivatives	319	-	319	-	-	-
	13,205	**-**	**1,760**	**-**	**11,445**	**-**
Of which: classified as current liabilities	1,760	-	1,760	-	-	-
Of which: classified as non-current liabilities	11,445	-	-	-	11,445	-

1) Maturity in 2025 and 2026.
2) Maturity in 2017 (60,000) and 2018 (20,000).

	December 31, 2012		**Maturity in 2013**		**Maturity beyond 2013**	
In thousands of euro	**Fair value**	**Underlying**	**Fair value**	**Underlying**	**Fair value**	**Underlying**
Commodity derivatives						
Interest rate swaps (3)	114	-	114	-	-	-
Interest rate options	2,378	123,792	-	-	2,378	123,792
Instruments held for trading:	-	-	-	-	-	-
Currency derivatives						
Interest rate derivatives (4)	1,585	9,408	1,585	9,408	-	-
Commodity derivatives	301	80,000	-	-	301	80,000
Commodity derivatives	336	-	336	-	-	-
	4,714	**-**	**2,035**	**-**	**2,679**	**-**
Of which: classified as current liabilities	2,035	-	2,035	-	-	-
Of which: classified as non-current liabilities	2,679	-	-	-	2,679	-

(3) Maturity in 2015 (48,000) and 2026 (75,792).

(4) Maturity in 2017 (60,000) and 2018 (20,000).

The Group uses derivative financial instruments to manage its exposure to market risks and in particular, to interest rate risk in respect of its borrowings and to foreign currency risk in respect of its future commercial transactions.

Fair value hedging was 100% effective so involved no profit or loss impact.

Currency and interest rate hedging instruments are accounted for under IFRS as trading instruments.

INTEREST RATE HEDGING

Cash flow hedges have been treated as instruments held for trading since 2008 with the exception of the USD loan which qualifies as a cash flow hedge.

The Group's interest rate hedging policy favors the use of interest rate options classified as trading instruments. It has also implemented €60 million of interest rate swaps deferred by two years to August 2015, when they will protect the Group against any increase in interest rates through 2020. The policy has the following impact on the classification of the Group's borrowings:

Borrowings	**Euro**			**Other currencies**			**Total**		
	Fixed rate	**Floating rate**	**Total**	**Fixed rate**	**Floating rate**	**Total**	**Fixed rate**	**Floating rate**	**Total**
Pre-hedging	**142,090**	**640,165**	**782,255**	**96,084**	**94,987**	**191,071**	**238,174**	**735,152**	**973,326**
• Swap									
• Cap	255,000	-255,000					255,000	-255,000	
• Collar									
Post-hedging	**397,090**	**385,165**	**782,255**	**96,084**	**94,987**	**191,071**	**493,174**	**480,152**	**973,326**
Other current financial assets		76,844	76,844		17,715	17,715		94,559	94,559
Cash and cash equivalents		270,485	270,485		117,414	117,414		387,899	387,899
TOTAL NET CASH ACQUIRED		**347,329**	**347,329**	**-**	**135,129**	**135,129**	**-**	**482,458**	**482,458**

In terms of sensitivity to any increase in short-term interest rates as of December 31, 2013 it may be noted that a rise of 1% would have an impact of €7.3 million in respect of the Group's gross floating rate debt, and an impact estimated at €4.8 million in respect of its floating rate short-term deposits, whence an overall impact of about €2.5 million on the Group's net financial expense.

FOREIGN CURRENCY HEDGING

Forward contracts and options – cover in place as of December 31, 2013

The Group is principally exposed to the risk of changes in the US dollar, the pound sterling and the yen.

