

Consolidated financial statements

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Activity of the company

and its subsidiaries and associates

The extraordinarily deteriorated economic and financial environment prevailing in 2008 has had a significant unfavorable impact on our results.

Independently of the consequences of the global crisis common to all players in the economy, Bongrain SA has been affected by an atypical trend in the commodities markets which, because of the specific characteristics of the French dairy economy, has resulted in a combination of a strong increase in our supply costs and a constant fall in the value of our industrial products which have once again been subject to market volatility.

CONFRONTED WITH THESE EXCEPTIONAL CIRCUMSTANCES, BONGRAIN SA HAS ACCELERATED ITS INITIATIVES DESIGNED TO IMPROVE ITS ECONOMIC PERFORMANCE AND ADAPT TO THE CHANGES IN ITS ENVIRONMENT. THE COMPETITIVENESS PLANS ALREADY UNDERWAY HAVE BEEN AMPLIFIED. RESOURCES HAVE BEEN ALLOCATED STILL MORE SELECTIVELY IN ORDER TO FOCUS ON THE MOST PROMISING AREAS. GIVEN THE INTENSITY OF THE TURBULENCE WITHIN OUR SECTOR, THESE MEASURES COULD NOT SUFFICE TO PREVENT THE FALL IN OUR RESULTS FOR THE YEAR BUT THEY NEVERTHELESS ENABLED US TO CONSOLIDATE THE STRATEGIC POSITIONING OF OUR MAJOR BRANDS.

ACCOUNTING STANDARDS

Bongrain SA's consolidated accounts have been prepared in accordance with IFRS. There has been no particular change during the year in the accounting standards applied.

CONSOLIDATION SCOPE

The Group's consolidation scope has evolved as follows:

- In France, creation of Compagnie des Fromages & RichesMonts, following the merger of La Compagnie des Fromages, held by Bongrain SA, and RichesMonts held by Sodiaal. The merger took effect on January 1, 2008. The company is jointly held by the two groups and is subject to proportional (50%) consolidation by Bongrain SA.
- In France, acquisition of Fromapac, a fully consolidated company.
- In Serbia, acquisition of Kikindska, a fully consolidated company.

ACTIVITY AND RESULTS

Bongrain SA's net sales for 2008 amounted to €3,555.1m compared with €3,419.1m for 2007, an increase of 4.0% reflecting like-for-like growth of +1.8%, a change in consolidation scope of +2.9% and an unfavorable foreign exchange impact of -0.7%.

The rise in sales partly reflects the price increases made necessary by the increased cost of raw materials during the first nine months of the year. Taken in conjunction with the amplification of the economic crisis in most of our markets, these increases had a negative impact on volumes within our more fragile markets.

Net sales achieved outside France fell from 66.1% to 64.9% of our total sales.

Current operating profit fell to €86.5 million, a drop of 43.3% over 2007. The current operating margin fell to 2.4% of net sales (2007: 4.5%). The decrease reflects:

- The increased purchase cost for raw materials,
- The significant fall in value of industrial products.

Great efforts were made to counter the above negative factors:

- By negotiating price increases despite the reticence of distributors,
- By accelerating the rollout of our competitiveness plans.

These measures did not however suffice to counter the impact of the deterioration in the dairy economy which was accompanied for a large part of 2008 by significant increases in many other costs. Some improvement in this respect was noted at the end of the year.

Current operating profit for cheese products declined by 30% compared to 2007, reflecting a drop in current operating margin for the segment from 5.1% to 3.3%.

Current operating profit for other dairy products increased by 69.3% compared to 2007, reflecting a drop in current operating margin for the segment from 4.6% to 1.4%.

Cheese products

Net sales of cheese products increased by 6.8% compared to 2007, to **€2,356.2 million** representing 66.3% of the Group's total sales compared to 64.6% in 2007. The increase mainly reflects price rises as a result of the increased cost of raw materials. There has been a slight drop in volumes as a result of the slump in certain countries very exposed to the economic crisis.

The underlying growth amounted to 4.8%, attenuated by an unfavorable foreign exchange impact of 0.6% and bolstered by a structural impact of 4.2% following the consolidation of Compagnie des Fromages & RichesMonts.

In **France**, sales evolved very positively as the price increases made at the end of 2007 had an impact for most of 2008. Overall volume did not suffer as a result and certain major brands in particular continued to gain market share.

Revenue equally increased in the other countries of **Western Europe** thanks to a very positive price factor. Volume performance was very contrasted, ranging from Germany's strong performance in strategic brands to Spain's significant handicap from the reversal of the economic environment.

Revenue from **Central and Eastern Europe** fell on a like-for-like basis and at constant exchange rates given the difficulties encountered in several major markets that have taken the full brunt of the economic crisis.

Internationally, revenue increased with a very positive contribution from South America in terms of both price and volume.

Current operating profit amounted to €78.4 million, a drop of 30.1% compared to 2007, reflecting an operating margin of 3.3%. This stems from both the fall in volume of certain markets, the impact of foreign exchange rates on certain export markets and the significant drop in the profitability of the industrial by-products associated with the activity.

But the Group's strategic brands performed well in its major markets, i.e. France, Germany, Brazil and the other countries of Western Europe with the exception of Spain.

Other dairy products

Net sales of other dairy products amounted to **€1,190.1 million**, a fall of 1.4% compared to 2007 reflecting an underlying contraction of 3.3% and an unfavorable foreign exchange impact of 0.9%. This performance results from the deterioration in the markets for industrial products, both in terms of price and volume. Prices were preserved at the beginning of the year, thanks to contracts signed in 2007, but their impact did not extend

beyond the first half of the year. Foreign currency export sales, particularly for industrial butters, were also penalized by the strength of the euro against the dollar. But revenue for mass consumption products (butter and cream) evolved positively both in terms of price and (to a lesser extent) volume.

Current operating profit for other dairy products amounted to €16.9 million compared to €55.2 million in 2007, i.e. a deterioration of 69.4% over 2007. The strong international demand of 2007 had created exceptionally favorable prices in contrast with which 2008 proved an exceptionally unfavorable year during which certain prices plunged to their lowest levels for more than ten years. The almost total deregulation that has followed the dismantling of the Common Agricultural Policy has left these markets, previously comparatively stable, exposed to the much greater volatility of world prices.

Unallocated items

Unallocated items, mainly comprising holding company costs, represented a net operating loss of **-€8.8 million (2007: -€14.6 million)**.

Non-recurring items amounted to **-€12.2 million** compared to **-€70.6 million** in 2007. They mainly comprised **restructuring costs and provisions of -€9.9 million**, essentially reflecting rationalization of manufacturing and distribution operations.

Total operating profit amounted to **€74.3 million**, a drop of 9.5% compared to 2007.

Bongrain's **net financial expense** amounted to **€34.6 million** in 2008 compared to **€11.2 million** in 2007, reflecting the consequences in terms of cost of finance of the global financial crisis as well as the impact of the application of IAS 32 and 39 on the valuation of financial instruments.

The Group's share of results of associates amounted to €11.4 million, a rise of €8.8 million compared to 2007 essentially reflecting the increase in profits of CAPSA in Spain.

Taxes on income rose by €5.6 million to €11.3 million. The effective tax rate of 22.2%, compared with 7.8% for the 2007 accounts, mainly reflects the existence in 2007 of non-taxable items and the reversal of certain provisions against deferred tax assets.

Net income from continuing operations amounted to €39.8 million, to be compared with the €67.8 million achieved in 2007.

Net income from operations discontinued, sold or in process of sale amounted to -€1.8 million compared with €100.8m in 2007. This amount includes the residual costs for discontinuance of the Group's calf-breeding operation which took effect in 2008.

Bongrain SA's consolidated net income for the year amounted to €38 million, compared with €168.6 million in 2007 which amount included the impact of the sale of the Group's gastronomy division.

EMPLOYEES

The figures quoted below include 50% of the employees of Compagnie des Fromages & RichesMonts.

The Group employed on average (including temporary staff) 17,694 employees in 2008 compared with 18,534 in 2007, a fall of 4.5% compared (the fall attributable to divestment amounted to -3.2%).

Average headcount in 2008 for the Group's continuing operations amounted to 17,654 employees compared with 17,601 in 2007, a rise of 0.3% (the fall attributable to divestment amounted to 1.4%). Their deployment by business segment was as follows:

- Cheese products: 83%,
- Other dairy products: 13.5%,
- Unallocated employees: 3.5%.

CAPITAL EXPENDITURE

The Group's investment in tangible and intangible fixed assets decreased by 7% in 2008, falling to €105.9 million compared to €113.9 million in 2007. Its deployment by business segment was as follows:

- Cheese products: 73.4%,
- Other dairy products: 18.3%,
- Unallocated expenditure: 8.3%.

Acquisitions amounted to €20.9 million including in particular increases in the Group's interests in certain subsidiaries and the acquisition of certain minority shareholdings.

RESEARCH & DEVELOPMENT

Bongrain SA has chosen despite the difficult economic context not to reduce its efforts in the area of research and development since innovation counts more than ever as a key success factor.

Research priorities remain concentrated on nutrition, a balanced diet and all aspects of practicality.

Our development activities remain decentralized, focused on manufacturing facilities in order to adapt to specific market conditions.

Research and development expenditure is wholly charged to profit and loss according to its nature

FINANCIAL POSITION

The Group's balance sheet reflects a continuing satisfactory financial position.

Equity has fallen by €12.1 million to €1,090.5 million, reflecting the purchase of treasury shares, cash flow hedges and the payment of dividend, partially compensated for by net income for the year.

Net borrowings have increased by €27.8 million to €375 million and represent 34.4% of equity compared to 31.5% as of December 31, 2007.

The financial ratios imposed by the Group's covenants have been respected.

Bongrain SA has no significant exposure to financial market risks. As in the past, its foreign exchange risks are limited by the policy of locating production units close to their commercial markets. Interest rate risks are limited by a continuous policy of prudent hedging.

OUTLOOK

The economic recession experienced in 2008, accompanied by significantly increased market volatility, remains a feature of 2009. The preparation of forecasts has become an extremely difficult exercise all the more so, in France, that the new bases of computation of the price of milk are not yet known. The Group's prime objective in this context is to find the means of adapting to the new market conditions, and this implies both capitalizing on the strength of Bongrain's strategic brands and actively pursuing the competitiveness plans designed to limit the Group's exposure to its main risk factors.

Environmental and social data

Bongrain SA sets its subsidiaries, both in France and abroad, the same targets. In order to control this process and monitor results, since 2002, the Group has introduced a social and environmental reporting system common to all subsidiaries. The entire consolidation process is checked by its Auditors, which guarantees independent scrutiny.

Environmental Report 2008

GENERAL POLICY AND ISSUES

The Bongrain Group clearly demonstrates its determination to be a responsible industrial company. Its responsibilities are reflected in the kind of commitments it makes as regards the environment and the actions it implements in its subsidiaries.

From milk collection to delivery of the finished product, and including the production of its specialities, the Group strives to minimise its footprint on the environment

The approach begins with the establishment of long-term relations with milk producers, through the application of a protocol detailing good livestock husbandry practices and improving the efficiency of milk collection rounds.

As a manufacturer, the Group is committed to controlling the impact of the whole of its business on the environment. A system for assessing safety at industrial sites helps operational units to implement appropriate prevention and protection policies.

The main issues centre on the use of water, energy and raw materials, such as boxes and packaging, as well as managing and handling discharges to the air and water, in particular wastewater.

Bear in mind that Bongrain considers that its foreign subsidiaries are bound by the same environmental undertakings as its French subsidiaries.

ENVIRONMENTAL MANAGEMENT

Organisation

A manager is responsible for the environment in every subsidiary. Most often, he or she is in charge of Hygiene, Quality, Safety and Environment (HQSE). At sites coming under subsidiaries with

several premises, the site manager generally assumes these responsibilities.

At head office, the industrial division, through its environment manager, supports subsidiaries in the operational implementation of environmental measures, supervises their improvement plans, promotes the sharing of best practices and monitors changes in their environmental indicators.

Standards

Controlling environmental risks is based on the use of management systems, mainly built on the ISO 14001 and 9001 standards. To promote this approach, in 2008 the Group's top management committed to the action programmes necessary for ISO 14001 certification of head office.

Management of environmental events

In the case of an environmental incident or accident, subsidiaries apply the crisis management system in place for a number of years at all of the Group's operational, logistics and office sites. Regular exercises are used to check the responsiveness of this organisation and to fine-tune its operation.

Collating environmental data

Work undertaken on awareness continues to bear fruit. There was a significant change for 2008 data collection as production sites which had entered it in the reporting system for 99% of the tonnage produced

CONTROLLING CONSUMPTION

The Group is resolved to manage and control its consumption. In particular, it has set itself the target of reducing water, electricity and heat consump-

tion. Guides on best practices are available to subsidiaries and production units to help them run their action programmes effectively, and several Group-wide action plans are in hand.

Thus regular checking of chemical oxygen demand (COD) of wastewater going into treatment plants gives an assessment of the concentration of dissolved and suspended organic and mineral matter in the water, which is used to adjust the set up of production facilities and contributes to saving materials and energy. This approach is extended to all the Group's production sites.

Methane production from sludge, taken to a processing plant, offers interesting prospects for controlling energy consumption and getting added value from waste. After an initial project run in 2007, a second was run in 2008.

More broadly, the introduction of meters in all fields enables settings to be adjusted more finely, maintenance to be improved and consumption to be better controlled.

Reducing water consumption

FOR THIS INDICATOR, THE 2008 PERIMETER REPRESENTS 96.5% OF PRODUCTION

Changes in consumption

Production sites account for 99.8% of the Group's water consumption.

In 2008, water consumption came to 15.9 million m³ against 14.4 million m³ in 2007. At comparable perimeter, the variation is +1.7%.

CHANGES IN WATER CONSUMPTION AT SITES WITH PRODUCTION (IN MILLIONS M³)

2007	14.4
2008	15.9

However, at comparable perimeter, water consumption per tonne produced is down by 8.3% at sites where production increased, which shows

the effectiveness of water saving measures introduced such as:

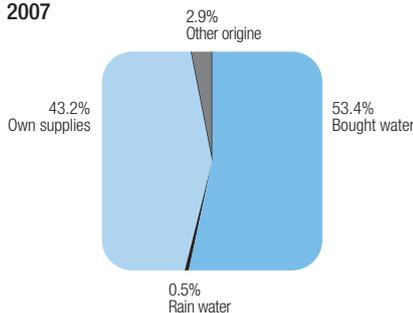
- the introduction of improvement targets per unit,
- working to improve the efficiency of washing (adjustment of cleaning frequencies and rinsing times).

