



**SAVENCIA**  
FROMAGE & DAIRY



**2014** ANNUAL REPORT  
ACTIVITY AND SUSTAINABLE DEVELOPMENT

# CONTENTS

## 02 Message from management

- 04 Highlights of 2014
- 06 Our savors are globe trotters
- 08 We nurture strong values

## 09 At the heart of our know-how: milk

- 10 In business with milk producers
- 13 Responsible milk sourcing
- 14 The best milks for savory products and high quality ingredients

## 16 Cheese products

## 24 Other dairy products

## 34 Responsible and committed

- 35 Progress all along the value chain
- 36 Respect for the environment
- 38 Staff motivation and commitment
- 40 Partnership with our suppliers
- 41 Contributing to the common good

## 42 Governance and results

- 43 Corporate governance
- 44 Key figures
- 46 Stock market activity in 2014
- 47 Management report
- 50 Issues, responses and ways forward
- 52 Social and environmental information
- 66 Internal control and risk management
- 68 Consolidated income statement
- 69 Consolidated balance sheet
- 70 Consolidated statement of cash flows
- 71 Simplified Group structure
- 72 GRI table of equivalence



As a signatory of the UN's Global Compact, the Group is committed to its ten fundamental principles in the areas of human rights, labor, the environment and anti-corruption, on which it reports each year in its Communication on Progress.

*"The best way to predict the future  
is to create it."*

Peter Drucker

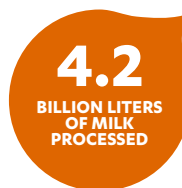


# ALL THE SAVORS OF MILK

Fresh, mature, natural, flavored, resolutely traditional or absolutely new: we bring out all milk's savors in our cheeses, butters, cream and in all our specialties. We also make the best use of milk's remarkable nutritional and functional properties in our ingredients.

Quality, innovation and commitment to excellence can be sensed and tasted in all we undertake. Those are the qualities we wish to express in our new name:

**SAVENCIA Fromage & Dairy**



Focusing on cheese specialties and high value added dairy ingredients, SAVENCIA Fromage & Dairy is one of the world's leading milk processors, the number 2 cheese group in France and number 5 worldwide. SAVENCIA Fromage & Dairy is an independent family group listed with Euronext Paris.

# MESSAGE FROM MANAGEMENT

---

**The economic and geopolitical environment for milk and dairy products has been particularly unstable in 2014** for the dairy industry as a whole and for our Group in particular.

The price of milk reached a record high with an increase of +7% in France, our main collection zone, and as much as +25% in the USA.

World demand then began to fall and China, subject to high levels of inventory, started reducing its milk powder imports during the third quarter of the year. As a result, the Russian embargo implemented in August indirectly triggered a brutal fall in prices of 20 to 35% for powder and butter and 15% for whey.

Finally, in the consumer markets, the economic crisis continued to deplete purchasing power and consumer demand, particularly in Central and Southern Europe, whilst our major retail distributors continued to exert strong pressure on pricing.

**Within that difficult environment, our results for 2014 demonstrate the Group's capacity for resistance inasmuch as we reinforced our market shares and stayed on course in terms of our strategy and long-term investment.**

Our Cheese Products business registered organic growth of +4.2%. Our main brands improved their market positions through continuous investment in quality, communication and innovation. The strength of our brands, and our commercial dynamism, helped us maintain or improve our market shares in most of the countries in which we are present and in particular, in our two foremost markets, France where Caprice des Dieux, St Moret, Tartare, St Agur, Le Rustique and RichesMonts are the market leaders for their respective categories, and Germany where in 2014 G ramont became the No.1 cheese brand across all categories.

Our Other Dairy Products business registered organic growth of +6.4% thereby confirming the relevancy of our strategy of product differentiation and added value. The scissor effect produced by the gap between the rising purchase price for milk and the brutal fall in world prices for ingredients was attenuated in the second half of 2014 with the development of new high value added ingredients. Our Elle & Vire brand improved its leadership in France and continued its growth outside Europe.

## ROBERT BRZUSCZAK

---

Executive Vice-President  
Deputy Managing Director  
Managing Director of  
Compagnie Laiti re Europ enne.

---

## JEAN-PAUL TORRIS

---

Executive Vice-President  
Deputy Managing Director  
Managing Director  
of cheese operations.

---



We pursued our integration of the activities of Terra Lacta and of Sodilac, a company specializing in infant milk formula. Promotion of Terra Lacta's cheese brands was initiated in 2014.

For both Cheese Products and Other Dairy Products, we continued to support our international development via local presence and the dynamism of our dedicated sales organizations.

**2015 will be another year of challenges.** The end of milk quotas, on March 31, may result in increased volatility of both milk production volumes and prices. The continuing concentration of our distributors continues to put pressure on our margins. The slowdown in economic growth in the emerging countries, and the risks associated with the geopolitical crises in the Ukraine, Russia, the Middle East and Argentina, equally result in uncertainty as to our development in 2015 outside Europe.