+ = currency purchase, - = currency sale

In thousands of currency units	**Total currency 1**		**Total currency 2**		**Cover in thousands of EUR**	**EUR amount for currency 1**		**12/31/2013 fixing**
USD EUR	-44,284	USD	33,005	EUR	962	-32,110	EUR	1.3791
GBP EUR	-28,134	GBP	32,944	EUR	333	-33,746	EUR	0.8337
JPY EUR	-1,383,521	JPY	10,752	EUR	828	-9,560	EUR	144.7200
CZK EUR	-10,816	CZK	671	EUR	275	-394	EUR	27.4270
PLN CZK	14,000	PLN	-84,691	CZK	261	3,370	EUR	4.1543
CAD EUR	-740	CAD	555	EUR	54	-505	EUR	1.4671
Autres devises					16	-30,588	EUR	
TOTAL					**2,729**	**-103,533**	**EUR**	

The following tables disclose the carrying amounts and fair values of the Group's financial instrument assets and liabilities within each applicable category:

In thousands of euro	Financial instruments at fair value through profit or loss (1)	Hedging derivatives (2)	Financial assets and liabilities at fair value through profit or loss (2)	Available-for-sale financial assets (2)	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount	Fair value
ASSETS								
December 31, 2013								
Non-current investments				5,448			5,448	5,448
Non-current financial assets held for trading				2,375			2,375	2,375
Non-current loans and receivables					25,667		25,667	25,667
Other non-current financial assets				**7,823**	**25,667**		**33,490**	**33,490**
Interest rate derivatives	1,601	90					1,691	1,691
Non-current derivative financial instruments	**1,601**	**90**					**1,691**	**1,691**
Trade receivables					**709,267**		**709,267**	**709,267**
Commodity hedging derivatives		430					430	430
Foreign currency hedging derivatives		17					17	17
Other commodity hedging derivatives	320						320	320
Other foreign currency hedging derivatives	4,170						4,170	4,170
Other interest rate derivatives								
Current derivative financial instruments	**4,490**	**447**					**4,937**	**4,937**
Current financial assets held for trading			**41,181**		**53,378**		**94,559**	**94,559**
Financial current accounts			642				642	642
Cash			131,997				131,997	131,997
Cash equivalents			255,260				255,260	255,260
Available-for-sale financial assets								
Cash and cash equivalents			**387,899**				**387,899**	**387,899**
TOTAL ASSETS	**6,091**	**537**	**429,080**	**7,823**	**788,312**		**1,231,843**	**1,231,843**

(1) Fair value based on the prices quoted in an active market (level 1 instruments).

(2) Fair value based on other directly or indirectly observable data and cannot be included in level 1.

Fair value is assessed at different levels of fair value precision based on the input data used:

- ✓ Level 1: use of unadjusted list prices in active markets available at the valuation date for identical assets or liabilities;
- ✓ Level 2: use of other directly or indirectly observable data;
- ✓ Level 3: use of non-observable data.

The Group's determination of level 2 fair value for over-the-counter financial instruments is based on prices communicated by financial institutions. The Group verifies that those prices are reasonable and reflect the instrument's credit risk as adjusted for any factors specific to the Group or its counterparts.

During the year, the Group did not make any changes in its fair value valuation hierarchy.

In thousands of euro	Financial instruments at fair value through profit or loss (1)	Hedging derivatives (2)	Financial assets and liabilities at fair value through profit or loss (2)	Available-for-sale financial assets (2)	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount	Fair value
LIABILITIES								
December 31, 2013								
Bond issues						176,077	176,077	176,077
Other borrowings						153,099	153,099	153,099
Put options granted to minority shareholders			45,390				45,390	45,390
Non-current borrowings			**45,390**			**329,176**	**374,566**	**374,566**
Other interest rate derivatives	263	11,182					11,445	11,445
Non-current derivative financial instruments	**263**	**11,182**					**11,445**	**11,445**
Trade payables						**689,877**	**689,877**	**689,877**
Commodity hedging derivatives	319						319	319
Other interest rate derivatives	1,441						1,441	1,441
Current derivative financial instruments	**1,760**						**1,760**	**1,760**
Current financial liabilities						476,442	476,442	476,442
Financial current accounts			652				652	652
Current bank facilities			121,666				121,666	121,666
Current borrowings			**122,318**			**476,442**	**598,760**	**598,760**
TOTAL LIABILITIES	**2,023**	**11,182**	**167,708**			**1,495,495**	**1,676,408**	**1,676,408**
TOTAL	**4,068**	**-10,645**	**261,372**	**7,823**	**788,312**	**-1,495,495**	**-444,565**	**-444,565**

(1) Fair value based on the prices quoted in an active market (level 1 instruments).
(2) Fair value based on other directly or indirectly observable data and cannot be included in level 1.