Breakdown of consumption

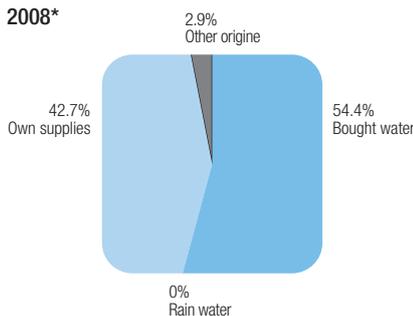
54% of water used at sites in 2008 is bought. Directly drawn water accounted for 43%. Other forms of supply still remain marginal.

BREAKDOWN OF WATER SUPPLIES

2007



2008*



Reducing packaging and paper consumption

FOR THIS INDICATOR, THE 2008 PERIMETER REPRESENTS 95.2% OF PRODUCTION

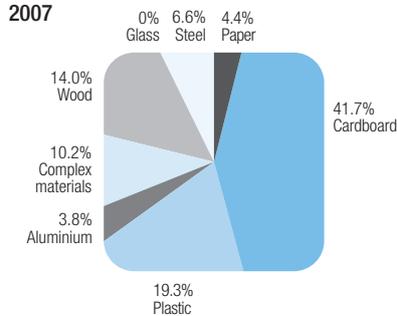
In 2008, packaging and paper consumption, all materials and all product types included, was down 1.8% at comparable perimeter. Sites with production use more than 98% of packaging and paper.

The proportion of recycled cardboard represents 16.9 % of total packaging used.

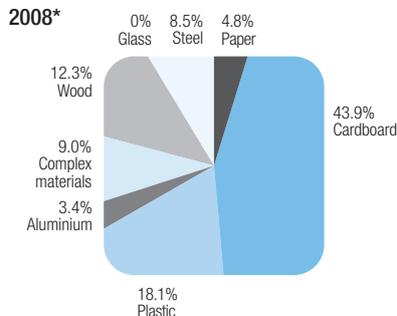
Subsidiaries' partnerships with various national organisations tasked with collecting, sorting and recycling packaging continues.

BREAKDOWN OF PAPER AND PACKAGING

2007



2008*



The proportion of recycled cardboard remains relatively stable.

Improving energy efficiency

FOR THIS INDICATOR, THE 2008 PERIMETER REPRESENTS 99.0% OF PRODUCTION.

Changes in energy consumption

In 2008, the Group's energy consumption fell by 2.6%, at comparable perimeter.

Production sites account for 97.7% of total energy consumption. They used 2.7% less at comparable perimeter. Within the same perimeter, the Giga joules per tonne produced ratio went from 7.09 to

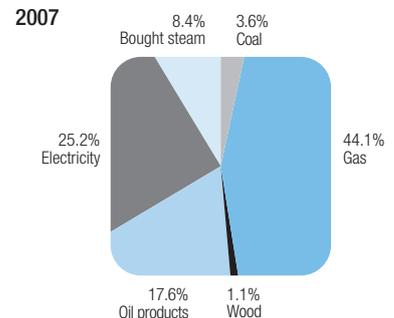
7.19 due to variations in volume. However, the ratio is significantly better for sites where production increased.

Structure of energy consumption

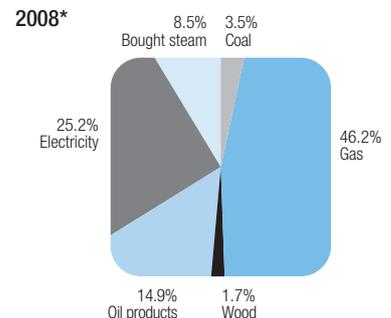
The energy supply to the Group's production sites is largely based on fossil fuels. At constant perimeter, the share of oil and coal products continues to fall, by 18 % and 6 % respectively, at comparable perimeter, while the consumption of gas, which is better for the environment, continues to increase. Gas consumption reached 47 % of the total and is up 2% at comparable perimeter from 2007.

STRUCTURE OF ENERGY CONSUMPTION

2007



2008*



Measures taken to improve energy efficiency

For greater energy efficiency and consequently to limit the impact on the environment, milk collection was improved. Better organisation of rounds and

* Data breakdown on a like for like basis.

closer cooperation between collection companies lead to a significant reduction in mileage and, as a direct consequence, in fuel consumption and vehicle emissions.

The Group has begun a project to change boilers. Several sites were re-equipped in 2008. The successful experiment in 2006, in a subsidiary, of installing two natural gas boilers fitted with high output, low emission burners resulted in the promotion of that solution. The policy now being pursued is aimed at getting the highest possible output and a significant decrease in consumption at constant volume. This programme will continue in 2009.

Use of renewable energy

The Group's electricity supply contracts for its major sites in France incorporate 25% renewable energy. On the Group's overall perimeter, 17% of bought electricity is of renewable origin. This share increased 46% from 2007 to 2008 at comparable perimeter.

After the completion of various specific projects in the recent past, subsidiaries are producing energy either because they have a hydro-electric installation, or because they use cogeneration.

The quantity of renewable energy thus produced in 2008 represented 5.6% of Group purchases.

MANAGING EMISSIONS AND WASTE

Limiting emissions into the air

FOR THIS INDICATOR, THE 2008 PERIMETER REPRESENTS 99% OF PRODUCTION.

This year, at comparable perimeter, once again, there was an overall reduction of nearly 5% in CO2 emissions. This fall is essentially due to switching, whenever possible, from fossil fuels which cause the most pollution. Production sites represent 97.2% of overall emissions.

Sites that increased production improved their "kgs of CO2 emissions per tonne produced" ratio by 15%. In general and in spite of a reduction in volume, the CO2 emissions per tonne produced ratio is down 0.7%.

Reducing wastewater discharges

FOR THIS INDICATOR, THE 2008 PERIMETER REPRESENTS 87.2% OF PRODUCTION.

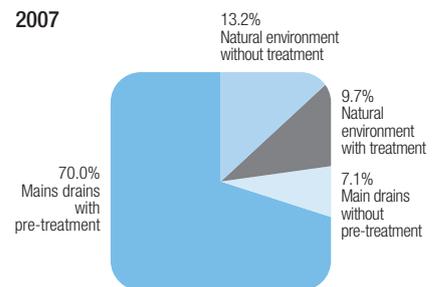
Actions are carried out on three levels:

1. Firstly reducing the volume of wastewater discharged by better control of water consumption as described above.
2. Then reducing the proportion of pollutants in water before it goes to the treatment plant. To this end, programmes are in hand to reduce material losses at the end of the production process:
 - installing sampling meters which check COD on a daily basis,
 - quick corrective actions to reduce the pollutant content in wastewater,
 - installing turbidity meters to improve the routing of processing water at the end of the process.
3. Finally, it is also necessary to increase the proportion of water treated on-site by installing treatment plants run by the subsidiary that are sometimes shared with local authorities.

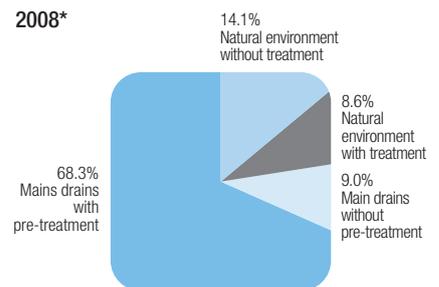
In 2008, the Group's discharges were down by more than 4% at comparable perimeter. Production sites represent 99.9% of overall discharges. The m³ of water per tonne produced ratio improved by 1.8%. The improvement is over 15% for sites where production was up. Conversely, sites where production was down reduced the ratio by 12.7%.

DESTINATION OF WASTEWATER FROM SITES WITH PRODUCTION

2007



2008*



Reducing undesirable noise and smells

To limit smells due to on-site wastewater treatment, some sludge silos are covered. Several sites make use of special plants which improve the performance of treatment plants.

Noise measurement campaigns are conducted at several sites and are followed up by fitting sound insulation to production premises or machinery.

Reducing industrial waste

FOR THIS INDICATOR, THE 2008 PERIMETER REPRESENTS 98.5% OF PRODUCTION.

Industrial waste produced by the Group mostly consists of non-dangerous waste, which mainly comes from the use of raw materials (milk, cream,

* Data breakdown on a like for like basis.

milk powder, animal fats, salt, etc.) and packaging (paper, cardboard, aluminium, wood, complex materials). Sites with production account for 97.4% of total waste by weight.

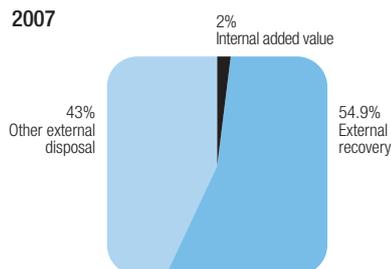
The Group strives to reduce scrap at source and on-line losses by standardising processes and boosting quality throughout the entire production process.

In 2008 waste production decreased about 10% at comparable perimeter. For sites with production, the non-dangerous industrial waste per tonne produced ratio was down 4.9% at comparable perimeter and the dangerous industrial waste per tonne produced ratio was down 6.9% at comparable perimeter.

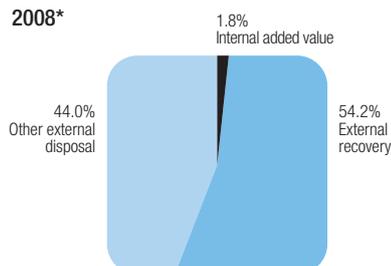
Subsidiaries send most of their industrial waste to external companies for disposal or recycling, added value is obtained from the remainder by in-house incineration or composting.

DESTINATION OF NON-DANGEROUS WASTE (PRODUCTION SITES)

2007



2008*



* Data breakdown on a like for like basis.

RESTRICTING OTHER NUISANCES AND COMBATING POLLUTION

Other projects in 2008

Subsidiaries undertook various projects with the purpose of reducing the environmental impact of their activities. The programmes taken up mostly involve the protection of water, the production of steam and refrigeration.

Some examples of typical projects:

- ground conservation by recovering stormwater from parking lots and water from tanker washing areas and the installation of whey retention tanks,
- combating water pollution by using phosphate-free detergents,
- promoting green behaviour in the company.

NUMBER OF ENVIRONMENTAL PROTECTION PROJECTS IN 2008

Noise	6
Electricity	16
Refrigeration	14
Smells	4
Air pollution	10
Water pollution	22
Ground pollution	10
Steam production	14
Other	3

Environmental and social data

Social Report 2008

The Bongrain Group is steadfastly determined to help its staff develop and thus enable them to enjoy a career with the company based on strong ethical values marked with social humanism.

The Group also wants to build the skill levels of its employees, in every business sector, and thus have a professional staff able to adapt to the Group's strategic challenges and to the requirements of a constantly changing environment. This strategy is part of the Sustainable Development process which is designed to "meet the needs of present generations without compromising the ability of future generations to meet their own".

Backed by its principles, Bongrain ensures the personal and professional development of its employees, guaranteeing every one of them the right conditions for their professional development, access to training, safety at work and support throughout their careers.

In every subsidiary and at every level, appropriate vocational training for the Group's specific requirements also contributes to this objective.

In France and throughout the world, the Group's subsidiaries contribute to the economic and social development of the regions in which they operate by favouring fair, local relationships with the main local players.

THE GROUP AND ITS STAFF

For 2008, the number of Full Time Equivalent staff – including temporary staff – in consolidated companies came to 16,826.

The number of staff on the books on 31 December 2008 (permanent staff, temporary staff and part-time staff in training) came to 15,953 compared to 17,040 in 2007.

This variation is mainly explained by the exclusion from the 2008 NRE perimeter of the new company "Compagnie des Fromages & RichesMonts" (jointly

owned since 1 January 2009 by Bongrain SA and the Sodiaal Group), whereas the 2007 perimeter included only La Compagnie des Fromages.

Breakdown of staffing on 31 December 2008

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 100% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

By geographic area:

40% in France,
41% in Europe (excl. France),
19% in the rest of the world.

By status:

The number of managerial staff in the Group came to 2,498 on 31 December 2008, which is 15.7% of the total.

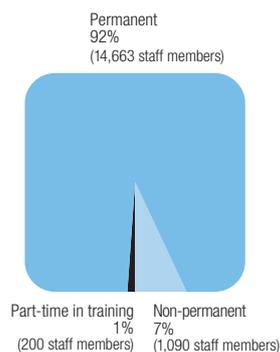
At comparable perimeter, managerial staff numbers are up 4.8% compared to 2007. This variation can be explained by less use of non-permanent contracts which mainly concern non-managerial staff.

The managerial staff percentage is highest in the most industrialised geographic areas (North America and Western Europe).

In France, this trend is also seen with a managerial percentage higher than the Group average.

By contract type

BREAKDOWN OF STAFF NUMBERS BY TYPE OF CONTRACT



At comparable perimeter, the number of permanent contracts as a percentage of all staff on the books was up 1.4% compared to 2007. Correlatively, the number of non-permanent contracts is significantly down.

In France, the number of permanent contracts as a percentage of all staff on the books came to 94% and remains stable compared to the previous financial year.

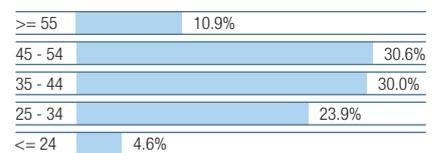
On 31 December 2008, the Group had 1,061 temporary and similar staff, which was 6.2% of total numbers.

By age for permanent staff:

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 97% OF PERMANENT STAFF ON 31 DECEMBER 2008

At comparable perimeter, the percentage of permanent staff aged 24 or under was up 2% on 2007. This change reflects the effort to recruit young graduates.

BREAKDOWN OF STAFF NUMBERS BY AGE GROUP



ORGANISATION OF WORKING HOURS

Hours worked

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 96% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

On average, a Group employee worked 1,659 hours in 2008. In France and in other countries, the total number of hours worked remained stable compared to 2007.