**Despite this uncertain context, our Group continues to strive for adaptation, competitiveness and innovation,** adapting our organizations, constantly improving the quality and perceived value of our products and investing in cutting-edge technologies as well as in our brands and in our sales effectiveness.

Upstream, we have already spent several years reinforcing our position in the perspective of the end of milk quotas: through our approach to responsible milk sourcing and our contractual relationships founded in dialogue, in long-term commitment and in the creation of value we share with our milk producer partners.

**Our brands and specialty products stand for unique quality, innovation, savors and know-how** that are the foundations of the worldwide development of our family Group. That is what we wish to express in our new name:

### **SAVENCIA Fromage & Dairy**

Our new name is easy to pronounce in many languages and will help improve our international visibility still further. It has federated our employees and fuelled them with renewed will for our commitment to excellence and to the long-term development of our businesses. It will reinforce perception by the Group's customers worldwide, and by its partners and stockholders, of the Group's know-how and of its ability to meet the challenges of tomorrow and achieve lasting growth.

# HIGHLIGHTS OF 2014

## FOREMOST CONTRIBUTOR TO GROWTH

### in consumer products:

our brands' performance in France in 2014.

The Group confirmed its retail dynamism with consumer sales up by 2.1%.

Source: distributor panel.

## NUMBER 1 IN GERMANY!

The Group comforted its position as the branded cheese leader in Germany, with G ramont, henceforth the number 1 brand in the market!



## BEST SALES FORCE FOR CHEESE

**For the 4<sup>th</sup> consecutive year,** our Alliance Fromag re sales force took 1<sup>st</sup> place in France for sales via hypermarkets and supermarkets, and 2<sup>nd</sup> place for fresh dairy products as a whole, and was the recognized leader for the commercial relationship.

Source: Advantage Group



## IN POLE POSITION AT THE SIAL TO WELCOME OUR CUSTOMERS

### Every two years, the agro-food industry meets in Paris

on the occasion of the industry's leading world trade fair: 6,500 exhibitors from 200 countries, more than 150,000 visitors. On a 320m<sup>2</sup> booth of modern and welcoming design our three main focuses: Cheese, Butter and Cream, Ingredients, were represented by their flagship brands. 7 of our products caught the attention of SIAL Innovation, a veritable laboratory of trends in food that was celebrating its 50<sup>th</sup> anniversary.





## ORGANIZATION: MOBILIZE SYNERGIES AND BOOST GROWTH

### Such is the ambition of two new divisions created in 2014.

● Butter Cream International Sales brings together Elvir, Alliance Food Service, Corman and Elvir International now also responsible for commercializing the Milkana brand beyond Europe. The objective is to accelerate our development both in Europe and internationally by pooling our sales forces.

● Armor is the Group's new dairy ingredients division uniting the following five units under a common banner and a common ambition: Armor Protéines for functional and nutritional dairy ingredients, Armor Pharma for pharmaceutical lactose, Sodilac for infant formula, Elvor for young animal nutrition and Cheese Ingredients for cheese-based ingredients.



### RESPONSIBLE AND COMMITTED

For the 5<sup>th</sup> consecutive year we were a member of the Gaïa socially responsible enterprise index of mid-caps listed on the Paris Stock Exchange. Selection for the index, performed by the non-financial rating agency Ethifinance, is based on companies' transparency and performance in terms of corporate social responsibility with a focus on governance, employment, the environment and stakeholder relationships.



The quality of our Human Resources policy was once more distinguished by the award of the "Top Employer Europe for 2014" label. The certification associates France, Spain, Germany, Benelux and Poland. The Group was also Top Employer France for the 6<sup>th</sup> consecutive year and Top Employer Spain for the 5<sup>th</sup>.



## FROMAGERIES LESCURE: A NEW LOOK AT TRADITION

### Our cheese portfolio has been enriched by traditional Poitou

**cheese specialties:** Saint-Loup, a cylindrical goat's cheese manufactured in the same cheese plant in Saint-Loup-sur-Thouet for the past 120 years, Mottin Charentais, a very creamy cow milk cheese and Platane, a combined goat and cow milk cheese that melts in your mouth. In 2014 we re-launched these three brands, united within Fromageries Lescure, with significantly improved recipes, new packaging vaunting their origins and authenticity, and appropriate advertising and promotion.





# OUR SAVORS ARE GLOBE TROTTERS



In each of the countries where we are present, we offer consumers products designed for their tastes and backed up by premium brands in which they trust and which are often part of their national heritage. Our development is built on an intimate understanding of local tastes and habits, rich cheese-manufacturing know-how, comprehensive mastery of cheese-making and dairy technologies and leading-edge research into milk's constituents. Our local and transversal approach and our close relationships with our distribution, food service and industrial customers contribute to the pace of our international deployment.