The Group uses derivative financial instruments to manage its exposure to market risks and in particular, to interest rate risk in respect of its borrowings and to foreign currency risk in respect of its future commercial transactions.

Fair value hedging was 100% effective so involved no profit or loss impact.

In thousands of euro	Financial instruments at fair value through profit or loss (1)	Hedging derivatives (2)	Financial assets and liabilities at fair value through profit or loss (2)	Available-for-sale financial assets (2)	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount	Fair value
ASSETS								
December 31, 2012								
Non-current investments				6,535			6,535	6,535
Non-current financial assets held for trading				2,134			2,134	2,134
Non-current loans and receivables					36,739		36,739	36,739
Other non-current financial assets				**8,669**	**36,739**		**45,408**	**45,408**
Interest rate derivatives	1,360	157					1,517	1,517
Non-current derivative financial instruments	**1,360**	**157**					**1,517**	**1,517**
Trade receivables					**620,729**		**620,729**	**620,729**
Commodity hedging derivatives		375					375	375
Other commodity hedging derivatives	334						334	334
Foreign currency hedging derivatives	5,445						5,445	5,445
Current derivative financial instruments	**5,779**	**375**					**6,154**	**6,154**
Current financial assets held for trading			**27,690**		**45,147**		**72,837**	**72,837**
Financial current accounts			1,926				1,926	1,926
Cash			128,964				128,964	128,964
Cash equivalents			285,930				285,930	285,930
Available-for-sale financial assets								
Cash and cash equivalents			**416,820**				**416,820**	**416,820**
TOTAL ASSETS	**7,139**	**532**	**444,510**	**8,669**	**702,615**		**1,163,465**	**1,163,465**

(1) Fair value based on the prices quoted in an active market (level 1 instruments).
(2) Fair value based on other directly or indirectly observable data and cannot be included in level 1.

In thousands of euro	Financial instruments at fair value through profit or loss (1)	Hedging derivatives (2)	Financial assets and liabilities at fair value through profit or loss (2)	Available-for-sale financial assets (2)	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount	Fair value
LIABILITIES								
December 31, 2012								
Bond issues						175,792	175,792	175,792
Other borrowings						223,145	223,145	223,145
Put options granted to minority shareholders			56,460				56,460	56,460
Non-current borrowings			**56,460**			**398,937**	**455,397**	**455,397**
Other interest rate derivatives	301	2,378					2,679	2,679
Non-current derivative financial instruments	**301**	**2,378**					**2,679**	**2,679**
Trade payables						**583,108**	**583,108**	**583,108**
Commodity hedging derivatives		114					114	114
Other commodity derivatives	336						336	336
Other interest rate derivatives	1,585						1,585	1,585
Current derivative financial instruments	**1,921**	**114**					**2,035**	**2,035**
Current financial liabilities						283,080	283,080	283,080
Financial current accounts			1,674				1,674	1,674
Current bank facilities			78,832				78,832	78,832
Current borrowings			**80,506**			**283,080**	**363,586**	**363,586**
TOTAL LIABILITIES	**2,222**	**2,492**	**136,966**			**1,265,125**	**1,406,805**	**1,406,805**
TOTAL	**4,917**	**-1,960**	**307,544**	**8,669**	**702,615**	**-1,265,125**	**-243,340**	**-243,340**

(1) Fair value based on the prices quoted in an active market (level 1 instruments).
(2) Fair value based on other directly or indirectly observable data and cannot be included in level 1.

NOTE 30. CHANGE IN WORKING CAPITAL

In thousands of euro	**2013**	**2012 (restated)**
Trade receivables	-90,889	-2,214
Inventories	-95,254	-13,095
Trade payables	106,595	14,513
Miscellaneous receivables and payables	7,294	10,251
CLOSING BALANCE	**-72,254**	**9,455**

NOTE 31. CONTINGENT ASSETS AND LIABILITIES

The Group’s contingent assets and liabilities at December 31, 2013 comprised:

a) Undertakings given and received in respect of four investments and amounting in total to €52.8 million (2012: €61.4 million);

b) Contingent liabilities related to financing activities: financial guarantees provided to Group companies amounted in total to €130.2 million (2012: €110.1 million);

c) Contingent assets and liabilities related to operating activities.