Overtime in France

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 99% OF STAFF ON THE BOOKS IN FRANCE ON 31 DECEMBER 2008

In France, the number of hours of overtime per employee per annum on average came to 16 hours. Just under a third of employees worked overtime this year.

Part-time work

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 97% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

Part-time work affects 4.4% of the Group's employees. As in previous years, this practice is more widespread in France and in Western Europe in general than in the rest of the world.

BREAKDOWN OF PART TIME WORKING BY REGION AND GENDER

France	
Men	1.7%
Women	16.4%
Western Europe excluding France	
Men	4.2%
Women	15.4%
Central and Eastern Europe	
Men	0.2%
Women	1.0%
Other regions	
Men	0.1%
Women	1.4%
Overall	
Men	1.5%
Women	8.6%

Group-wide, more women worked part time than men (8.6 % against 1.5% of staff on the books). However the percentage of part time men rose more quickly than for women.

The Group pays close attention to the working conditions of its employees. In that respect, part time work is mostly chosen by employees to meet the balance between work and home life.

Shift work and night work in France

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 99% OF STAFF ON THE BOOKS IN FRANCE ON 31 DECEMBER 2008

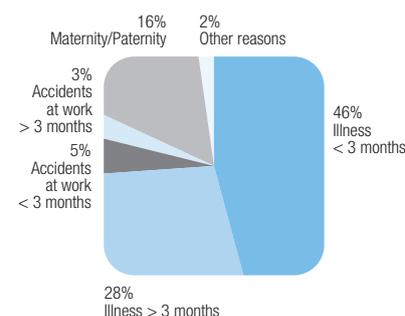
In France, 43% of staff on the books work shifts. Night work affects 23% of employees. Compared to 2007, shift work and night work are increasing.

Absences

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 94% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

On average, there are 18.2 calendar days' absence per employee per annum mainly due to illness, industrial accidents and maternity/paternity leave. At comparable perimeter, these results are up 6.9% from 2007 and in particular the number of days of absence for illness.

BREAKDOWN OF REASONS FOR ABSENCE



As in previous years, short and long term illness was the main reason for absence (three quarters of days off).

Central and Eastern Europe remain the geographic area most affected by absenteeism.

This is because the number of days maternity leave remains appreciably higher than in other geographic areas.

This situation should be looked at in relation to the high percentage of female staff in that area and the impact of the various regulations.

EMPLOYMENT AND EMPLOYEES' PERSONAL DEVELOPMENT

Staff development: A priority

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 96% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

In 2008, in order to have the benefit of motivated, loyal staff and encourage their personal development, the Group pursued a very active training policy and favoured mobility.

By identifying key skills per business sector and per job, and by arranging targeted training programmes, subsidiaries enable employees to improve their skill levels and become involved in their own development.

This approach results in a substantial amount of training in the Group (more than 2,000 courses in 2008). On average, an employee received slightly over 1.5 days of training in 2008, which is an increase at comparable perimeter of 18% compared to 2007.

The number of days of training provided in the Group reached a record in 2008, with nearly 24,700 days.

In parallel to training, the Group strongly encourages the mobility of its employees in subsidiaries. High internal mobility is made possible by the large number of sites in France and abroad and by the diversity of our brands. In order to support and promote talent, the Group designates appropriate career paths from the moment that the employee joins the Group.

In 2008, the number of geographic moves by managers increased nearly 14% on the previous year.

Personnel recruitment and moves

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 95% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

Despite the difficult economic context, the number of employees recruited on permanent contract came to 9.7% and was similar to 2007 (10.2%) against 11.6% for numbers leaving.

In 2008, the Group particularly improved its appeal to young graduates by developing an active, structured "schools policy", based on closer contacts with students.

This is illustrated in particular by a significant rise in the number of part-time training contracts compared to the previous year (+22%).

Recruitment and context

There were still substantial difficulties recruiting for certain jobs in 2008.

Difficulties due to the qualifications required are far more frequent than difficulties to do with a national context both in France and abroad. In general, the national context in some countries (low unemployment and wage inflation) further increases the difficulty of filling certain vacancies, in particular in production subsidiaries and subsidiaries in Central and Eastern Europe.

HEALTH AND SAFETY AT WORK

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 96% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

The Group considers protecting the health and safety of its employees and ensuring that machinery and facilities are safe to be a priority at all its sites.

All units in the Group are redoubling their effort in this field by introducing prevention plans and developing responsible behaviour where safety is concerned.

This work is concentrated in an intensive programme centred on safety which is based of the following principles:

- strong management commitment,
- information on rules and targets on a regular basis,
- training,
- employee responsibility and awareness,
- managing, organising and supervising safety.

Internal control is a fundamental aspect of the Group's safety policy. To that end, various actions are undertaken in subsidiaries:

- On-the-job audits,
- Behavioural safety check,
- Self-assessment,
- HSWCC meeting.

At Group level, the frequency rate is 20.26 and the severity rate 0.75.

	2008	2007
Frequency rate	20.26	22.9
Severity rate	0.75	0.72

At comparable perimeter, between 2007 and 2008, there was a reduction of nearly 10% in the frequency of accidents which is a result of deliberate actions taken by Group subsidiaries.

DIVERSITY

Women

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 100% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

Representation of women

In 2008, the proportion of women in staff on the books came to 40.6% and remains stable compared to the previous year.

As in previous years, considerable differences can be noted depending on:

- the type of business: the proportion of women was 55% in head offices and service companies
- geographical location: in Central and Eastern Europe, the majority of people working for subsidiaries are women (55.4%)

The proportion of women in management jobs

Across the Group as a whole, women hold 34.8% of all management jobs.

At comparable perimeter, the number of women in management positions was up 3% compared to 2007.

In France, there are more and more female managers with a rise of 3% in their numbers compared to 2007 to reach 35%.

Equal opportunities for men and women

The Group strives to ensure that women are not discriminated against, in terms of qualification, career progress, pay, training or at recruitment.

The efforts undertaken to make the majority of jobs accessible to female staff were pursued this year. Examples of the main steps taken include:

- Adjustments to working hours wherever possible,
- The improvement of workstations to make the job easier,
- Measures to help with children and to facilitate maternity leave.

Measures in favour of the employment of people with disabilities

THE PERIMETER FOR INFORMATION USED FOR THIS INDICATOR REPRESENTS 96% OF STAFF ON THE BOOKS ON 31 DECEMBER 2008

True to its humanitarian values and beyond its legal obligations, the Group wants to permanently commit to taking disability into consideration and to give all talented people a chance.

Many measures have been taken in subsidiaries to promote employment of people with disabilities:

- Cooperation with sheltered workshops (ESAT),
- Special recruitment process,
- Adjustments to work location, workstations and working hours,
- Personalised reception and induction,
- Support and training,
- Maintenance in work.

To run these projects successfully, subsidiaries work in close cooperation with associations that help disabled people get back into employment.

In 2008, this work resulted in an increase at comparable perimeter of 7.2% in the proportion of disabled workers compared to 2007 or 2.4% of staff on the books. This positive development concerns both France and other countries.

In France the percentage of disabled workers increased by 5.8% and reached 4.1% of employees.

EMPLOYMENT AND SOCIETY – A RESPONSIBLE COMPANY

Responsible management of restructuring and organisational changes

The Group assigns great importance to adapting and developing its employees' skills so that they are able to adapt to the ongoing changes in organisations and jobs and thus ensure their employability.

Emphasis is put in particular on personnel and skill planning developed in cooperation with staff and unions, founded on an active training policy. The Group encourages training that leads to qualifications which contributes to the employability of its employees.

In France Vocational Qualification Certificates (CQP) give proof of skills acquired during training or work experience. Recognition of skills through this diploma or certification is one of our priorities.

Change in organisations is supported by a deliberate employee mobility and retraining system, including in parts of the world where the law does not require businesses to offer support measures.

With that in mind, internal mobility remains the route that the Group prefers, but when it is found to be impossible the Group strives not to leave any employee to face a problem of employment alone and implements a set of measures to help the employee find work outside the company: skill assessment, training courses, outplacement, a job networking service, help with business creation.

Compliance with International Labour Organisation agreements and promotion to subcontractors

The Group's Commitment

By subscribing to the 2003 UN World Pact (commitment renewed in 2008), the Group has

publicly undertaken to comply with the ten principles on human rights, working conditions, the environment and the fight against corruption.

With its culture and Human Resources policy, the Group strives constantly to guarantee equality of opportunity and the principle of non-discrimination.

Promotion to subcontractors

By the nature of its business, the Group does not significantly subcontract production.

Subcontracted work is generally in the environment field. In particular, it concerns pest control and cleaning.

The Group endeavours to ensure that these activities are conducted in accordance with the principles of sustainable development.

Local commitment

"Participating in the economic and social development of countries where the Group operates and serving the common good" has been one of the Group's objectives since it was founded. Most Group subsidiaries are located in rural areas where they play an important part in providing jobs and in the local economy and social development.

The Group implements its principles by actively supporting the local economy in areas where it operates. To that end, a considerable amount of work is undertaken in cooperation with local and regional bodies, especially on:

- jobs: partnership with national employment agencies, providing work experience and apprenticeships and publishing vacancies in schools,
- training: cooperation with schools and universities, payment of business rates and taxes, sponsorship, involvement with teaching in the educational environment,
- providing work for people in difficulty: working with sheltered employment services (ESAT), and associations for disabled workers.

PAY POLICY

Through its pay policy, the Group seeks to guarantee internal fairness, develop motivation and reward good performance.

In addition to a fixed wage, for some staff, emoluments include an individual part that varies according to the attainment of targets, plus, in some cases, share schemes and profit sharing, as well as a welfare scheme (pension and supplementary health insurance).

Refer to the figures published in the Financial Statements under Personnel Costs.

EMPLOYEE SAVINGS IN FRANCE

In France, the special profit sharing reserve for 2008 amounts to €4,422,211

On 1 January 2008, the Group introduced a Group Savings Scheme allowing all employees in the France perimeter to take part in the Scheme via various mutual funds including the Bongrain SA Mutual Fund, an employee shareholding fund. In order to support and add value to the savings of employees who count on the Group's development and increase employee shareholdings, the Group tops up the Bongrain SA Mutual Fund with a supplement to facilitate small payments.

QUALITY OF STAFF RELATIONS

Staff relations

At all levels in its organisation and in accordance with the law, the Group has bodies representing personnel: in subsidiaries with Works Committees and Central Works Committees, in France with the Group Committee and in Europe with the European Works Committee. Through these bodies the Group strives to establish quality staff relations with employees, trades unions and the authorities to advance contact with its staff.

But in accordance with the principle of subsidiary that it advocates, the Group puts at the forefront contact with staff as close to the ground as possible, in subsidiaries, to better take into account the features of each of its businesses and organisations.

Staff welfare in France

In France, the staff welfare budget is mainly managed by each subsidiary's Works Committee. Moreover, most companies participate, partly or totally, by contributions to schemes such as supplementary health insurance, transport, meal vouchers and holiday cheques. Supplementary health insurance is the welfare benefit most widely provided.

In-house information

Several means of providing in-house information facilitate and strengthen networking. Highlighting employees' activities, sharing best practices, encouraging them to develop and stimulating initiatives are the aims of the various means of providing staff information used in the Group: general or sector-targeted intranet bases, in-house magazines, specific to each subsidiary and an information review available to everyone. Bongrain's decentralised organisation favours all these means, stimulates discussion and contributes to staff development in their own company and in the Group.

Listening to employees

For several years, the Group has conducted regular opinion polls of employees. This mechanism enables all of the staff members to say what they think anonymously, on the basis of a questionnaire covering the following themes: the company, Group culture, the customer, quality, work, organisation and management, recognition and change, and in-house information. This measuring system enables progress made and routes for improvement in the company to be identified from its employees' point of view.

By making full use of this mechanism, Bongrain subsidiaries seek to carry out a policy of excellence to achieve ongoing improvement involving all employees.

Internal control

General remarks

Bongrain SA's internal control procedures are designed in particular to ensure that the accounting and financial information communicated to its corporate governance bodies provide a true and fair view of the financial performance and financial position of the companies comprising the Group.

Procedures are implemented by Group general management, with support from the Board of Directors and its Audit Committee, as an integral part of their missions and with the purpose of ensuring that:

- The Group's operating policies are duly complied with,
- Its assets are safeguarded,
- The accounting and financial information communicated to its corporate governance bodies provides a true and fair view of the financial performance and financial position of the companies comprising the Group and comply with all the applicable laws and regulations.

The internal control procedures are equally designed to prevent and detect error and fraud.

As with any system, they cannot provide absolute assurance as to the total elimination of all risks.

Control philosophy

The Group's internal control and risk management procedures reflect the Group's policy of subsidiarity and operating autonomy of its various units. The parent company controls the operations of its subsidiaries via:

- Specialized departments responsible for providing guidance and supervision,
- The finance department which assesses their results and levels of borrowing.

In the framework of a multi-annual plan the internal audit department, which reports to Group general management, assesses the level of internal control prevailing at each entity. Its assignments are focused on the respect of procedures and contribute to identifying the major risks associated with each entity's operations. The report prepared at the end of each assignment highlights points for improvement of internal control. The entities involved are then required to prepare and implement action plans and report periodically on the progress achieved. These action plans are supervised by the Activity Directors responsible for each of the Group's businesses.

Preparation of each subsidiary's financial statements involves:

- Use of a Group-wide chart of accounts,
- Reference to an accounting manual designed to harmonize the Group's accounting policies.

Subsidiaries prepare monthly reports, including prior year comparatives, as well as annual profit forecasts. The Group's finance department monitors performance actively and validates the information received from the finance directors responsible for each of the Group's businesses.

Each subsidiary's statutory accounts, as well as the restating entries for the purposes of the Group's half-yearly and annual consolidated financial statements, are also subject to statutory audit at the level of each subsidiary. Subsidiaries' statutory auditors are appointed on a coordinated basis with the parent company's auditors. The directors of each subsidiary sign a letter of representation, addressed to the Board of Directors, as to the quality and content of their financial statements.

In addition, and in the framework of its multi-annual audit plan, the internal audit department verifies the quality and reliability of the Group's financial reporting processes as well as compliance with accounting policies and other requirements.

The process of preparation of the Group's consolidated financial statements is underpinned by an information system enabling the collection of subsidiaries' statutory accounts as adjusted for Group reporting purposes, plus the additional information required for the consolidated financial statements.