## NORTH AMERICA



**No.1**

FINE CHEESE  
IMPORTER AND A  
MAJOR PLAYER FOR  
ASEPTIC  
SOLUTIONS

**No.1**

FOR PROCESSED  
CHEESE  
IN BRAZIL

## SOUTH AMERICA



### NET SALES BY GEOGRAPHICAL ZONE

€4,606M

39.8%

28.3%

31.9%

### EMPLOYEES IN 2014

19,246  
PERSONS

38%

29%

33%

Other European countries France Other regions of the globe

### RETAIL

As a branded cheese specialist and No.1 worldwide for cheese specialties, our portfolio extends to all the families of cheese, all formats, all uses and all expectations in terms of pleasure, variety, practicality, wellbeing and health. We produce and sell butters, creams, sauces and dairy desserts of quality.

## CENTRAL AND EASTERN EUROPE



**No.1**  
FOR BRANDED  
CHEESES  
IN GERMANY  
**No.2**  
CHEESE GROUP  
IN FRANCE

**No.1**  
CHEESE GROUP

PRESENT  
IN THE RETAIL  
AND FOOD  
SERVICE  
MARKETS

IMPORT OF  
CHEESE AND  
DAIRY PRODUCTS,  
PRODUCTION  
OF PROCESSED  
CHEESE

## WESTERN EUROPE



## AFRICA



## ASIA



## FOOD SERVICE

Desserts and preparations, cream cheese for cheesecakes, puff pastry butter and other butters for baking and cooking, cheeses for cheese platters, sandwiches, cheeseburgers or nibbles, cheese portions, cheeses for culinary uses: we design products that facilitate the work of food trade and food service professionals.

## INDUSTRY

A specialist in milk-based nutritional and functional ingredients, we develop cutting-edge research and advanced technologies to meet the specific requirements of food manufacturers to whom we also supply cheese ingredients, health ingredients and infant formula ingredients.

# WE NURTURE STRONG VALUES

OUR VOCATION: LEADING  
THE WAY TO BETTER FOOD



## Our Group consists of companies small scale,

most often located within their milk production zones, united by a strong humanistic, family and entrepreneurial culture. We favor decentralized management placing operating subsidiaries at the heart of our development. Shared service entities are responsible for providing administrative, industrial and commercial synergies, developing high-performance information systems, sharing best practices, innovation and technologies, selecting projects and optimizing our brand and product portfolios.

## Our shared total quality management

approach focuses on satisfying our customers and respecting the expectations of other stakeholders. Economic and social development, respect for people and the environment: the Group and its staff are committed to sustainable performance.

## Our action principles and rules of conduct

are included in an Ethical Charter, "The Group and its culture", available in all the Group's languages and a copy of which is provided to all employees.

**Innovate to offer better food, emphasize quality and have respect for nature, conjugate our own development and that of our staff, invest to ensure growth and long-term future for the Group, contribute to the common good: such are the commitments which found the responsible and sustainable strategy that has been the Group's since its creation.**



A man in a white lab coat and hairnet is working in a dairy processing facility. He is leaning over a large vat of milk, with his hand touching the surface. The background shows industrial equipment and bright lighting.

AT THE HEART OF OUR KNOW-HOW

# Milk

YOU NEED GOOD MILK TO  
MAKE GOOD PRODUCTS.  
OUR MILK PRODUCERS  
AND PARTNERS ARE THE  
STEPPING-STONE TO OUR  
APPROACH TO QUALITY.

# IN BUSINESS WITH MILK PRODUCERS

---

WE DEVELOP RELATIONSHIPS OF TRUST AND DYNAMICS FOR PROGRESS DESIGNED TO BUILD TOGETHER, A COMPETITIVE AND SUSTAINABLE DAIRY NETWORK



**In France, an average dairy farm whose milk is collected by a Group subsidiary comprises:**

- 55 dairy cows
- 390,000 liters of annual milk production using
- 90 surface hectares including about 35 hectares of grassland

## RELATIONSHIPS OF PROXIMITY

We purchase and process cow, goat and ewe milk from more than 12,000 producers worldwide. France provides 70% of the milk we transform. The producers from whom we collect milk are located close to our plants. We are committed to maximizing its value in our products, our brands and through knowledge of the markets.

Partnership with our producers includes providing them with advice and training in best breeding practices.

In the field our dairy advisors, agricultural specialists in their own right, provide advice and technical expertise on animal feeding and care, milking and milk collection equipment maintenance, livestock buildings and milk quality assessment.

In daily contact with farmers on their farms, they advise and assist them on management of quality and volume and also in their administrative tasks.

## A REGULAR DIALOGUE

We engage in regular dialogue with our producers, in particular via information briefings and question-and-answer sessions, open days organized on the farms we work with and technical documentation complemented by a quarterly bulletin for our French milk producers (8,000 copies).

## CONTRACTUAL RELATIONSHIPS

In preparation for the end of milk quotas in Europe on April 1, 2015, milk processors in France have been invited to contractualize their relationships with producers.

Since 2012, 15 producer organizations, representing several thousand farmers, have been created around our plants.

A master contract has been signed between each subsidiary and each producer organization together with operational contracts specifying each producer's commitment to its local dairy.