Contingent liabilities:

Contingent liabilities included operating lease payment commitments for €73.5 million (2012: €74.9 million), finance lease payment commitments for €6.8 million (2012: €10 million) and other commitments for €122.6 million (2012 €109.4 million).

The operating and finance lease payment commitments may be detailed as follows:

In millions of euro	**Operating lease payments**	**Minimum finance lease payments**
In 2014	26.5	3.4
From 2015 to 2018	42.4	3.3
Beyond 2018	4.6	0.1

Individual training entitlement amounts to 666,823 hours for the Group's French companies, of which 660,543 hours are not yet covered by any request for allocation.

The Group has entered into milk supply contracts with several producers, based on normal market conditions.

Contingent assets:

Miscellaneous commitments received by the Group amount to €20 million (2012: €4.7 million).

NOTE 32. TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are only deemed to have been performed at arm's length conditions if such is demonstrably the case.

The Group is controlled by Soparind SCA, a company registered in France which directly or indirectly holds 66.64% of the parent company's share capital. The balance of share capital is held by a large number of shareholders and is dealt in on the Paris stock exchange. Certain subsidiaries (cf note 35 detailing the Group's consolidation scope) are not fully owned by Bongrain SA. For the most part, their minority shareholders are milk production or collection cooperatives which supply the Group and may also purchase from the Group; those transactions constitute the Group's main related party transactions. Sales to related party cooperatives amounted to €90.3 million in 2013 (2012: €33.4 million) and purchases to €529.5 million in 2013 and €385.9 million in 2012. The Group also engages in treasury management on behalf of related parties and received total remuneration of €0.6 million for such services performed during 2013 (2012: €0.5 million).

In the framework of the takeover of Terra Lacta's operations, Terra Lacta engages in sales to hypermarkets, supermarkets and food service operators and provides supply chain, computer and administrative services during a transitional period scheduled to end on March 31, 2014 with the exception of the computer services which are scheduled to continue to the end of 2014.

The Group has created a joint venture with Sodiaal called La Compagnie des Fromages et RichesMonts. The Group supplies this company with part of its milk requirement and purchases part of its industrial by-products, as well as providing logistic, commercial, IT and administrative services and distributing the company's products in a certain number of foreign countries. The Group's other financial assets include a €2.6 million loan to, and its cash and cash equivalents include a financial current account balance of €0.6 million with, La Compagnie des Fromages et RichesMonts.

Group sales to associates amounted to €2.8 million in 2013 (2012: €4 million) and purchases from associates amounted to €1.8 million (2012: €2 million). The transactions essentially related to dairy materials.

A total of €4.4 million (2012: €4.5 million) of gross remuneration, comprising €0.0 million of short-term benefits and €0.1 million of post-employment benefits, was paid during the period to directors. No other long-term benefits exist and no provision is made for compensation in the event of termination of employment contracts. No share-based payments were made in 2012 or 2013.

The main directors include the chairman of the board of directors, managing and deputy managing directors and other board members.

NOTE 33. EVENT AFTER THE YEAR-END

NOTE 34. Consolidated financial statements for 2012 restated for the impact of the application of IAS 19 (revised)

On January 1, 2013 and with retroactive effect from January 1, 2012 the Group applied IAS 19 (amended) on employee benefits on the bases described in note 5. The main financial statement aggregates for 2012 have thus been restated and can be presented as follows:

Restatement of main aggregates of the income statement

In thousands of euro	**At December 31, 2012 (published)**	**Application at December 31, 2012 IAS19 (revised)**	**At December 31, 2012 (restated)**
Personnel costs	-774,763	975	-773,788
CURRENT OPERATING PROFIT	**149,364**	**975**	**150,339**
PROFIT BEFORE TAX	**116,617**	**919**	**117,536**
Taxes on income	-43,007	-318	-43,325
NET INCOME FOR THE YEAR	**73,569**	**601**	**74,170**
Attributable to equity holders of the parent company	63,564	587	64,151
Attributable to non-controlling interests	10,005	14	10,019