In order to provide optimal internal control over the consolidation process, the abovementioned system is a unique one the access to which is strictly controlled. The reliability of the consolidation processing and the faithfulness of the resulting consolidated financial statements are guaranteed by appropriate segregation of duties and supervision.

As part of their verification of the consolidated financial statements, the statutory auditors perform an annual review of the procedures contributing to their preparation and issue recommendations for their improvement. The Group incorporates these recommendations into its ongoing reviews and improvements of processes.

Consolidated income statement

In thousands of euro

	Notes	12/31/2008	12/31/2007
NET SALES	2	3,555,066	3,419,111
Purchases adjusted for changes in inventory	3	-2,347,727	-2,167,088
Personnel costs	4	-642,143	-624,374
Depreciation and amortization		-102,402	-94,374
Other current operating expense	5	-376,256	-380,570
CURRENT OPERATING PROFIT		86,538	152,705
Other operating expense	6	-36,460	-134,755
Other operating income	6	24,235	64,199
TOTAL OPERATING PROFIT		74,313	82,149
Financial expense	7	-58,743	-53,586
Financial income	7	24,132	42,336
Group share of results of associates	8	11,434	2,603
PROFIT BEFORE TAX		51,136	73,502
Taxes on income	9	-11,349	-5,711
Net income from continuing operations		39,787	67,791
Net income from operations discontinued or in process of sale	1.2	-1,832	100,840
NET INCOME FOR THE YEAR		37,955	168,631
Group share		37,974	161,655
Minority interests		-19	6,976
Earnings per share	10		
Group share:			
- Basic		2.60	10.79
- Diluted		2.57	10.69
From continuing operations:			
- Basic		2.70	4.08
- Diluted		2.67	4.04
From operations discontinued or in process of sale:			
- Basic		-0.10	6.71
- Diluted		-0.10	6.65

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

Consolidated balance sheet

ASSETS

In thousands of euro

	Notes	12/31/2008	12/31/2007
Intangible assets	11	337,028	305,196
Property, plant and equipment	12	694,169	693,252
Other financial assets	13	37,128	48,564
Investments in associates	14	117,218	93,737
Non-current derivative financial instruments	18	2,916	17,341
Deferred tax assets	15	76,802	54,221
Total non-current assets		1,265,261	1,212,311
Inventories and work in progress	16	334,423	341,355
Trade and other receivables	17	713,581	737,095
Tax credits		10,887	12,281
Derivative financial instruments	18	12,932	7,789
Other current financial assets	19	16,363	26,904
Cash and cash equivalents	20	497,514	429,665
Assets relating to operations discontinued or in process of sale	1.2	332	547
Total current assets		1,586,032	1,555,636
TOTAL ASSETS		2,851,293	2,767,947

EQUITY AND LIABILITIES

In thousands of euro

	Notes	12/31/2008	12/31/2007
Paid-in capital		61,397	74,363
Reserves		-11,075	-1,750
Undistributed profits		937,009	924,432
Group share of equity		987,331	997,045
Minority interests		103,197	105,537
Total equity	21	1,090,528	1,102,582
Provisions	22	54,837	60,939
Non-current borrowings	23	661,260	420,212
Other non-current liabilities	24	897	84
Non-current derivative financial instruments	26	5,115	6,806
Deferred tax liabilities	15	98,490	77,171
Total non-current liabilities		820,599	565,212
Trade and other payables	25	694,377	708,964
Taxes on income payable		4,054	3,694
Derivative financial instruments	26	13,684	3,245
Bank borrowings	23	227,617	383,542
Liabilities relating to operations discontinued or in process of sale	1.2	434	708
Total current liabilities		940,166	1,100,153
Total liabilities		1,760,765	1,665,365
TOTAL EQUITY AND LIABILITIES		2,851,293	2,767,947

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

Consolidated statement of cash flows

In thousands of euro

	Notes	12/31/2008	12/31/2007
Total net income from operations discontinued or in process of sale		-1,832	100,840
Group share of net income from continuing operations		39,787	67,791
Taxes on income		11,349	5,711
Depreciation, amortization and provisions		102,402	94,374
Gains or losses on disposal of assets		505	666
Group share of results of associates		-11,434	-2,603
Net financial expense		24,841	16,483
Other non-cash income and expense		-367	65,897
Gross operating margin		167,083	248,319
Interest paid		-53,579	-53,202
Interest received		28,632	36,608
Taxes on income paid		-12,353	-24,743
Change in working capital	27	19,124	-76,537
Net cash from continuing operations		148,907	130,445
Net cash from operations discontinued or in process of sale		-9,689	-1,847
NET CASH FROM OPERATING ACTIVITIES		139,218	128,598
Acquisition of subsidiaries and minority interests		-20,924	-34,597
Purchase of tangible and intangible fixed assets		-105,902	-113,874
Proceeds from disposal of assets		13,475	8,522
Acquisition of financial assets and changes in other current financial assets		7,254	124,550
Dividends received from associates		840	2,154
Net investment associated with continuing operations		-105,257	-13,245
Net investment associated with operations discontinued or in process of sale		1,039	120,575
NET CASH USED IN INVESTING ACTIVITIES		-104,218	107,330
Cash flows associated with financing activities			
Proceeds from exercise of share purchase options			1,782
Purchase of treasury shares		-12,599	
Proceeds from issue of share capital to minority interests		5,771	5,378
Proceeds from borrowings		251,892	11,935
Repayment of borrowings		-209,940	-215,229
Dividends paid		-27,943	-25,698
Net financing associated with continuing operations		7,181	-221,831
Net financing associated with operations discontinued or in process of sale		0	46
NET CASH USED IN FINANCING ACTIVITIES		7,181	-221,785
Net increase in cash and cash equivalents		42,181	14,143
Impact of foreign exchange differences		1,704	-8,913
Reclassification of cash and cash equivalents associated with operations discontinued or in process of sale		189	-44
Opening cash and cash equivalents	28	340,284	335,098
CLOSING CASH AND CASH EQUIVALENTS	28	384,358	340,284

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

Consolidated statement of changes in equity

In thousands of euro

	Attributable to stockholders of the parent company			Minority interests	Total consolidated equity
	Paid-in capital (Note 21)	Other réserves (Note 21)	Undistributed profit		
EQUITY AT JANUARY 1, 2007	70,536	13,874	789,060	108,461	981,931
Dividends distributed			-23,900	-1,800	-25,700
Fair value gains and losses of the period net of income taxes:					
• Available-for-sale financial assets		506			506
• Cash flow hedges		392	147	1	540
• Reclassification of minority interests					0
• Cancellation of receivables			-2,550		-2,550
• Foreign exchange differences		-16,482		-3,586	-20,068
Net gain/(loss) recognized directly in equity		-15,584	-2,403	-3,585	-21,572
Net income for 2007			161,655	6,976	168,631
TOTAL RECOGNIZED INCOME FOR 2007		-15,584	159,252	3,391	147,059
Stock purchase option plans:					
• Value of services provided	2,025				2,025
• Amounts received net of tax	1,802	-20			1,782
Purchase of treasury shares					
Common stock increase				5,378	5,378
Equity component of convertible bonds					
Changes in consolidation scope:					
• Purchase of minority interests				-10,062	-10,062
• Impact of business combinations		-20	20	169	169
EQUITY AT DECEMBER 31, 2007	74,363	-1,750	924,432	105,537	1,102,582
Dividends distributed			-25,397	-2,546	-27,943
Fair value gains and losses of the period net of income taxes:					
• Available-for-sale financial assets		-47			-47
• Cash flow hedges		-7,695		-507	-8,202
• Reclassification of minority interests					
• Amounts received net of tax		-1,583		2,043	460
Net gain/(loss) recognized directly in equity		-9,325		1,536	-7,789
NET INCOME FOR 2008			37,974	-19	37,955
Total recognized income for 2008		-9,325	37,974	1,517	30,166
Stock purchase option plans:					
• Value of services provided					
• Cession d'actions propres	-367				-367
Purchase of treasury shares	-12,599				-12,599
Common stock increase				5,771	5,771
Equity component of convertible bonds					
Changes in consolidation scope:					
• Purchase of minority interests				-7,082	-7,082
• Impact of business combinations					
EQUITY AT DECEMBER 31, 2008	61,397	-11,075	937,009	103,197	1,090,528

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

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:

- The cheese products segment: manufacture and distribution of cheeses and cheese specialties;
- The other dairy products segment: manufacture and distribution of modern butters and long-life creams both for final consumers and professional users, manufacture of technical butters and highly specialized dairy proteins for industrial markets, and manufacture of aseptically packaged products.

The consolidated financial statements were authorized for issue by the Board of Directors on March 11, 2009. Unless otherwise stated they are expressed in thousands of euro.

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, 2008 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union at that date. 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.

IFRIC 4, "Determining Whether an Arrangement Contains a Lease", requires that matters of substance prevail in determining whether an arrangement contains a lease, in particular, whether the arrangement is dependent on the use of one or several specific assets and whether the arrangement includes any right of use of such assets. This interpretation has not had any significant impact for the Group.

The cash flow hedge accounting of forecast intragroup transactions amendment to IAS 39, "Financial Instruments: Recognition and Measurement", enables the foreign currency risk associated with a highly probable forecast intragroup transaction to be designated as a hedged item provided that the transaction is denominated in a currency other than the functional currency of the entity entering into the transaction and provided that the foreign currency risk will affect consolidated profit or loss. Bongrain SA has not designated any intragroup transactions as hedged items.

The Group chose to apply IAS 32 and 39 relating to financial instruments with effect from January 1, 2005. This choice was made in accordance with IFRS 1, "First-time Adoption of International Financial Reporting Standards". 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 following interpretations and amendments are applicable with effect from 2008:

- IFRIC 11, "IFRS 2: Group and Treasury Share Transactions"
- IFRIC 12, "Service Concession Arrangements" (not yet adopted by the EU)
- IFRIC 14, "IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- The amendment to IAS 39 and IFRS 7 dealing with the reclassification of financial assets dated October 15, 2008

The above interpretations have no significant implications for the financial statements of Bongrain SA as of December 31, 2008.

The following standards and interpretations will not become applicable until 2009 (the Group has made no early application thereof in 2008). The Group reviews all new standards and interpretations with a view to assessing their potential impact on reported performance and financial statement presentation.

Standards, amendments and interpretations the application of which may have an impact on the presentation of the Group's financial statements:

- IAS 1 (revised), "Presentation of Financial Statements"
- IFRS 3 (revised), "Business Combinations"
- IAS 27 (revised), "Consolidated and Separate Financial Statements"

Amendments and interpretations the application of which should not have any significant impact on the presentation of the Group's financial statements:

- IAS 7, amendment consecutive to IAS 16
- IAS 8, amendment specifying the status of guidance on implementation
- IAS 10, amendment dealing with dividends voted after the accounting period
- IAS 16, amendment dealing with sales of previously leased assets
- IAS 18, amendment dealing with loan issue costs
- IAS 19 (amended), "Employee Benefits"
- IAS 20, amendment dealing with loans granted by government at below-market rates
- IAS 23 (amended), "Borrowing Costs"
- IAS 28, amendment dealing with the impairment of investments in associates
- IAS 29, amendment providing additional descriptive information
- IAS 31, amendment to the required disclosures
- IAS 32, amendment dealing with puttable instruments and obligations arising on liquidation

- IAS 34, amendment dealing with earnings per share in interim financial statements
- IAS 36, amendment dealing with the disclosures relating to recoverable amounts
- IAS 38, amendment dealing with advertising and promotion
- IAS 39 (amended), "Financial Instruments: Recognition and Measurement"
- IAS 40, amendment dealing with investment property under construction or fitting out
- IAS 41 (amended), "Agriculture"
- IFRS 1, amendment consecutive to IFRS 5
- IFRS 1 and IAS 27, amendments dealing with the accounting treatment of joint ventures or associates in individual entity financial statements
- IFRS 2, amendment dealing with vesting conditions and cancellations
- IFRS 5, amendment dealing with the implications of the loss of control as a result of partial sales of investments
- IFRS 7, amendment dealing with matters of presentation and consecutive to the amendments to IAS 28 and IAS 31
- IFRS 8, "Operating Segments"
- IFRIC 13, "Customer Loyalty Programmes"
- IFRIC 15, "Agreements for the Construction of Real Estate"
- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
- IFRIC 17, "Distributions of Non-cash Assets to Owners"

Basis 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.

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 balance sheet 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. The cost of an acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date, whatever the proportion of any minority interests therein. The excess of acquisition cost over the fair value of the Group's interest in the identifiable net assets acquired is recognized as goodwill. If the fair value of the Group's interest in the identifiable net assets acquired is in excess of acquisition cost, the difference is immediately recognized in profit or loss. Goodwill or gains or losses on disposal may also be recognized in the event of changes in the percentage of Group interests following restructuring (mergers, asset contributions) of consolidated entities.

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.

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.

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.

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 balance sheet 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 has been no change in the balance sheet presentation of discontinued operations. Separate presentation of the income statement and cash flow statement data (for all periods presented) relating to discontinued operations is made if the associated impact is material.

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 balance sheet date 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 balance sheet date. 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 directly in equity.

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 balance sheet date. 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 balance sheet date.

Segment reporting

Segment reporting is based on two distinct criteria: a primary reporting format reflecting the Group's business segments as previously described and a secondary reporting format reflecting geographical zones.

The primary – business segment – format represents the dominant source and nature of the Group's risks and returns.

The secondary reporting format distinguishes between France, Europe outside of France and the rest of the world.

Segment results may be defined as the contribution of each segment to Group profit or loss, central management overhead expenses (the principal unallocated amount) and research and development expenditure. Segment assets comprise intangible assets and property, plant and equipment, trade and other receivables and inventories. The main unallocated items are the assets pertaining to central management functions and to research and development. Segment liabilities comprise trade and other payables. Assets and liabilities are measured at the balance sheet date. Eliminations relate to transactions between different segments.

Income statement

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

Measurement bases and definitions

Net sales comprise third party sales of goods and services net of all rebates. Net sales 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.

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.

Financial expense includes both the interest payable on third party borrowings and bank commissions payable.

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 through profit or loss.

Taxes on income comprise both current and deferred tax. The tax effect of items accounted for directly in equity is also recognized directly in equity.