Each contract is signed for a 7 year period and covers the management of milk purchase volumes, the mechanism for determining the evolution of milk price, quality specifications for milk produced and definition of the associated controls.

The agreements were finalized in 2014: production volumes will be determined on the basis of quarterly forecasts taking into account market perspectives; provisions have been included to provide visibility for young new farmers.

## FACILITATING THE INSTALLATION OF YOUNG PRODUCERS

The master contract provides in particular for a 7 year operational contract renewable for 5 years, a minimum milk allocation of 100,000 liters, financial support, a 3 year guarantee of margin for the newly installed farmer and continuing professional training.



*"The end of quotas implies getting to grips with a market economy which is very different from the administered framework to which we have been accustomed. The relationship between producer organization and processor is a customer-supplier partnership designed for the long term. Receptiveness, mutual respect and confidence are essential to*

*developing a constructive dialogue, finding solutions and inventing mechanisms that are adapted to the new dairy environment. Helping young farmers set up is a major challenge. In the volatile world of the end of quotas, they need visibility to have the confidence to invest. The measures taken in collaboration with the Group go in the right direction."*

### CHRISTOPHE TINNIÈRE

Spokesman for 12 of the Group's producer organizations  
President of Fromagerie Perreault's producer organization

## SEASONAL COLLECTION OF EWE'S MILK

**20 million liters of ewe milk per year are collected** from 480 producers in the Pyrénées-Atlantiques region of France, between mid-November and the end of August.



## GOAT MILK AND CHEESES: FRANCE AT THE EUROPEAN FOREFRONT

France is the No. 1 European goat milk producer and represents a third of all production. 80% of the goat milk collected, as much as 460 million liters, is delivered by 3,000 goat milk producers.

The Poitou-Charentes and Pays de Loire regions account for more than 70% of France's national production. France is also the No. 1 producer and No. 1 consumer of goat milk cheese. Its natural and authentic image exerts powerful attraction on young people of under 35 and consumers have given French manufacturers a plebiscite: two major cards for the future of the industry.





## COLLECTING MILK IN ALL SAFETY

In France, we collect milk from each farm 120 to 180 times per year.

The imperative of safety has led us to develop a farm safety protocol based on joint discussion and review with milk producers. The aim is to avoid accidents by improving circulation flows and milk tanker access. 3 farms out of 4 are already involved in this approach.

## PARTNERSHIPS

Our relationships with dairy cooperatives often transcend the basic customer-supplier relationship, sometimes contributing directly to enhancing the value of the milk provided. Such is the case of Agrial, which provides us with part of the milk it collects from 2,400 members in Western France and which holds a stake in our subsidiary Compagnie Laitière Européenne. Such is also the case for the Union Bressor cooperative, our partner for the manufacture of Bresse Bleu, or in Argentina with the AUT cooperative in partnership with our subsidiary Milkaut.

### FROMAGERIES LESCURE: A PARTNERSHIP FOR GOAT MILK

The alliance concluded with the Terra Lacta cooperative at the end of 2013 is another illustration of our partnership approach. In the case of goat milk, our alliance has taken the form of a joint company, Fromageries Lescure, processing the 110 million liters of goat milk collected by Terra Lacta from 500 producers in the Poitou-Charentes region of France.

The objective is to develop the growing market for goat milk cheese, both in France and internationally, by boosting the existing flagship brands, reinforcing product quality and reaping the benefit of our sales organization.

In parallel, we help farmers improve their farm performance in particular by better smoothing the milk production curve which is subject to strong seasonality.



## GOAT MILK

**140 million liters/year** are collected by the Group in France, Spain and Poland.

*"It is very important to have diversified outlets for our milk so as to smooth out changes in the markets, price volatility and the impact of geopolitical developments such as the Russian embargo. Competition is fierce: we need to be competitive and stand out by our quality. We are and we do. Our territory is one of the best in the world for producing milk and we take pains to ensure that our milk is produced in accordance with best practices: the whole of Agrial's collection zone is ISO 22000 certified both for milk collection and for on-farm cooling. Diversification of risks and differentiation based on quality: these are goals that we share."*

### PASCAL LEBRUN

President  
of the Milk Division of Agrial

# RESPONSIBLE MILK SOURCING

## WE SUPPORT OUR PRODUCERS IN THE SUSTAINABLE DEVELOPMENT OF THEIR FARMS

### TRIPLE BENEFITS

Via our Responsible Dairy Sourcing program, we help our milk producers reduce their environmental footprint whilst at the same time improving the economic performance of their farms and the naturalness of their milk.

To that end, we offer them a complete diagnosis of their farms conducted in partnership with the independent experts of the French *Institut de l'Élevage* (Institute of Breeding), *Institut de l'Agriculture Durable* (Institute for Sustainable Agriculture) and *Filière Conseil Ingénierie* (an organization providing advisory and consultative agronomic services). There are 10 focuses: carbon retention and gross carbon footprint, consumption of water and energy, water quality, soil health, biodiversity, "terroir" and naturalness, cows' wellbeing and health and nutrition.