Earnings per share (in €) attributable to equity holders of the parent company:			
• basic	4.49	0.04	4.53
• diluted	4.34	0.04	4.38

Restatement of income and expense recognized in other comprehensive income at December 31, 2012

In thousands of euro	**At December 31, 2012 (published)**	**Application at December 31, 2012 IAS19 (revised)**	**At December 31, 2012 (restated)**
NET INCOME FOR THE YEAR	**73,569**	**601**	**74,170**
Other comprehensive income:			
Foreign exchange differences	-7,246		-7,246
Change in fair value of available-for-sale financial assets	-271		-271
Change in fair value of cash flow hedges	-2,440		-2,440
Total recyclable components of other comprehensive income	**-9,957**		**-9,957**
Actuarial gains and losses for post-employment benefit plans (IAS 19 R)		-10,933	-10,933
Other movements	-1,632		-1,632
Total non-recyclable components of other comprehensive income	**-1,632**	**-10,933**	**-12,565**
Other comprehensive income net of tax	**-11,589**	**-10,933**	**-22,522**
TOTAL COMPREHENSIVE INCOME NET OF TAX	**61,980**	**-10,332**	**51,648**
Attributable to equity holders of the parent company	52,951	-10,108	42,843
Attributable to non-controlling interests	9,029	-224	8,805

Restatement of the consolidated balance sheet at December 31, 2012

In thousands of euro	**At December 31, 2012 (published)**	**Application at December 31, 2012 IAS19 (revised)**	**At December 31, 2012 (restated)**
ASSETS			
Intangible assets	423,810		423,810
Property, plant and equipment	744,336		744,336
Other financial assets	45,408	-1,007	44,401
Investments in associates	133,534		133,534
Non-current financial derivatives	1,517		1,517
Deferred tax assets *(1)*	79,087	14,134	93,221
TOTAL NON-CURRENT ASSETS	**1,427,692**	**13,127**	**1,440,819**
Inventories and work in progress	368,538		368,538
Trade and other receivables	731,696		731,696
Tax receivables	14,234		14,234
Derivative financial instruments	6,154		6,154
Other current financial assets	72,837		72,837
Cash and cash equivalents	416,820		416,820
TOTAL CURRENT ASSETS	**1,610,279**		**1,610,279**
Assets relating to operations discontinued or in process of sale	1,283		1,283
TOTAL ASSETS	**3,039,254**	**13,127**	**3,052,381**

(1) Including an impact of €8.8 million on the opening balance at January 1, 2012.

In thousands of euro	At December 31, 2012 (published)	Application at December 31, 2012 IAS19 (revised)	At December 31, 2012 (restated)
EQUITY AND LIABILITIES			
Paid-in capital	33,091		33,091
Reserves	820	-10,695	-9,875
Retained earnings	1,106,050	-16,635	1,089,415
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	**1,139,961**	**-27,330**	**1,112,631**
Equity attributable to non-controlling interests	66,862	-631	66,231
TOTAL EQUITY	**1,206,823**	**-27,961**	**1,178,862**
Provisions *(1)*	58,948	41,088	100,036
Non-current borrowings	455,397		455,397
Other non-current liabilities	21		21
Non-current derivative financial instruments	2,679		2,679
Deferred tax liabilities	114,454		114,454
TOTAL NON-CURRENT LIABILITIES	**631,499**	**41,088**	**672,587**
Trade and other payables	821,996		821,996
Taxes on income payable	13,019		13,019
Derivative financial instruments	2,035		2,035
Bank borrowings	363,586		363,586
TOTAL CURRENT LIABILITIES	**1,200,636**		**1,200,636**
Liabilities relating to operations discontinued or in process of sale	296		296
TOTAL LIABILITIES	**1,832,431**	**41,088**	**1,873,519**
TOTAL EQUITY AND LIABILITIES	**3,039,254**	**13,127**	**3,052,381**

(1) Including an impact of €24.8 million on the opening balance at January 1, 2012.

The restatements had no significant impact on the consolidated statement of cash flows for 2012.