As provided for by IAS 12, "Income taxes", deferred tax, calculated using the balance sheet 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 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.

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

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:

- Buildings, 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 profit or loss as incurred. Subsequent expenditure is also recognized in profit or loss as incurred unless it provides future economic benefits by increasing assets' production capacities.

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 balance sheet 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.

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

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.

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.

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 in profit or loss 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, the future cash flows expected to be derived from the asset. Assets are grouped into cash-generating units defined as the smallest identifiable groups of assets that generate largely independent cash flows. With the exception of goodwill, prior impairment losses for non-financial assets are reviewed for potential reversal at each annual or interim balance sheet date.

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.

Most of the Group's financial assets are classified as available for sale. As such, they are measured at their fair value with changes in fair value recognized directly in equity unless objective indications of impairment arise, 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 or, if no market price is available, by using appropriate discounted cash flow modeling techniques incorporating market data.

Long-term 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.

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

Purchased milk is measured at actual purchase cost at the balance sheet date. 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.

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 expenses also include prepaid expenses.

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. Similar 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" 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.

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 such derivatives are measured at their fair value which is based on market value for listed instruments or otherwise, on the use of appropriate option valuation or discounted cash flow modeling techniques incorporating market 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 balance sheet date 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 directly in equity, 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 directly in equity are reclassified into profit or loss.

Derivatives are finally 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 equity 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.

Share capital

Share 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 consolidated equity.

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 balance sheet date.

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 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 Group has opted for use of the "corridor" method for recognizing actuarial gains and losses. Under this method, only the excess of the net cumulative unrecognized actuarial gains and losses at the end of the previous reporting period over the higher of 10% of the benefit obligation and 10% of the fair value of any plan assets is recognized progressively by amortization over the expected average remaining working lives of the employees participating in the applicable plan.

The past service cost arising in respect of benefits resulting from any amendment to or modification of a plan is charged immediately to profit or loss in the case of benefits that are already vested, but is otherwise recognized as an expense on a straight-line basis over the average period until the benefits become vested.

For each plan, when the net amount to be recognized (i.e. the gross benefit obligation net of any plan assets and/or any deferred amount) is a liability, it is recognized under "Provisions"; when an asset, it is recognized under "Other financial assets".

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 i.e. without application of the corridor method.

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 balance sheet date, 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.

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 exist 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 balance sheet date. 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.

Management of financial risk

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.

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 of 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.

Foreign currency risk

The Group has a wide 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.

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.

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 and investments.

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.

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.

Estimation of fair values

The fair value of financial instruments listed in active markets is based on the market prices at the balance sheet date. More specifically, listed financial assets held by the Group are measured on the basis of the official buying prices at the balance sheet date.

Other financial instruments are measured at the balance sheet date using appropriate valuation techniques which may include discounting of future cash flows. The nominal amount of trade and other receivables and payables, less any allowance for impairment losses, is assumed to provide a reasonable approximation of the fair value of these items.

Critical judgments and estimates

Judgments and estimates are continuously updated and are founded on historical data as well as on other factors including the anticipation of future events when judged reasonable given the applicable circumstances.

Goodwill is subject to annual impairment testing in accordance with the accounting policy already described. The recoverable amounts for cash-generating units are determined based on calculations of value in use which require the use of estimates.

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 0.92% 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 manage-

ment 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 2008 with the exception of the implementation of a liquidity agreement.

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

1. CHANGES IN CONSOLIDATION SCOPE AND OPERATIONS DISCONTINUED OR IN PROCESS OF SALE

1.1 Changes in consolidation scope

The main change in the Group's consolidation scope for 2008 has been the creation of a 50/50 joint venture with the Sodiaal dairy group. The joint venture is called La Compagnie des Fromages et Richesmonts and has combined the operations of La Compagnie des Fromages (Cœur de Lion) and Les Fromageries Richesmonts (Raclette Richesmonts, Le Rustique, Révérend). The change took place at the beginning of 2008.

The new company is part of the cheese products business segment and has been subject to proportionate consolidation.

The transaction was analyzed as a partial sale of 50% of the net assets of La Compagnie des Fromages and a partial acquisition of 50% of the net assets contributed to the joint venture by Sodiaal. It generated €18.7 million of goodwill including €14 million of contributed goodwill.

The other changes occurring in 2008 were:

- The acquisition of 100% of the Serbian company Kikindska in February 2008;
- The creation in Tunisia of Compagnie Fromagère SA, in which the Group holds a 42.5% share acquired in February 2008 and accounted for using the equity method;
- The acquisition in France of 51% of Fromapac SA in March 2008;
- The acquisition in August 2008 of a 25% interest in the Chinese company Jilin Dairy Group, accounted for using the equity method;
- The acquisition in December 2008 of a 50% interest in the Turkish company Esbon, which holds 75% of G.C. Gida (the overall investment is accounted for using the equity method);
- The acquisition of additional interests in the following companies: Vezpremetej, Mleko Produkt, Liptovska Mliekaren AS and Compagnie Laitière Européenne.

The following changes took place during the second half of 2007:

- The purchase as of July 1 of the total assets of the Belgian company Kaasmakerij Passendale. The assets were contributed to Fromunion which became a consolidated subsidiary with effect from that date.
- The sale as of October 31 of Bongrain Gastronomie and its subsidiaries with the exception of the American TPC Catering subsidiary. For the purposes of financial statement presentation the complete gastronomy business segment was treated as a discontinued operation in 2007 and TPC Catering continues to be so treated in 2008.
- Sofivo Production, a company engaged in the business of producing veal for consumption and trading in milk for feeding calves, began terminating its activity in 2007 and thus was also accounted for as a discontinued operation as of December 31, 2007 and continues to be so treated in 2008.

1.2 Operations discontinued or in process of sale

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

In thousands of euro

	INCOME STATEMENTS	
	2008	2007
	Sofivo Production	Gastronomy and Sofivo Production
Net sales	28,427	154,387
Current operating profit/(loss)	-2,323	-862
Operating profit	690	99,934
Profit before tax	225	100,306
Taxes on income*	-2,057	534
NET INCOME FROM DISCONTINUED OPERATIONS	-1,832	100,840

* Reversal of a deferred tax asset.

No amount of income or expense related to the operations held for sale has been recognized directly in equity.

The operations in process of sale (essentially TPC Catering) contributed the following amounts to the consolidated balance sheet as of December 31, 2008:

In thousands of euro

	2008	2007
Current assets	332	547
TOTAL ASSETS IN PROCESS OF SALE	332	547
Current liabilities	434	708
TOTAL LIABILITIES	434	708

2. SEGMENT REPORTING

The Group's summary income statement analyzed by business segment is as follows:

In thousands of euro

	NET SALES		SEGMENT CURRENT OPERATING PROFIT	
	2008	2007	2008	2007
Cheese products	2,477,667	2,307,912	78,631	112,094
Other dairy products	1,212,713	1,229,082	16,948	55,137
Unallocated	51,514	45,603	-8,852	-14,601
Inter-segment eliminations	-186,828	-163,486	-189	75
CONSOLIDATED	3,555,066	3,419,111	86,538	152,705

Results of associates essentially relate to the other dairy products segment.

After allocation of inter-segment eliminations, each segment's contribution to consolidated net sales is as follows:

In thousands of euro

	NET SALES		SEGMENT CURRENT OPERATING PROFIT	
	2008	2007	2008	2007
Cheese products	2,356,192	2,207,297	78,439	112,158
Other dairy products	1,190,083	1,206,978	16,953	55,182
Unallocated	8,791	4,836	-8,854	-14,635
CONSOLIDATED	3,555,066	3,419,111	86,538	152,705

The Group's balance sheet items analyzed by business segment are as follows:

In thousands of euro

	SEGMENT ASSETS		SEGMENT LIABILITIES	
	2008	2007	2008	2007
Cheese products	1,568,308	1,517,965	867,660	703,585
Other dairy products	634,841	645,836	265,920	333,799
Gastronomy		547		708
Sub-total	2,203,149	2,164,348	1,133,580	1,038,092
Unallocated	648,144	603,599	627,185	627,273
CONSOLIDATED	2,851,293	2,767,947	1,760,765	1,665,365

The Group's capital expenditure and depreciation/amortization by business segment are as follows:

In thousands of euro

	ACQUISITIONS OF PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS		DEPRECIATION/AMORTIZATION	
	2008	2007	2008	2007
Cheese products	77,763	79,488	77,493	66,704
Other dairy products	19,354	24,469	19,271	18,096
Unallocated	8,785	9,917	5,638	9,574
CONSOLIDATED	105,902	113,874	102,402	94,374

Additional information relating to the Group's results broken down by business segment:

In thousands of euro

	RESTRUCTURING		IMPAIRMENT LOSSES	
	2008	2007	2008	2007
Cheese products	9,130	41,024	3,550	21,473
Other dairy products	836	2,000		
Unallocated				
CONSOLIDATED	9,966	43,024	3,550	21,473

Details of these amounts are provided in note 6.

Net sales by geographical zone

In thousands of euro

	FRANCE	REST OF EUROPE	REST OF THE WORLD
2008	1,249,372	1,615,162	690,532
2007	1,159,975	1,579,927	679,209

Acquisitions of property, plant and equipment and intangible assets amounted in 2008 to €63,816 thousand in France compared to €56,560 thousand in 2007, to €29,612 thousand in the rest of Europe compared to €37,954 thousand in 2007 and to €12,474 thousand in the rest of the world compared to €19,360 thousand in 2007. Assets held as of December 31, 2008 amounted to €2,291,237 thousand in France, €485,335 thousand in the rest of Europe and €74,721 thousand in the rest of the world compared respectively to €1,935,409 thousand, €758,577 thousand and €73,961 thousand as of December 31, 2007.

■ 3. PURCHASES ADJUSTED FOR CHANGES IN INVENTORY

En milliers d'euro

	2008	2007
Raw materials and goods consumed	-2,529,280	-2,294,866
Change in inventories	10,196	32,182
Expenditure capitalized	2,181	2,392
Other consumption	-198,677	-180,069
Sales of surpluses and by-products and exchanges of milk	367,853	273,273
	-2,347,727	-2,167,088

■ 4. PERSONNEL COSTS

In thousands of euro

	2008	2007
Gross remuneration	-414,178	-400,210
Social contributions	-170,259	-166,018
Profit-sharing	-8,120	-9,656
Temporary personnel	-49,937	-48,803
Grants received	351	313
	-642,143	-624,374

The Group had an average of 17,694 employees (including temporary employees) in 2008 (compared with 18,534 in 2007), of whom 7,966 were employed in France, 6,502 in the rest of Europe and 3,226 in the rest of the world. The net effect of changes in consolidation scope was a reduction of 250 employees.

Of employees working in France 16% were employed as managers, 29% as technicians or supervisors and 55% as operatives.

■ 5. OTHER CURRENT OPERATING EXPENSE

In thousands of euro

	2008	2007
Bought-in services	-339,492	-341,250
Taxes other than taxes on income	-38,980	-41,277
Other current operating expense		
Other current operating income	2,216	1,957
	-376,256	-380,570

■ 6. OTHER OPERATING INCOME AND EXPENSE

Other operating income and expense for 2008 included impairment of certain assets (€3.5 million), industrial restructuring (€9.9 million), net costs of litigation (€0.5 million), gains on disposal of property, plant and equipment and intangible assets (€0.6 million) and other net income (€0.1 million).

Other operating income and expense for 2007 included impairment of certain assets (€21.5 million), industrial restructuring (€43 million), net costs of litigation (€1.8 million), gains on disposal of property, plant and equipment and intangible assets (€1.3 million) and other costs (€5.6 million).

The impairment losses recognized in 2008 and 2007 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. Impairment testing involves comparing the recoverable amounts of individual assets or cash-generating units with their carrying amounts. The recoverable amounts reflect estimated values in use calculated using the Group's 3 year cash flow projections which are extended by extrapolating the final year whilst assuming no growth. The current financial crisis has not had any significant impact on the valuation of the Group's cash-generating units.

The discount rates applied reflect the Group's average weighted cost of capital adjusted by risk factors for each country in which the Group operates. The adjusted rates are as follows:

- 7% for Western Europe, the United States and Japan,
- 8% for the European Union member states of Central and Eastern Europe,
- 10% for the non-European Union member states of Central and Eastern Europe,
- 12% for China,
- 13% for other countries.

The discount rate applied for the European Union member states of Central and Eastern Europe has fallen by two points, and the rate for China, by one point compared to 2007 as the risks associated with these countries have been re-appraised in comparison with other countries.

In 2008 the Group's three year cash flow forecast, reflecting the trends in our markets and in our competition, resulted in the recognition of €3.5m of impairment losses against the assets of certain cash-generating units located in Western Europe and the Middle East.

In 2007 the outlook for the Group's long-range plan, in terms of new trends the markets and competition, resulted in the recognition of €21.5m of impairment losses against the assets of certain cash-generating units essentially located in Western Europe.

7. NET FINANCIAL EXPENSE

In thousands of euro

	2008	2007
Interest payable (1)	-46,452	-49,345
Bank commissions	-3,503	-3,514
Other net financial expense	-8,788	-727
FINANCIAL EXPENSE	-58,743	-53,586
Financial income (2)	29,313	33,229
Net result of interest rate hedging (3)	-6,299	3,798
Net foreign exchange gains	1,118	5,309
FINANCIAL INCOME	24,132	42,336
Net financial expense	-34,611	-11,250
<i>Of which: net interest payable (1)+(2)+(3)</i>	<i>-23,438</i>	<i>-12,318</i>

8. GROUP SHARE OF RESULTS OF ASSOCIATES

In thousands of euro

	2008	2007
Group share of results before tax	11,434	2,603
Group share of taxes on income	-2,434	558
	9,000	3,161

The Group's share of results of associates is attributable to the cheese products segment for €2.3 million, the other dairy products segment for €4.9 million and unallocated transactions for €1.8 million.

In 2007, the Group share of taxes on income was positive essentially as a result of the tax credits obtained by Capsa in Spain.