Areas for improvement are identified for each focus and proposals for action are submitted to the producers who are free to choose which they wish to implement.

### CONJUGATING NATURALNESS AND PROFITABILITY

Developing pasture and natural herd feeding are at the heart of the Responsible Dairy Sourcing program.

Grass is excellent for milk quality, herd health, the environment and farms' economy. Pastures store carbon, prevent soil erosion, filter water, encourage biodiversity and enable natural recycling of cowpats. Properly managed, they require virtually no use of pesticides or fertilizers, thereby rendering farms self-sustaining and so reducing their exposure to rising prices for farm inputs. Alfalfa grass, for example, improves milk's nutritional profile and taste and can be easily stored as hay, in silos or dehydrated.

Responsible Dairy Sourcing is also a matter of promoting best watering and cleaning practices in order to improve animal wellbeing whilst at the same time reducing farms' water consumption.

50%

### OF GREENHOUSE GAS EMISSIONS

from a dairy farm can be absorbed by pastures and hedges which store carbon and maintain biodiversity.

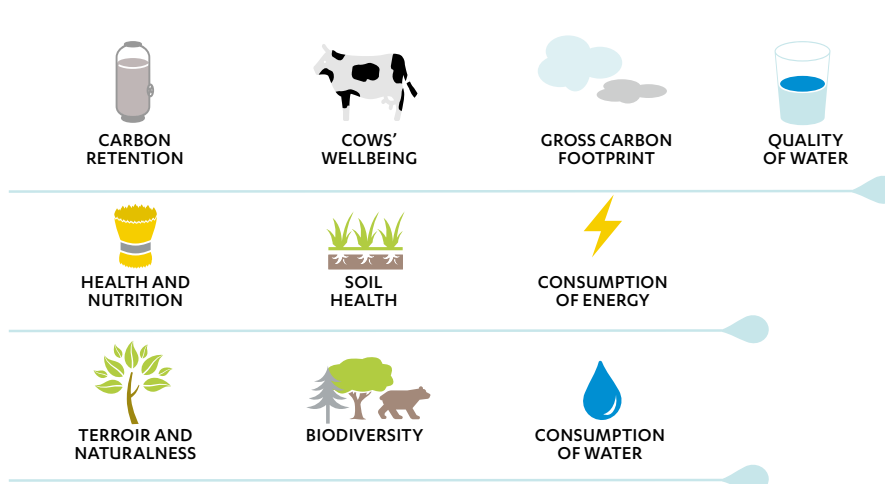
### RESPONSIBLE DAIRY SOURCING

#### Enhances:

Herd health  
Milk quality  
Farm profitability

#### Reduce:

Inputs  
Working hours



# THE BEST MILKS FOR SAVORY PRODUCTS AND HIGH QUALITY INGREDIENTS

## CONSUMER CONFIDENCE IN OUR BRANDS REQUIRES IRREPROACHABLE RAW MATERIAL



### SAVENCIA'S KEYS TO QUALITY

- Safety
- Health
- Know-how
- Satisfaction
- Superiority



#### Traceability, hygiene, health, animal feeding and wellbeing

A 48 point charter committing farmers.

### MILKS OF QUALITY

In France, all producers from whom we collect milk subscribe to our Charter for Best Farming Practices and are audited every two years. The charter provides quality assurance focusing equally on animal wellbeing and respect for the environment. Cows that are well fed and well treated give the best milk.

### ALL DIMENSIONS OF QUALITY

Providing consumers with superior and recognized quality is a goal shared by all our teams. We have the support of the know-how of our master cheesemakers and butter makers, of rigorous standards and of proven assessment tools. We take account of all the dimensions of quality: taste, aroma, consistency, color, appearance, ease of use, pleasure, nutritional value, benefits for health and wellbeing, period of conservation, price.

Consumers are consulted from product design onwards; products are then regularly assessed both by consumer panels and by staff trained in sensorial analysis. A close attention to consumers' remarks contributes both to quality improvement and to new product development.

### NATURALLY SAVORY

Consumers are ever more attentive to the origin and to natural and nutritional qualities of products.

Our capacity to formulate products free of preservatives or artificial flavorings is a precious advantage. We invest in advanced research and leading-edge technologies, such as ultrafiltration, designed to improve products' nutritional profile whilst preserving their taste and texture. The use of natural flavorings, and reducing the salt content of cheeses and the sugar content of dessert preparations, are all natural ways of formulating balanced and savory products.







## QUALITY OF COUNTRYSIDES, RICHNESS OF FLAVORS

In each of the countries where we produce cheeses, butters or cream, we have chosen to establish our manufacturing facilities in the best “terroir” countrysides. We make the most of them. Such is the case for Elle & Vire and Le Rustique in Normandy, for Saint-Loup in Poitou-Charentes, for Etorki in the Basque Country or for Milkana in Bavaria. It is also the case for the mountain milk from the Tatras in Slovakia sold under the Liptov brand. In the same way, our French AOP protected designations of origin attest to our emphasis on quality by their authenticity and typicality: Maroilles Fauquet in the Thiérache region, Époisses Berthaut in Burgundy, Carlsbourg in the Belgian Ardennes and the Charentes-Poitou butter manufactured by Lescure. Our products lay proud claim to their origins and differences, so many triumphs of taste.