NOTE 35. LIST OF THE PRINCIPAL CONSOLIDATED ENTITIES

Fully consolidated entities	Country	Siren N°	% voting rights		% economic interest	
France			**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
BONGRAIN SA	FRANCE	847 120 185	Parent	Parent	Parent	Parent
Alimpex SAS (absorbed by CLE-PS SAS)	FRANCE	349 088 732	-	100.00	-	100.00
Alliance Food Service SAS	FRANCE	389 330 739	100.00	100.00	84.58	88.93
Alliance Fromagère SAS	FRANCE	394 530 703	100.00	100.00	100.00	100.00
Alliance Laitière Européenne SAS	FRANCE	388 435 539	100.00	100.00	98.50	98.93
Armor Protéines SAS	FRANCE	679 200 287	100.00	100.00	84.58	88.93
B.G. SAS	FRANCE	331 339 275	99.97	99.96	99.97	99.96
Beurlait SAS	FRANCE	552 001 497	100.00	100.00	84.58	88.93
BONGRAIN Europe SAS	FRANCE	351 014 352	100.00	100.00	100.00	100.00
BONGRAIN Export Overseas SAS	FRANCE	325 508 653	99.96	99.96	99.96	99.96
BONGRAIN International SAS	FRANCE	402 927 628	100.00	100.00	100.00	100.00
Bressor Alliance SA	FRANCE	379 657 570	66.66	66.66	66.66	66.66
Bressor SA	FRANCE	383 228 764	99.74	99.74	66.48	66.48
C.F.V.A. SAS	FRANCE	314 830 050	99.97	99.97	99.97	99.97
Centre Bretagne Lait SA	FRANCE	387 493 315	100.00	99.99	84.58	88.93
CLE-PS SAS	FRANCE	389 297 748	100.00	100.00	84.58	88.93
CLE-PSO SNC	FRANCE	444 475 016	100.00	100.00	84.58	88.93
Compagnie Générale Laitière SA	FRANCE	775 668 999	99.99	99.99	84.58	88.93

Fully consolidated entities	Country	Siren N°	% voting rights		% economic interest	
France			**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Compagnie Laitière de Derval SAS	FRANCE	403 001 068	100.00	100.00	84.58	88.93
Compagnie Laitière Européenne SA	FRANCE	780 876 421	85.86	89.89	84.58	88.93
Compagnie Laitière Normandie-Bretagne SAS	FRANCE	349 652 560	100.00	100.00	84.58	88.93
Corman France SAS	FRANCE	487 220 295	100.00	100.00	84.58	88.93
Dutch Cheese Masters SAS	FRANCE	789 660 743	55.00	-	55.00	-
Elvir SAS	FRANCE	389 297 664	100.00	100.00	84.58	88.93
Etablissement L. Tessier SAS	FRANCE	667 180 392	99.71	99.71	99.71	99.71
Fromagerie Berthaut SA	FRANCE	316 608 942	90.00	-	90.00	-
Fromagerie De Vihiers SAS	FRANCE	350 546 719	100.00	100.00	100.00	100.00
Fromagerie des Chaumes SAS	FRANCE	314 830 183	99.94	99.94	99.93	99.93
Fromagerie F. Paul-Renard SAS	FRANCE	585 650 211	-	100.00	-	100.00
Fromageries Lescure SAS	FRANCE	794 040 956	51.00	-	51.00	-
Fromagerie Perreault SAS	FRANCE	316 085 620	99.98	99.98	99.98	99.98
Fromageries Saint Saviol	FRANCE	793 801 028	100.00	-	84.58	-
Fromagerie Rambol SAS	FRANCE	315 130 641	99.95	99.95	99.95	99.95
Fromapac SAS	FRANCE	402 180 541	100.00	100.00	100.00	100.00
Fromarsac SAS	FRANCE	331 260 083	100.00	100.00	100.00	100.00
Fruisec SAS	FRANCE	307 963 389	100.00	100.00	100.00	100.00
Grand'Ouche SAS	FRANCE	314 815 457	99.83	99.83	99.83	99.83
La Compagnie des Fromages SAS	FRANCE	393 257 654	100.00	100.00	84.58	88.93
Les Fromagers de L'Europe SAS	FRANCE	428 744 973	100.00	100.00	100.00	100.00
Les Fromagers Associés SAS	FRANCE	349 542 415	100.00	100.00	100.00	100.00
Les Fromageries de Thiérache SAS	FRANCE	315 332 569	100.00	100.00	100.00	100.00
Messageries Laitières SNC	FRANCE	313 966 103	61.31	61.31	51.86	54.52
Normandie Bretagne Transports SAS (NBT)	FRANCE	403 128 051	100.00	100.00	84.58	88.93
Prodilac SNC	FRANCE	389 297 714	100.00	100.00	84.58	88.93
SB Alliance SNC	FRANCE	409 080 538	84.99	84.99	84.98	84.98
SB Alliance Informatique	FRANCE	780 876 405	100.00	100.00	84.58	88.93
SB Biotechnologies SAS	FRANCE	450 983 051	100.00	100.00	97.50	97.50
SDIL SAS	FRANCE	352 135 180	100.00	100.00	84.58	88.93
Sodilac SAS	FRANCE	689 806 470	100.00	-	84.58	-
Soficle SAS	FRANCE	304 141 856	100.00	100.00	84.58	88.93
Sofivo SAS	FRANCE	352 848 725	100.00	100.00	84.58	88.93
Sogasi SAS	FRANCE	315 062 224	99.99	99.99	99.99	99.99
Sogeps SAS	FRANCE	384 557 880	100.00	100.00	84.58	88.93
Soredab SAS	FRANCE	317 705 267	97.50	97.50	97.50	97.50
Société Les Vergers des Coteaux du Périgord SAS	FRANCE	330 479 213	100.00	100.00	100.00	100.00