9. TAXES ON INCOME

Taxes on income may be broken down as follows:

In thousands of euro

	2008	2007
Tax borne by associates	-2,434	558
Current tax	-13,131	-20,994
Deferred tax	4,216	14,725
	-11,349	-5,711

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

	2008	2007
Profit before tax	51,136	73,502
Theoretical tax based on national tax rates	16,538	23,046
Tax impact of:		
• Non-taxable profits and non-deductible expenses	-8,572	-4,058
• Use of tax losses and tax credits not previously recognized	-7,143	-2,135
• Impairment of deferred tax assets*	11,897	
• Reversal of impairment of deferred tax assets**		-7,665
• Elimination of deferred tax assets for tax consolidated businesses sold or in process of sale	-2,991	-4,590
• Tax rate changes affecting deferred tax	603	595
• Other items	1,017	518
Income tax charge	11,349	5,711
Weighted average tax rate	22.19%	7.77%

* Deferred tax assets are recognized in respect of tax losses carried forward to the extent that their recovery appears probable. As of December 31, 2008 the Group's forecast taxable profits for the 3 coming years have required the recognition of €11.9 million of impairment losses against its gross deferred tax assets.

** As of December 31, 2007 the Group's forecast taxable profits for the 3 coming years enabled reversal of €7m of impairment losses previously recognized against the gross deferred tax assets.

10. EARNINGS AND DIVIDENDS PER SHARE

Basic earnings per share are calculated by dividing Bongrain SA's share of consolidated profit after tax by the weighted average number of shares in circulation during each period with the exception of treasury shares held by the parent company (see note 21).

In thousands of euro

	2008	2007
Profit after tax attributable to shareholders of BONGRAIN SA	37,974	161,655
Weighted average number of shares in circulation	14,625,143	14,980,912
Basic earnings per share	2.60	10.79

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

In thousands of euro

	2008	2007
Profit after tax attributable to shareholders of BONGRAIN SA	37,974	161,655
Weighted average number of shares in circulation	14,625,143	14,980,912
Dilutive effect of share purchase options	173,001	139,661
Adjusted weighted average number of shares	14,798,144	15,120,573
Diluted earnings per share	2.57	10.69

Dividends paid in 2008 and 2007 amounted respectively to €1.70 and €1.60 per share. The Board of Directors will propose at the Annual General Meeting on April 29, 2009 that no dividend be distributed in respect of the fiscal year ending December 31, 2008.

11. INTANGIBLE ASSETS

In thousands of euro

	GOODWILL	INTELLECTUAL PROPERTY RIGHTS AND BRANDS	OTHER RIGHTS OF USE	TOTAL
AT 12/31/2006				
Cost	183,757	145,344	21,570	350,671
Cumulative amortization and impairment losses	N/A	-14,923	-10,637	-25,560
CARRYING AMOUNT	183,757	130,421	10,933	325,111
2007				
Opening carrying amount	183,757	130,421	10,933	325,111
Foreign exchange differences	-1,785	-67	-54	-1,906
Acquisitions		8,305	2,435	10,740
Disposals		-26	-3,906	-3,932
Reclassification	-1,162		1,162	0
Impairment (note 6)		-20,919		-20,919
Change in consolidation scope	1,665	-2,000		-335
Amortization charge		-2,314	-1,249	-3,563
CLOSING CARRYING AMOUNT	182,475	113,400	9,321	305,196
AT 12/31/2007				
Cost	182,475	155,686	20,885	359,046
Cumulative amortization and impairment losses	N/A	-42,286	-11,564	-53,850
CARRYING AMOUNT	182,475	113,400	9,321	305,196
2008				
Opening carrying amount	182,475	113,400	9,321	305,196
Foreign exchange differences	1,903	-102	-41	1,760
Acquisitions		914	3,987	4,901
Disposals		-54	-616	-670
Reclassification		2,447	-2,447	
Impairment (note 6)				
Change in consolidation scope	*23,109	6,786	36	29,931
Amortization charge		-2,714	-1,376	-4,090
CLOSING CARRYING AMOUNT	207,487	120,677	8,864	337,028
AT 12/31/2008				
Cost	207,487	161,397	20,276	389,160
Cumulative amortization and impairment losses	N/A	-40,720	-11,412	-52,134
CARRYING AMOUNT	207,487	120,677	8,864	337,028

* See note 1.1 - Changes in consolidation scope.

Intangible assets with indefinite lives amounted to €316,017 thousand at December 31, 2008 compared to €284,276 thousand at December 31, 2007.

12. PROPERTY, PLANT AND EQUIPMENT

In thousands of euro

	LAND	BUILDINGS, FIXTURES AND FITTINGS	PLANT, EQUIPMENT AND TOOLING	OTHER ITEMS	TOTAL
AT 12/31/2006					
Cost	36,330	512,256	1,041,208	186,367	1,776,161
Cumulative depreciation and impairment losses	-473	-269,724	-673,106	-103,877	-1,047,180
CARRYING AMOUNT	35,857	242,532	368,102	82,490	728,981
2007					
Opening carrying amount	35,857	242,532	368,102	82,490	728,981
Foreign exchange differences	-444	-794	-2,224	-353	-3,815
Acquisitions	90	19,449	71,513	11,820	102,872
Disposals	-1,371	-267	-1,249	-725	-3,612
Impairment losses (note 6)		-16,493	-15,966	-1,276	-33,735
Reversal of impairment					
Change in consolidation scope	107	29	,1,323	-5,710	-4,251
Depreciation charge		-20,971	-61,004	-11,213	-93,188
CARRYING AMOUNT	34,239	223,485	360,495	75,033	693,252
AT 12/31/2007					
Cost	34,716	514,886	1,062,683	164,367	1,776,652
Cumulative depreciation and impairment losses	-477	-291,401	-702,188	-89,334	-1,083,400
CARRYING AMOUNT	34,239	223,485	360,495	75,033	693,252
2008					
Opening carrying amount	34,239	223,485	360,495	75,033	693,252
Foreign exchange differences	-77	36	-573	-1,067	-1,681
Acquisitions		13,925	71,174	13,343	98,442
Disposals	-295	-2,690	-1,906	-1,087	-5,978
Reclassification	-704	278	-1,633	2,059	
Impairment losses (note 6)	-277	-1,255	-2,018		-3,550
Reversal of impairment	28	839	983	112	1,962
Change in consolidation scope	1,018	3,154	-624	372	3,920
Depreciation charge		-19,866	-62,113	-10,219	-92,198
CARRYING AMOUNT	33,932	217,906	363,785	78,546	694,169
AT 12/31/2008					
Cost	34,647	518,312	1,111,344	182,780	1,847,083
Cumulative depreciation and impairment losses	-715	-300,406	-747,559	-104,234	-1,152,914
CARRYING AMOUNT (*)	33,932	217,906	363,785	78,546	694,169
Gross finance lease items	126	42,618	13,366	7,218	63,328
Depreciation of finance lease items		-22,350	-8,661	-3,798	-34,809
(*) Of which: net finance lease items	126	20,268	4,705	3,420	28,519

The expense for leased items of property, plant and equipment amounted to €37.1 million in 2008 and €34.3 million in 2007. Bank borrowings of €0.8 million were secured against land and buildings at December 31, 2008 (2007: €0.9 million). In 2008, investment grants of €17 million were deducted from the cost of the assets financed.

13. OTHER FINANCIAL ASSETS

In thousands of euro

	12/31/2008	12/31/2007
Available-for-sale financial assets*	11,909	31,544
Held-to-maturity investments	15,527	6,680
Loans and receivables	11,422	10,972
Impairment losses	-1,730	-632
	37,128	48,564

* Based on their liquidity, the Group's Snowbrand and FCP Paris-Orléans securities have been reclassified as current financial assets.

€1.1 million of the impairment losses relate to a held-to-maturity investment.

As part of its investment in Financière Louis, in 2007 the Group subscribed convertible bonds of the company for an amount of €7.8 million in the balance sheet as of December 31, 2008. To date, the Group has no intention of converting these bonds into shares and has thus classified them as a debt instrument.

14. INVESTMENTS IN ASSOCIATES

In thousands of euro

	12/31/2008	12/31/2007
At January 1	93,737	92,307
Change in consolidation scope*	14,632	2,841
Result for the period	9,000	3,162
Dividends paid	-683	-2,047
Impact of foreign exchange differences	532	-2,526
CLOSING BALANCE	117,218	93,737

* In 2008 the Group acquired new minority interests in three non-European companies and increased its shareholding in Emmi Fondue from 10% to 20%.

The principal companies accounted for using the equity method are Capsa and Milkaut in which the Group's interests amount respectively to 27% and 40%.

In thousands of euro

100% basis	2008		2007	
	Capsa	Milkaut	Capsa	Milkaut
Assets	391,654	65,517	350,391	67,996
Equity	231,244	32,078	213,370	38,259
Liabilities	16,410	33,439	137,021	29,736
Net sales ^(a)	840,399	116,354	707,994	107,364
Net income ^(a)	17,874	221	12,826	-3,373

(a) Milkaut has a March 31 balance sheet date but its accounts are restated to recognize the Group's share of results on a calendar year basis.

The Group exercises significant influence over the following companies in which it holds interests of less than 20% of the actual or potential voting rights: Rupp and Financière Louis. These investments are accounted for using the equity method given the significant influence exercised by the Group's Board representation (cf. IAS 28.7).

15. DEFERRED TAX

Deferred tax recognized in the balance sheet 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. Unrecognized deferred tax assets amounted to €32.2 million at December 31, 2008 and €23.7 million at December 31, 2007.

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. For the most part, the Group's available tax losses can be carried forward for periods of at least five years.

The €4.2 million deferred tax credit recognized for the year is essentially the result of the recognition of deferred tax assets in respect of tax losses. A +€3 million deferred tax adjustment was recognized directly in equity to take account of the change in fair value of the Group's available-for-sale securities and other financial instruments.

In thousands of euro

	12/31/2008	12/31/2007
Tangible and intangible fixed assets	12,909	3,064
Provisions	10,453	3,401
Provisions for employee benefits	4,955	4,585
Financial instruments and other financial assets	8,129	1,823
Tax losses	65,041	50,439
Other deferred tax assets	7,492	14,632
DEFERRED TAX ASSETS	108,979	77,944
Impairment of deferred tax assets	-32,177	-23,723
NET DEFERRED TAX ASSETS	76,802	54,221
Tangible and intangible fixed assets	82,456	71,274
Financial instruments and other financial assets	9,944	5,842
Other deferred tax liabilities	6,090	55
DEFERRED TAX LIABILITIES	98,490	77,171

■ 16. INVENTORIES AND WORK IN PROGRESS

In thousands of euro

	12/31/2008	12/31/2007
Raw materials, work in progress and miscellaneous items	158,900	161,817
Goods purchased for resale	22,177	23,891
Finished products	171,112	156,593
Impairment losses	-17,766	-11,158
Inventories for operations discontinued or in process of sale (biological assets)		10,212
	334,423	341,355

The impairment losses relate essentially to inventories of intermediate and finished products.

In total, **impairment losses** of €5,045 thousand were recognized in 2008 compared to €3,468 thousand in 2007.

■ 17. TRADE AND OTHER RECEIVABLES

In thousands of euro

	12/31/2008	12/31/2007
Trade receivables	604,821	607,447
Social and fiscal receivables (excluding taxes on income)	79,418	87,024
Miscellaneous receivables	27,080	37,962
Prepayments and other miscellaneous items	13,078	15,405
Impairment losses	-10,816	-10,743
	713,581	737,095

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 €3.8 million was more than six months overdue.

An **impairment charge** of €627 thousand was recognized in 2008 compared to a reversal of €4,253 thousand in 2007. Prepaid expenses mainly comprise insurance and rent.

18. FINANCIAL ASSETS – DERIVATIVES

In thousands of euro

	12/31/2008			12/31/2007
	FAIR VALUE	UNDERLYING	MATURITY	FAIR VALUE
CASH FLOW HEDGES				
Commodity derivatives	1,174			530
Interest rate swaps	415	15,000	2012	8,899
Interest rate options				
INSTRUMENTS HELD FOR TRADING				
Interest rate derivatives	2,501	280,000	2010 to 2011	8,881
Foreign currency derivatives	11,276	108,933	2009 to 2010	6,689
Commodity derivatives	482			130
	15,848			25,130
Of which: classified as current assets	12,932			7,789
Of which: classified as non-current assets	2,916			17,341

19. 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.

20. CASH AND CASH EQUIVALENTS

In thousands of euro

	12/31/2008	12/31/2007
Cash	243,180	249,000
Cash equivalents	254,334	180,665
TOTAL	497,514	429,665

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

21. EQUITY

Evolution of paid-in capital

In thousands of euro

	NUMBER OF SHARES IN CIRCULATION	ORDINARY SHARES	SHARE PREMIUM	TREASURY SHARES	TOTAL
BALANCE AT 01/01/2007	14,903,580	15,432	76,351	-21,247	70,536
Share purchase option plan					
• Value of services rendered			2,025		2,025
• Sale of treasury shares	45,000		-47	1,849	1,802
BALANCE AT 12/31/2007	14,948,580	15,432	78,329	-19,398	74,363
Share purchase option plan					
• Sale of treasury shares	3,000		-367		-367
• Purchase of treasury shares	-274,017			-12,599	-12,599
BALANCE AT 12/31/2008	14,677,563	15,432	77,962	-31,997	61,397

Evolution of other reserves

In thousands of euro

	HEDGING RESERVES	AVAILABLE-FOR-SALE FINANCIAL ASSET FAIR VALUE RESERVES	TRANSLATION DIFFERENCES	TOTAL
BALANCE AT 01/01/2007	7,751	-1,787	7,910	13,874
Revaluation – gross		767		767
Revaluation – tax effect		-261		-261
Revaluation – associates			-40	-40
Cash flow hedges				
• Fair value adjustments for the period	701			701
• Tax effect	-310			-310
Translation differences				
• Group			-13,955	-13,955
• Associates			-2,526	-2,526
BALANCE AT 12/31/2007	8,142	-1,281	-8,611	-1,750
Revaluation – gross		-72		-72
Revaluation – tax effect		25		25
Revaluation – associates				
Cash flow hedges				
• Fair value adjustments for the period	-10,654			-10,654
• Tax effect	2,959			2,959
Translation differences				
• Group			-2,249	-2,249
• Associates			666	666
BALANCE AT 12/31/2008	447	-1,328	-10,194	-11,075

The Company's share capital, entirely paid up as of December 31, 2008, comprises 15,432,216 shares with a nominal value of €1 each (unchanged from 2007).