# CHEESE

## PRODUCTS



**Cheese consumption begins in childhood and continues lifelong. Savor, pleasure, reliability, ease of use: we aim to satisfy all expectations and accompany the changes in people's needs and lifestyles.**

### SATISFYING DIVERSITY

Desire for variety and diversity of modes of consumption are major characteristics of cheese demand. In the developed countries, life expectancy is increasing and the uses of cheese have become more diversified. In the emerging countries, dense populations of young people are forming a new middle class gaining access to the consumer way of life. More than half the world's population comprises city dwellers and the phenomenon of women at work has brought on a revolution in patterns of consumption. The simplification of daily meals has stimulated demand for products that are easy to conserve, consume and cook.

SAVENCIA Fromage & Dairy is one of the rare manufacturers worldwide capable of producing all the cheese families in all their forms in order to satisfy all uses.

### INNOVATION WITHOUT FRONTIERS

In tune with consumers, we innovate to meet their desire for discovery with new savors, new textures and new ingredients. We are the companion for their snacks, or moments of culinary creativity, with cheese slices, cubes or tidbits. The recipes for our specialties are often local but the associated concepts take on an international life of their own, as is the case for our cheese slices, cheese creams or cheese portions.

Our transversal marketing and innovation departments strive to make the best use of the Group's exceptional portfolio of recipes and technologies. By regularly expanding the range of cheeses we sell, whether manufactured within the Group

or by partners who entrust us with their products, we constantly enrich our knowledge of cheese.

### CONVIVIAL AND INTERACTIVE COMMUNICATION

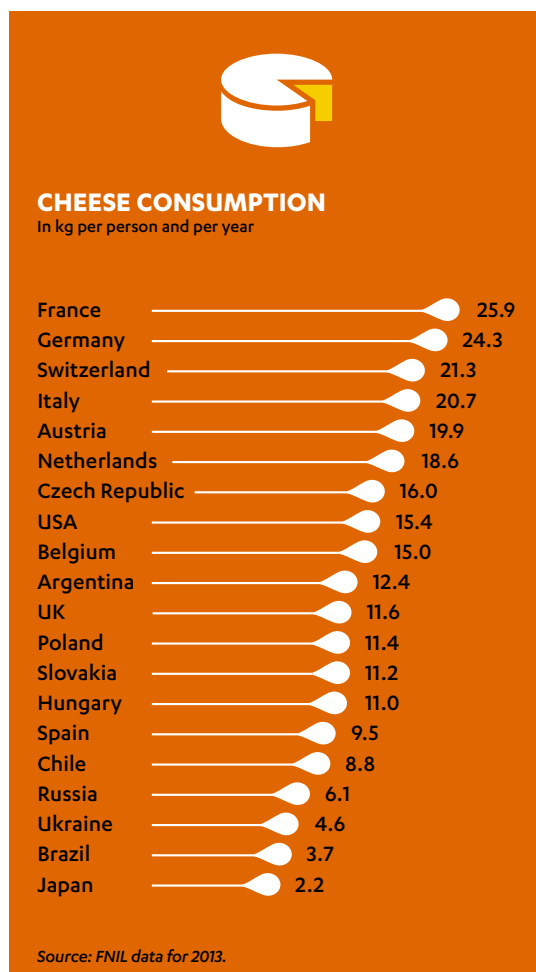
Our strategic brands have the benefit of powerful television, poster, magazine, internet and in-store advertising support. In France and Germany, our two foremost markets, the quiveutdufromage.com and ich-liebe-kaese.de websites offer consumers advice, recipes, information on our cheeses and their nutritional properties, games, competitions and reduction vouchers.

Our brands also deploy active event-based communication, notably via the social networks, thereby weaving new relationships of complicity and confidence.

SAVENCIA Fromage & Dairy is in the forefront of cheese advertisers in all our major markets.



**The "Ich liebe Käse" application** provides access to savory cheese recipes wherever you are!





## NEWS

### CAPRICE DES DIEUX

#### A DELIGHTFUL CHEESE AND LOTS OF FRIENDS

Sensuality, humor and pleasure of the palate, the exquisite arrows of Caprice des Dieux have reached their target: 1,000,000 friends on Facebook and record market share in France. A new website, 360° events for Saint Valentine's Day, joint surprises and news competitions on the theme of... caprice, of course: our iconic brand continues to confirm its divine power of seduction.



### TARTARE & RICHESMONTS

#### HAPPY BIRTHDAY!

Very cool. No.1 in France for fresh aromatized cheeses, Tartare celebrated its 50<sup>th</sup> birthday with three new flavors including Cranberry and Pepper, delicately cold-stirred with whipped cream.