Fully consolidated entities	Country	% voting rights		% economic interest	
Other countries		**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Advanced Food Products LLC	USA	65.00	65.00	65.00	65.00
Alouette Cheese LLC	USA	100.00	100.00	100.00	100.00
Arab French Company for Dairy and Cheese Products	EGYPT	100.00	100.00	100.00	100.00
Balderama N.V.	NETHERLANDS	100.00	-	84.58	-
BCMS (absorbed by Povltavske Mlékarny AS)	CZECH REPUBLIC	-	100.00	-	100.00
BC Nordics	DENMARK	100.00	100.00	100.00	100.00
BEV OOO	RUSSIA	100.00	100.00	100.00	100.00
BONGRAIN A.G.	SWITZERLAND	100.00	99.75	100.00	99.75
BONGRAIN Bénélux SA	BELGIUM	100.00	100.00	100.00	100.00
BONGRAIN Deutschland Gmbh	GERMANY	100.00	100.00	100.00	100.00

Fully consolidated entities	Country	% voting rights		% economic interest	
Other countries		**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
BONGRAIN Europarticipations BV	NETHERLANDS	100.00	100.00	100.00	100.00
BONGRAIN Gmbh	AUSTRIA	100.00	100.00	100.00	100.00
BONGRAIN Italia Spa	ITALY	100.00	100.00	100.00	100.00
BONGRAIN Nederland BV	NETHERLANDS	100.00	100.00	100.00	100.00
Bonprole SA	URUGUAY	90.00	90.00	90.00	72.00
Bresse Bleu Japon KK	JAPAN	100.00	100.00	100.00	100.00
BSI Tianjin Foods Cy Ltd	CHINA	100.00	100.00	100.00	50.00
Corman Deutschland Gmbh	GERMANY	66.67	66.67	56.39	59.29
Corman Italia Spa	ITALY	100.00	100.00	84.58	88.93
Corman Miloko Ireland Ltd	IRELAND	55.00	55.00	46.52	48.91
Corman SA	BELGIUM	100.00	100.00	84.58	88.93
Dabon International Ltd	INDIA	89.99	85.79	89.99	85.79
Edelweiss Gmbh Co KG	GERMANY	100.00	100.00	100.00	100.00
Eurexpan BV	NETHERLANDS	100.00	100.00	100.00	100.00
Food Garden	SWEDEN	100.00	100.00	99.96	99.96
Fromagers Associés Japon KK	JAPAN	51.00	51.00	51.00	51.00
Fromunion SA	BELGIUM	100.00	100.00	100.00	100.00
ICC Paslek	POLAND	100.00	100.00	84.58	88.93
Kikindska (absorbed by Mleko Produkt)	SERBIA	-	100.00	-	100.00
Mantequerias Arias SA	SPAIN	100.00	100.00	100.00	100.00
Mashreq des Produits Laitiers SA	EGYPT	100.00	100.00	100.00	100.00
Milex Nové Mesto AS	SLOVAKIA	99.99	99.99	99.99	99.99
Milkaut	ARGENTINA	99.70	99.70	99.70	99.70
Mleczarnia Turek Sp ZOO	POLAND	100.00	100.00	100.00	100.00