As of December 31, 2008 Bongrain held 754,653 (2007: 483,636) treasury shares of which 294,000 (2007: 250,000) were destined to be provided in exchange for the exercise of share purchase options.

Share premium and similar reserves, representing a total amount of €77,962 thousand at December 31, 2008 (2007: €78,329 thousand), comprise the French legal reserve for €1,613 thousand, share premium arising from mergers and other share issues for €73,610 thousand and share premium arising the exercise of options for €2,739 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 20 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 in circulation and their weighted average exercise prices are as follows:

	2008		2007	
	WEIGHTED AVERAGE EXERCISE PRICE (€ PER SHARE)	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE (€ PER SHARE)	NUMBER OF OPTIONS
At January 1	60.72	212,000	50.91	192,000
Granted	42.78	85,000	75.84	65,000
Expired				
Exercised	38.71	-3,000	40.72	-45,000
Excluded				
AT DECEMBER 31	51.63	294,000	60.72	212,000

The dates of expiry and exercise prices of share purchase options in circulation at the balance sheet date are as follows:

	EXERCISE PRICE (€ PER SHARE)	OPTIONS IN CIRCULATION	
		2008	2007
October 23, 2012	37.91	2,000	2,000
June 29, 2013	38.71	15,000	18,000
December 13, 2014	51.67	36,000	36,000
December 12, 2015	46.17	41,000	41,000
December 14, 2016	68.73	50,000	50,000
December 12, 2017	75.84	65,000	65,000
December 11, 2018	42.78	85,000	

The fair value of options granted during the period, determined using the Black & Scholes pricing model, amounts to €828 thousand. The vesting period is in general of four years so the fair value of the options granted is spread over four years, in the amount of €11 thousand for 2008 (2007: €1,645 thousand).

The principal assumptions of the pricing model are as follows:

	2008	2007
Share price	42.7	75.11
Exercise price	42.78	75.84
Dividend yield	3.75%	2.13%
Vesting period	10 ans	10 years
Risk-free annual interest rate	3.66%	4.47%
Volatility	27.42%	27.97%

22. PROVISIONS

In thousands of euro

	PENSIONS, OTHER RETIREMENT BENEFITS AND LONG-SERVICE BENEFITS	CONTINGENCIES AND DISPUTES	TOTAL
AT JANUARY 1, 2007	33,629	8,461	42,090
Foreign exchange differences	-465	59	-406
Charges	5,807	11,946	17,753
Uses	-4,390	-3,054	-7,444
Changes in consolidation scope	-589	-1,236	-1,825
Reclassification of provisions for operations discontinued or in process of sale	-338	11,109	10,771
AT DECEMBER 31, 2007	33,654	27,285	60,939
Foreign exchange differences	-91	-236	-327
Charges ^(a)	4,104	17,911	22,015
Uses ^(b)	-6,225	-23,601	-29,826
Changes in consolidation scope	-26	2,062	2,036
AT DECEMBER 31, 2008	31,416	23,421	54,837

(a) €11.6 million was charged for restructuring, €3.9 million for litigation and €2.4 million for other contingencies.

(b) €14.6 million of reversal was made for provisions used and €9 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 no provision has been recognized as the company concerned totally refutes the elements with which it is reproached and believes it can prove that its good faith cannot be placed in doubt. Following initial court proceedings, the company's position was confirmed but the tax authority appealed against the decision. The Paris court of appeal then decided in favour of the tax authority. The company has in turn appealed to the supreme French jurisdiction.

At December 31, 2008 the principal contingencies and disputes provided for related to restructuring for €15.7 million (2007: €18.6 million), to commercial disputes for €1.8 million (2007: €6 million), to disputes relating to matters of employment or social security for €2.4m (2007: €1.4 million) and to miscellaneous other contingencies for €3.5 million (2007: €1.3 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	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
Discount rate	6.00%	5.25%	6.25%	5.30	7.25%	5.75%	7.60%	5.80%	6.50%	5.35%
Expected return on plan assets	5.29%	5.00%	4.70%	4.80%	8.00%	8.00%	7.00%	7.20%	4.30%	4.30%
Rate of salary increases	3.25%	2.00%	2.30%	2.30%	4.25%	4.25%	3.90%	4.10%	2.25%	2.25%

The expected return on plan assets is determined for each plan based on the plan's historical performance, its present and long-term outlook and the composition of the assets under management. The assumptions made are reviewed annually based on the composition of the assets under management and on the market's long-term anticipations for each class of assets.

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

The Group's obligations in respect of employee benefits have evolved as follows:

In thousands of euro

Evolution of benefit obligations	2008	2007
Opening benefit obligations	84,928	88,590
Interest expense	4,491	4,193
Cost of services rendered	3,403	4,396
Past service cost	48	3,024
Actuarial gains and losses	-8,328	-6,251
Benefits paid	-3,204	-4,700
Foreign exchange differences	186	-3,026
Change in consolidation scope	-653	-971
Reclassification of provisions for operations discontinued or in process of sale		-327
CLOSING BENEFIT OBLIGATIONS	80,871	84,928

The closing benefit obligations of €80.9 million may be broken down as to:

- €10.9 million for non-financed plans;
- €69.9 million for partly or entirely financed plans.

Related plan assets have evolved as follows:

In thousands of euro

Evolution of plan assets	2008	2007
Opening plan assets	50,261	51,610
Expected return from plan assets	3,195	3,056
Benefits paid	-2,016	-2,684
Contributions paid by Group companies	4,960	2,574
Actuarial gains and losses	-9,679	-1,127
Foreign exchange differences	59	-2,744
Change in consolidation scope	-132	-423
CLOSING PLAN ASSETS	46,648	50,261
Of which: assets relating to continuing operations	46,648	50,261
Of which: assets relating to operations in process of sale		

The charge to personnel costs for the period may be broken down as follows:

In thousands of euro

Charge to provisions for the period	2008	2007
Past service cost	3,403	4,396
Interest expense	4,491	4,193
Expected return from plan assets	-3,195	-3,056
Amortization of past service cost	17	435
Amortization of actuarial gains and losses	-37	171
Other income	-575	-455
CHARGE TO PROVISIONS FOR THE PERIOD	4,104	5,684
Of which: amounts relating to continuing operations	4,104	5,661
Of which: amounts relating to operations in process of sale		23

The provisions recognized in the balance sheet have evolved as follows:

In thousands of euro

Evolution of provisions	2008	2007
Opening provisions	33,654	33,629
Charge for the period	4,104	5,684
Contributions paid by Group companies	-4,061	-1,806
Foreign exchange differences	-91	-463
Benefits paid directly by the employer	-2,164	-2,586
Change in consolidation scope	-26	-466
Reclassification to liabilities in process of disposal		-338
CLOSING PROVISIONS	31,416	33,654

Provisions and benefit obligations may be reconciled as follows:

In thousands of euro

Reconciliation of net benefit obligations and provisions	2008	2007	2006	2005
Actuarial obligations	80,871	84,928	88,590	84,664
Fair value of plan assets	46,648	50,261	51,610	47,443
Unrecognized actuarial gains and losses	-490	1,444	-2,678	-6,177
Unrecognized past service cost for unvested rights	-2,317	-2,457	-673	-642
CLOSING PROVISIONS	31,416	33,654	33,629	30,392
Of which: amounts relating to continuing operations	31,416	33,293	33,629	30,392
Of which: amounts relating to operations in process of sale		361		

The Group paid €3.1 million of contributions for 2008 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, 2007 may be broken down as follows:

	FRANCE		USA	
	2008	2007	2008	2007
Equity instruments	41.50%	41.50%	58%	60%
Debt instruments	44.00%	44.00%		
Insurance contracts			42%	40%
Other assets	14.50%	14.50%		

23. BORROWINGS AND OTHER FINANCIAL LIABILITIES

In thousands of euro

	DECEMBER 31, 2008	NON-CURRENT	CURRENT	DECEMBER 31, 2007	NON-CURRENT	CURRENT
Borrowings from financial and similar institutions	640,542	534,423	106,119	572,881	288,197	284,684
Deferred liabilities for profit-sharing payments	18,053	14,330	3,723	20,559	16,407	4,152
Bond issues	100,380	100,000	380	100,712	100,000	712
Finance lease borrowings	16,727	12,507	4,220	20,070	15,609	4,461
Current bank facilities	113,175		113,175	89,532		89,532
	888,877	661,260	227,617	803,754	420,213	383,541

Bond issues include a private placement of 2003, with a nominal amount of ?100m, repayable in five annual installments commencing in 2013.

Borrowings from financial and similar institutions represent the use of credit facilities such as the syndicated multi-currency facility arranged in 2004 with a final maturity, after extensions, of 2011. The Group's average borrowings from financial and similar institutions amounted in 2008 to ?932 million, with an average interest cost of 4.49% after hedging.

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 medium- and long-term borrowings. The principal variable rates used by the Group are Euribor and Eonia.

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 EBITDA. 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	12/31/2008	12/31/2007
Within one year	229,050	383,542
In from two to five years	557,034	311,900
In excess of five years	102,793	108,312
	888,877	803,754

They are denominated in the following currencies:

In thousands of euro	12/31/2008	12/31/2007
EUR	838,924	754,725
JPY	10,724	8,844
BRL	9,371	11,164
USD	3,608	16,064
Other currencies	26,250	12,957
	888,877	803,754

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

In thousands of euro	12/31/2008	12/31/2007
Fixed rate borrowings	168,947	180,012
Variable rate borrowings	719,930	623,742
	888,877	803,754

Borrowing costs are based on Euribor or Eonia plus margins not exceeding 50 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	12/31/2008	12/31/2007
Non-current borrowings	-661,260	-420,212
Current bank borrowings	-227,617	-383,542
Other current financial assets	16,363	26,904
Cash and cash equivalents	497,514	429,665
	-375,000	-347,185

24. OTHER NON-CURRENT LIABILITIES

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

25. TRADE AND OTHER PAYABLES

In thousands of euro	12/31/2008	12/31/2007
Operating payables	496,329	520,709
Fixed asset payables	9,813	9,696
Social and fiscal payables (excluding taxes on income)	151,897	147,581
Deferred revenue	3,633	2,565
Other items	32,705	28,413
CLOSING BALANCES	694,377	708,964

26. FINANCIAL LIABILITIES – DERIVATIVES

In thousands of euro

	12/31/2008			12/31/2007
	FAIR VALUE	UNDERLYING	MATURITY	FAIR VALUE
FAIR VALUE HEDGES				
Commodity derivatives	106			
Interest rate swaps	790	65,000	2012	
Interest rate options				1,413
INSTRUMENTS HELD FOR TRADING				
Foreign currency derivatives	13,098	159,588	2009 to 2010	3,174
Interest rate derivatives	4,325	430,000	2010 to 2011	6,806
Commodity derivatives	480			71
	18,799			10,051
Of which: classified as current liabilities	13,684			3,245
Of which: classified as non-current liabilities	5,115			6,806

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.

In respect of cash flow hedges, interest rate swaps declassified during 2008 required €3 million to be recycled from equity to profit or loss. Fair value hedging was 100% effective so involved no profit or loss impact.

Interest rate hedging policy

The Group's interest rate hedging policy involves the use both of interest rate swaps classified as hedging instruments and of interest rate options classified as trading instruments, and has the following impact on the classification of the Group's borrowings:

	EURO			OTHER CURRENCIES			TOTAL		
	Fixed rate	Floating rate	TOTAL	Fixed rate	Floating rate	TOTAL	Fixed rate	Floating rate	TOTAL
Pre-hedging	146,624	699,560	846,184	22,323	20,370	42,693	168,947	719,930	888,877
• Swap	200,000	-200,000					200,000	-200,000	
• Cap									
Post-hedging	346,624	499,560	846,184	22,323	20,370	42,693	368,947	519,930	888,877
Other current financial assets					,16,363	16,363		16,363	16,363
Cash and cash equivalents		497,514	497,514					497,514	497,514
TOTAL NET CASH ACQUIRED		497,514	497,514		16,363	16,363		513,877	513,877

In terms of sensitivity to any increase in short-term interest rates as of December 31, 2008 it may be noted that an increase of 1%, compared to the Euribor 3 month interest rate of 2.892%, would have an impact of €0.6 million on the Group's financial expense.

EXPOSURE TO FOREIGN CURRENCY RISK

Forward contracts and options – cover in place as of December 31, 2008

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

+ = currency purchase, - = currency sale

In terms of sensitivity to any change in the value of the dollar, the pound sterling or the yen it may be noted that a change of 1% in the dollar, the pound sterling or the yen, compared to the prevailing rate at December 31, 2008, would have an impact of €1.8 million on the Group's income statement.

In thousands of units

	TOTAL CURRENCY 1	TOTAL CURRENCY 2	COVER (IN THOUSANDS OF EUR)	EUR AMOUNT FOR CURRENCY 1	FIXING
EUR GBP	75,480 EUR	-61,940 GBP	5,144	75,480	1
GBP EUR	-920 GBP	1,069 EUR	107	-966	0.9525
Total GBP EUR	-62,860 GBP	76,549 EUR	5,251	74,514	
EUR JPY	600 EUR	-90,563 JPY	-121	600	1
JPY EUR	-880,970 JPY	5,901 EUR	-1,137	-6,984	126.14
Total JPY EUR	-971,533 JPY	6,501 EUR	-1,258	-6,384	
USD UYP	-31,500 USD	660,223 UYP	-5,075	22,634	1,3917
Total USD UYP	-31,500 USD	660,223 UYP	-5,075	22,634	
USD EUR	-67,873 USD	51,909 EUR	1,156	-48,770	1,3917
EUR USD	38,100 EUR	-54,915 USD	-1,079	38,100	1
Total USD EUR	-122,788 USD	90,009 EUR	77	-10,670	
Other currencies			-817	18,459	
TOTAL			-1,822	61,635	

■ 27. CHANGE IN WORKING CAPITAL

In thousands of euro

	12/31/2008	12/31/2007
Trade receivables	25,091	-65,898
Inventories	17,066	-60,893
Trade payables	-50,651	57,275
Miscellaneous receivables and payables	27,618	-7,021
CLOSING BALANCES	19,124	-76,537

28. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as presented in the cash flow statement may be reconciled as follows with the consolidated balance sheets:

In thousands of euro

	12/31/2008	12/31/2007
Cash and cash equivalents (see note 20)	497,514	429,665
Net cash of subsidiaries in process of sale (IFRS 5)	-240	520
Current bank facilities and financial current accounts	-112,916	-89,901
CASH AND CASH EQUIVALENTS	384,358	340,284

29. CONTINGENT LIABILITIES

The Group's contingent liabilities at December 31, 2008 amounted to €161.9m (2007: €179.7m).