Very warm. No.1 for raclette and fondue cheeses, RichesMonts celebrated its 40<sup>th</sup> birthday with a giant raclette party at our Fromagerie de Brioude factory. The brand also launched the market's first raclette with 25% less salt.

### CONCOURS GENERAL AGRICOLE: CHEESES



#### 3 GOLD MEDALS

*Maroilles Fauquet Mignon*  
*Soumaintrain Berthaut*  
*La Raclette RichesMonts Coupe*

#### 5 SILVER MEDALS

*Chaumes Coupe*  
*Le Paillé*  
*Époisses Berthaut*  
*Esquirrou*

#### EXPORT COMPETITION

*Époisses Berthaut*

#### 2 BRONZE MEDALS

*Brique de Vieux Pané*  
*Saint Agur Coupe*

### ST MÔRET

#### VOTE FOR YOUR FAVORITE MARKET

The St Môret market stall and its famous van have gone from market to market ever since the first advertisement. Our fresh-tasting brand has invited France to vote for its favorite market. With more than 104,000 votes, people have done so and the winner is the market of Sainte-Foy-la-Grande, localized in the Perigord region. An event relayed by a media operation on M6 (TV Channel). Showing good growth, St Môret strengthens its leadership in the market of fresh cheese.





## Trends: the taste of authenticity

Consumers mark great interest for authentic and regional products whose quality is thus enhanced.

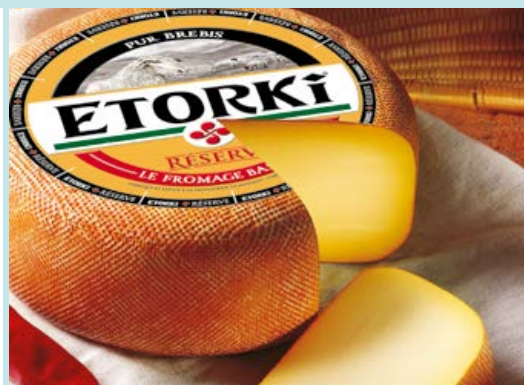
We meet their expectations with a fine cheese platter from our regions: Maroilles Fauquet, Époisses Berthaut, Etorki, Le Brebiou des Pyrénées, Le Mottin Charentais, Bresse Bleu or Le Vieux Pané.

We have adapted several of these cheeses for self-service distribution to render them more accessible and we also engage in active promotion via cut cheese counters to which we attach great importance.

Our *Institut de Formation des Crémiers Fromagers* training institute provides regular support to the sales staff of hypermarket and supermarket cut cheese counters. A warm welcome and advice are key to building customer loyalty and that requires both knowing how to listen and real knowledge of the product.

We have adapted our cut cheese counters to the evolution of patterns of purchase. Cheese cut and wrapped in the store now represents more than half total sales because customers appreciate having free access to portions adapted to their needs and to their budget.

We provide the counters with impetus by engaging in major promotional campaigns such as the nationwide "Proud of our cheeses" campaign with numerous store events coupled with reductions and reimbursements. Such campaigns both stimulate sales and help new consumers appreciate the cheese wealth of our regions.



## LSA TROPHIES FOR INNOVATION



Providing self-service access to cut cheeses, thereby giving the counter assistant time to be a fully-fledged advisor: such is the principle of New Cutting.

Our concept reconciles freedom of choice and speed of service. The cheeses are presented freshly cut, wrapped and labelled. The cutting counter becomes a point of attraction with opportunities to taste products and view demonstrations of recipes. More than 700 stores have adopted New Cutting and six months later, their sales have invariably increased significantly.



### SAINT AGUR

## NUMBER 1 FOR BLUE CHEESE IN FRANCE

In 2014 Saint Agur, the famous blue cheese, became number 1 in its market\*. Manufactured in the Velay Mountains in the Haute-Loire region of France, in the greatest tradition of cheese-making know-how, its personality is unique: both strong and melting for the peak of pleasure.

With its taste that is simultaneously sharp, fruity and mellow, and its authentic veining, it is equally appreciated in the United Kingdom where it has confirmed its place as the market leader for the blue cheese segment.

\* Source: distributor panel



Plus Fort  
que le Plaisir





## BRAND PORTRAIT

### GERMANY

#### GÉRAMONT, GERMANY'S FAVORITE BRAND OF CHEESE

Familiar to all Germans with over 90% of awareness, the Gèramont brand is the No. 1 cheese brand in Germany and the soft ripened cheese market leader with almost 20% of market share. More than 8 million German households buy Gèramont's specialties each year.

Born in 1973 and manufactured in France, from the start Gèramont was designed for German consumers with its smooth white crust and perfectly creamy texture. Its promise: pleasure of the senses, French grace and the guarantee of a good purchase with consistent quality of the highest level.

Slices, creams, snacks, mini portions... Gèramont has given birth to a large family and to numerous variants for all forms of consumption. The brand has more than 250,000 Facebook friends. In 2014, it engaged in a major promotional campaign on the theme of a French picnic.