Mleko Produkt	SERBIA	100.00	100.00	100.00	100.00
Molkerei Sobbeke GMBH	GERMANY	80.00	24.90	80.00	24.90
Molkerei Gebr Rogge GMBH	GERMANY	92.49	24.90	92.49	24.90
Novomilk	SLOVAKIA	100.00	100.00	100.00	100.00
Pannontej Rt.	HUNGARY	100.00	100.00	100.00	100.00
Paturain BV	NETHERLANDS	100.00	100.00	100.00	100.00
Petra SA	URUGUAY	100.00	80.00	100.00	80.00
Polenghi Ltda	BRAZIL	100.00	100.00	100.00	100.00
Povltavske Mlékarny AS	CZECH REPUBLIC	100.00	100.00	100.00	100.00
S.B.M.S. SA	BELGIUM	99.98	99.98	99.98	99.98
Santa Rosa Chile	CHILE	99.99	99.99	99.99	99.99
SB International	BELGIUM	100.00	50.00	100.00	50.00
Schratter Foods Inc	USA	75.00	75.00	75.00	75.00
Sinodis Limited	CHINA	100.00	80.00	100.00	80.00
TDSI	USA	100.00	100.00	100.00	100.00
TPK SRO	CZECH REPUBLIC	100.00	100.00	100.00	100.00
ULN UK Limited	UK	100.00	100.00	100.00	100.00
Zausner Foods Corp. and subsidiaries	USA	100.00	100.00	100.00	100.00
Zvenigorodka	UKRAINE	99.96	99.86	99.96	99.86

Proportionately consolidated entities		% voting rights		% economic interest	
France		**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
CF & R Gestion	FRANCE	50.00	50.00	42.29	44.47
Compagnie des Fromages & RichesMonts	FRANCE	50.00	50.00	42.29	44.47
Other countries					
Sodiaal Gmbh	GERMANY	50.00	50.00	42.29	44.47
Delaco	RUMANIA	52.00	52.00	52.00	52.00

Entities consolidated using the equity method		% voting rights		% economic interest	
France		**12/31/2013**	**12/31/2012**	**12/31/2013**	**12/31/2012**
Financière Louis	FRANCE	10.38	10.38	10.38	10.38
Lacto Sérum France SA	FRANCE	24.94	24.94	24.94	24.94
Poitou Chèvre SAS	FRANCE	48.96	-	24.97	-
Sica Silam	FRANCE	36.41	36.41	36.10	36.10
Sanicoopa SARL	FRANCE	37.99	37.99	32.13	33.78
Other countries					
Andechser Molkerei Scheitz Gmbh	GERMANY	24.84	24.84	24.84	24.84
Forlactaria SA	SPAIN	40.00	40.00	40.00	40.00
Val d'Arve SA	SWITZERLAND	33.34	33.34	33.34	33.34
EMMI Fondue AG	SWITZERLAND	34.00	34.00	34.00	34.00
Rupp AG	AUSTRIA	10.00	10.00	10.00	10.00
La Compagnie Fromagère SA	TUNISIA	42.50	42.50	42.50	42.50
Esbon SA	TURKEY	50.00	50.00	50.00	50.00
Jiangsu Howbetter Food and Chemical company.Ltd	CHINA	-	29.00	-	14.50
Ferrari	ITALY	27.00	27.00	27.00	27.00
Capsa	SPAIN	27.00	27.00	27.00	27.00