They comprised operating lease payment commitments for €64.6 million, finance lease payment commitments for €18.9 million and other commitments for €78.4 million.

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

En millions d'euros

	OPERATING LEASE PAYMENTS	MINIMUM FINANCE LEASE PAYMENTS
In 2009	25.5	4.5
From 2010 to 2013	33.9	11.8
Beyond 2013	5.2	2.6

Individual training entitlement amounts to 432,979 hours for the Group's French companies, of which 428,989 hours are not yet covered by any request for allocation.

30. TRANSACTIONS WITH RELATED PARTIES

The Group is controlled by Soparind SCA, a company registered in France which directly or indirectly holds 60.53% 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 (see note 31 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 involving sales to related party cooperatives of €7.2 million in 2008 (2007: €7.9 million) and total purchases of €485.7 million in 2008 and €406.3 million in 2007. The Group also engages in treasury management on behalf of related parties and received total remuneration of €0.3 million for such services performed during 2008 (2007: €0.5 million).

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 cash and cash equivalents include a financial current account balance of €13.5 million with La Compagnie des Fromages et Richesmonts.

A total of €3,884,100 of gross remuneration, wholly comprising short-term benefits, was paid during the period to members of the boards of directors or equivalent governing or supervisory bodies of consolidated entities in respect of their duties within those entities. That amount does not include lump-sum retirement benefits or the allocations of stock options or free shares described in note 21. No provision exists for compensation in the event of termination of employment contracts.

31. EVENTS AFTER THE BALANCE SHEET DATE

There has been no event after the balance sheet date requiring disclosure.

■ 32. LIST OF THE PRINCIPAL CONSOLIDATED ENTITIES

Fully consolidated entities

FULLY CONSOLIDATED ENTITIES	COUNTRY	SIREN N°	% VOTING RIGHTS		% ECONOMIC INTEREST	
			12/31/2008	12/31/2007	12/31/2008	12/31/2007
France⁽¹⁾						
Bongrain SA	France	847 120 185	Société mère	Société mère	Société mère	Société mère
Alimpex SAS	France	349 088 732	100.00	100.00	100.00	100.00
Alliance Fromagère SNC	France	394 530 703	100.00	100.00	83.21	83.20
Alliance Laitière Européenne SA	France	388 435 539	100.00	99.99	98.70	98.67
Armor Protéines SAS	France	679 200 287	100.00	100.00	86.62	86.26
Beurlait SAS	France	552 001 497	100.00	100.00	86.62	86.26
B.G. SAS	France	331 339 275	99.96	99.96	99.96	99.96
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 SA	France	383 228 764	99.74	99.74	66.48	66.48
Bressor Alliance SA	France	379 657 570	66.66	66.66	66.66	66.66
BS Air SNC	France	351 646 377	99.99	99.99	99.99	99.99
Centre Bretagne Lait SA	France	387 493 315	99.99	99.99	86.62	86.26
C.F.V.A. SAS	France	314 830 050	99.97	99.97	99.97	99.97
Compagnie Générale Laitière SA	France	775 668 999	99.99	99.99	86.62	86.26
Cie Laitière Aumale SAS	France	403 001 753	100.00	100.00	86.62	86.26
Cie Laitière Derval SAS	France	403 001 068	100.00	100.00	86.62	86.26
Compagnie Laitière Européenne SA	France	780 876 421	87.76	87.43	86.62	86.26
CLE-PSO	France	444 475 016	100.00	100.00	86.62	86.26
CLE-PS SAS	France	389 297 748	100.00	100.00	86.62	86.26
Cie Laitière Food Service SAS	France	389 330 739	100.00	100.00	86.62	86.26
CL Informatique SAS	France	780 876 405	100.00	100.00	86.62	86.26
Cie Laitière Normandie-Bretagne SAS	France	349 652 560	100.00	100.00	86.62	86.26
Corman France SAS	France	487 220 295	100.00	100.00	86.62	86.26
Elvir SAS	France	389 297 664	100.00	100.00	86.62	86.26
Etablissement Tessier SAS	France	667 180 392	99.71	99.71	99.71	99.71
Fromagerie de Vihiers SAS	France	350 546 719	100.00	100.00	100.00	100.00
Fromageries des Chaumes SAS	France	314 830 183	99.93	99.93	99.92	99.92
Fromagerie Rambol SAS	France	315 130 641	99.81	99.81	99.81	99.81
Fromageries Paul-Renard SA	France	552 091 050	0.00	99.62	0.00	99.62
Fromageries Paul-Renard SAS	France	585 650 211	100.00	100.00	100.00	99.66
Fromagerie Perreault SAS	France	316 085 620	99.96	99.96	99.96	99.96
Fromarsac SAS	France	331 260 083	100.00	100.00	100.00	100.00
Fromapac SA	France	402 180 541	51.00		51.00	
Fruisec SAS	France	307 963 389	100.00	100.00	100.00	100.00
Grand'Ouche SAS	France	314 815 457	99.82	99.82	99.82	99.82
La Compagnie des Fromages SAS	France	393 257 654	100.00	100.00	86.62	86.26
Les Fromagers de Thiérache SAS	France	315 332 569	100.00	100.00	100.00	100.00
Les Fromagers Associés SNC	France	349 542 415	100.00	100.00	100.00	99.97
Messageries Laitières SNC	France	313 966 103	61.31	61.31	53.11	52.89
Normandie Bretagne Transports SAS (NBT)	France	403 128 051	100.00	100.00	86.62	82.26
Pareco SNC	France	326 037 348	85.58	85.58	83.10	83.08
Prodilac SA	France	316 202 902	100.00	100.00	86.62	82.26
SB Alliance SNC	France	409 080 538	84.70	84.70	84.09	84.09
SB Biotechnologies	France	450 983 051	100.00	100.00	97.50	97.50
SDIL SAS	France	352 135 180	100.00	100.00	86.62	86.26
Soficle SAS	France	304 141 856	100.00	100.00	86.62	86.26
Sofivo SAS	France	383 312 022	100.00	100.00	86.62	86.26
Sogasi SAS	France	315 062 224	99.28	99.28	99.28	99.28
Sogeps SAS	France	384 557 880	100.00	100.00	86.62	86.26
Soredab SAS	France	317 705 267	97.50	97.50	97.50	97.50

(1) The results of all the French companies constituted in the form of SA, SAS or SCA are consolidated for tax purposes.

FULLY CONSOLIDATED ENTITIES	COUNTRY	% VOTING RIGHTS		% ECONOMIC INTEREST	
		12/31/2008	12/31/2007	12/31/2008	12/31/2007
Other countries					
Advanced Food Products LLC	USA	65.00	65.00	65.00	65.00
AFP Dispensers Inc	USA		100.00		65.00
Angulo General Quesera S.L.	Spain	100.00	100.00	100.00	100.00
BCMS	Czech Rep.	100.00	100.00	100.00	100.00
BEV OOO	Russia	100.00	100.00	99.80	99.80
BHMS	Hungary	100.00	100.00	99.94	99.89
Bongrain A.G.	Switzerland	99.75	99.75	99.75	99.75
Bongrain Bénélux	Belgium	100.00	100.00	100.00	100.00
Bongrain Chile SA	Chile	100.00	100.00	100.00	100.00
Bongrain Deutschland GmbH	Germany	100.00	100.00	100.00	100.00
Bongrain Europarticipations BV	Netherlands	100.00	100.00	100.00	100.00
Bongrain GesmbH	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
Bongrain Polska	Poland	100.00	100.00	100.00	100.00
Bongrain Tianjin Foods Ltd	China	100.00	100.00	50.00	50.00
Bonprole SA	Uruguay	90.00	90.00	90.00	90.00
Bresse Bleu Japon KK	Japan	100.00	100.00	100.00	100.00
BSMS	Serbia	0.00	100.00	0.00	100.00
CLE Deutschland GmbH	Germany	100.00	100.00	86.62	86.26
Corman SA	Belgium	100.00	100.00	86.62	86.26
Corman Deutschland GmbH	Germany	66.67	66.67	57.75	57.51
Corman Italia Spa	Italy	100.00	100.00	86.62	86.26
Corman Miloko Ireland Ltd	Ireland	55.00	55.00	47.64	47.44
Dabon International Ltd	India	61.43	61.43	61.43	61.43
Edelweiß GmbH Co KG	Germany	100.00	100.00	100.00	100.00
Eurexpan BV	Netherlands	100.00	100.00	100.00	100.00
Fromagers Associés Japon KK	Japan	51.00	51.00	51.00	51.00
Fromunion	Belgium	100.00	100.00	100.00	100.00
ICC Paslek	Poland	100.00	100.00	100.00	100.00
Kikindska	Serbia	100.00		100.00	
Liptovska Mliekaren AS	Slovakia	98.93	98.67	98.93	98.67
Mantequeras Arias SA	Spain	100.00	100.00	100.00	100.00
Mashreq des Produits Laitiers	Egypt	99.98	99.97	50.99	50.99
Milex Nové Mesto AS	Slovakia	100.00	100.00	100.00	100.00
Mleczarnia Turek Sp ZOO	Poland	100.00	100.00	100.00	100.00
Mleko Produkt	Serbia	96.98	80.45	96.98	80.45
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	100.00	100.00	100.00
Polenghi Ltda	Brazil	100.00	100.00	100.00	100.00
Povltavske Mlékarny AS	Czech Rep.	100.00	100.00	100.00	100.00
Pribina SRO	Czech Rep.	99.68	98.90	99.68	98.90
Santa Rosa Chile	Chile	99.99	99.99	99.99	99.99
S.B.M.S. SA	Belgium	99.98	99.93	99.99	99.93
Schratter Foods Inc	USA	75.00	75.00	75.00	75.00
Toska Sp ZOO	Poland	100.00	100.00	100.00	100.00
TDSI (ex TPC Catering)	USA	100.00	100.00	100.00	100.00
TPK SRO	Czech Rep.	100.00	100.00	100.00	100.00
ULN UK SA	UK	100.00	100.00	89.97	89.70
Vesprémtej Rt.	Hungary	99.61	99.24	99.61	99.24
Zausner Foods Corp. and subsidiaries	USA	100.00	100.00	100.00	100.00
Zvenigorodka	Ukraine	99.86	99.86	99.86	99.86

JOINT VENTURES	COUNTRY	SIREN N°	% VOTING RIGHTS		% ECONOMIC INTEREST	
			12/31/2008	12/31/2007	12/31/2008	12/31/2007
France						
Compagnie des Fromages et Richemonts Gestion	France	501 635 612	50.00		43.31	
Compagnie des Fromages et Richemonts	France	501 645 196	50.00		43.31	
Other countries						
Sodiaal GMBH	Germany		100.00		43.31	

ASSOCIATES	COUNTRY	SIREN N°	% VOTING RIGHTS		% ECONOMIC INTEREST	
			12/31/2008	12/31/2007	12/31/2008	12/31/2007
France						
Lacto Sérum France SA	France	846 780 088	24.94	24.94	24.94	24.94
Sanicoopa SARL	France	305 824 963	37.99	37.99	32.90	32.77
Sica Silam	France	316 202 902	30.00	30.00	29.67	29.67
Financière Louis	France	500 015 607	19.37	19.37	19.37	19.37
Other countries						
Andechser Molkerei Scheitz	Germany		24.84	24.84	24.84	24.84
Capsa SA	Spain		27.00	27.00	23.39	23.29
Fromagerie des Doukkala	Morocco		20.00	20.00	20.00	20.00
EMMI Fondue AG	Switzerland		20.00	10.00	20.00	10.00
Esbon*	Turkey		50.00		50.00	
Fortactaria	Spain		40.00	40.00	40.00	40.00
La Compagnie Fromagère	Tunisia		42.50		42.50	
Milkaut	Argentina		40.00	40.00	40.00	40.00
Rupp	Austria		10.00	10.00	10.00	10.00
Val d'Arve	Switzerland		33.34	33.34	33.34	33.34

* Investment in a minor entity at the end of the fiscal year.

Report of the statutory auditors on the consolidated financial statements

Year ended 31 December 2008

To the Shareholders,

In compliance with the assignment entrusted to us by your General Shareholders' Meeting, we hereby report to you, for the year ended 31 December 2008, on:

- the audit of the accompanying consolidated financial statements of Bongrain S.A.;
- the justification of our assessments;
- the specific verification required by law.

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

1. Opinion on the consolidated financial statements

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

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at 31 December 2008 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. Justification of our assessments

In accordance with the requirements of article L.823-9 of the French Commercial Code (ou French Commercial Law) ("Code de commerce") relating to the justification of our assessments, we bring to your attention the following matters:

Accounting estimates

Impairment of goodwill and assets:

At each balance sheet date, the Company systematically tests goodwill and intangible assets with an indefinite useful life for impairment and assesses whether any indication exists of impairment of assets with a finite useful life, in accordance with the methods set out in the "Impairment of non-financial assets" section of the summary of accounting policies on page 69 and in note 6 to the consolidated financial statements. In view of the specific context of the economic crisis and consequent lack of visibility over the business outlook, we have reviewed the methods used for the aforementioned tests, as well as the estimated future cash flows and the underlying assumptions

Post employment benefits:

Provisions for pensions and other post-employment benefits are assessed in accordance with the methods set out in the summary of accounting policies on page 71. These benefit obligations have been assessed by independent actuaries. We have reviewed the data and assessed the assumptions used by these actuaries.

Other provisions:

Your company records provisions for contingencies and disputes in accordance with the methods described in the "Other provisions" section of the summary of accounting policies on pages 71 and 72 and set out in note 22 to the consolidated financial statements. Our assessment was based on the facts available to date and our analysis of the procedures in place within the Group to identify and assess those risks.

These assessments were made in the context of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

3. Specific verification

As required by law we have also verified the information given in the group's management report.

We have no matters to report as to its fair presentation and its consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris la Défense, on the 14 April 2009

The statutory auditors

PricewaterhouseCoopers Audit

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KPMG Audit

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