## NEWS

### GERMANY/AUSTRIA

#### LEADERSHIP POSITIONS

Our Group is responsible for six of Germany's twelve leading cheese brands. Three are produced in France: Céramont, Saint Albray and Fol Epi.

Three are produced in Germany: Bresso, the No.2 soft ripened cheese, Brunch and Milkana, No.1 for spreadable processed cheese. Saint Albray, Brunch and Bresso also have leading positions in Austria.



### ITALY

#### CAMOSCIARE: A VERB SYNONYMOUS WITH PLEASURE

Soft and tasty, Camoscio d'Oro has seduced Italy where "camosciare" rhymes with pleasure for both couples and families, when of course they don't let themselves be tempted by Aperifresco's fresh cheese morsels elected Savor of the Year in Italy. The solution of choice for festive buffets and cocktails with friends, the specialties are sold under various brands in numerous countries.

### EUROPE

#### FOL EPI DUO, A TWIN SUCCESS



Fine and fruity, Fol Epi slices are now available in two savors, Classic and Character, in a twin compartment pack baptized Fol Epi Duo: an innovation rewarded by the Product of the Year distinction in Germany and by impressive listings in Austria and Switzerland. Another German launch signed Fol Epi: ready-made "soufflés".



### CZECH REPUBLIC

#### PRIBINACEK HAS BEEN GIVING CHILDREN PLEASURE FOR 60 YEARS

Pribinacek, Czech children's and their mothers' favorite brand, with its natural ingredients and absence of preservatives, celebrated its 60<sup>th</sup> anniversary with the theme of the Children's World.

The program included in-store play areas and, outside the stores, mini-farms with real cows.

As the foremost cheese manufacturer in Central and Eastern Europe, SAVENCIA Fromage & Dairy's development is built on strong national brands most often part of their countries' national heritages, such as Pribinacek and Lucina in the Czech Republic, Liptov in Slovakia, Medve in Hungary, Biser in Serbia, Turek in Poland and Zvenigora in Ukraine.

These brands have found, within the Group, the necessary resources to innovate and evolve their products to higher levels of quality.

## NEWS

### USA

#### ALOUETTE

Our locally produced cream cheeses and soft ripened specialties are signed Alouette and Chavrie, the No. 1 for goat's milk cheeses. The market leader for premium deli spreads, Alouette won several prizes in 2014 including a 1<sup>st</sup> prize at the World Dairy Expo Championship for its Flame-Roasted Red Peppers fresh cheese and a 1<sup>st</sup> prize at the World Championship Cheese Contest for Pumpkin Spice, two new flavors launched during the year.



### ILE DE FRANCE THE BRAND THAT MEANS FRENCH CHEESES



In tribute to the flagship brand that was the first, in 1936, to import our Camembert and Brie cheeses to the USA, Ile de France is the new umbrella brand for our French cheeses distributed internationally. The brand signs a range of French cheese classics, including Camembert, Brie, Roquefort and Comté, sold by BEO. As our specialist exporter of cheese to numerous destinations, BEO strives to meet its motto, *Premium services for premium food*, which the Ile de France brand echoes with its evocation of the art of living as practiced on board the legendary ocean liners.



### ARGENTINA/CHILE

#### THE SANTA ROSA SCHOOL OF CHEESE

In Argentina, Milkaut manufactures and distributes a broad range of cheeses and other dairy products under the Adler, Milkaut and Santa Rosa brands. The year was marked by the launch of local manufacture of cheddar slices replacing the previous imports, a first in Argentina.

In Chile, the Santa Rosa brand has continued its steady growth for cream cheese and strengthened its leadership for ready-to-sell cheese platters. The Santa Rosa School of Cheese, which trains staff, customers and consumers in the art of cheese, is a key factor for differentiation, providing Santa Rosa with a reputation for expertise that is unequalled in the Chilean market.



### MILKANA: RESOLUTELY INTERNATIONAL

A worldwide brand, Milkana signs more than 120 cheese and other dairy products of accessible quality destined for all the family: processed cheeses, fresh cheeses, pressed cheeses, milk and dairy desserts. Milkana products are distributed via the traditional sales channels. They have the benefit of technologies enabling long conservation at ambient temperature, so they can be delivered in perfect condition to the consumers of Africa, the Middle East and Asia. A product range specially designed for children is reinforced in vitamin D and calcium.



## BRAND PORTRAIT

### BRAZIL

#### POLENGUINHO, STAR OF THE POLENGHI FAMILY

Branded cheese pioneers, Polenghi and its little brother Polenguinho have built their success on superior quality, ease of consumption and conservation, and a broad presence on the shelves of Brazilian supermarkets.



#### After developing the awareness

of Polenghi, now the brand of confidence for cheese consumers in Brazil, the country's dynamic middle classes and young generation are ensuring the success of Polenguinho. Supported by popular advertising and promotion, in particular on the social networks with more than a million friends, Polenguinho has experienced very strong growth led by its Pocket version: two cardboard-encased portions that can be taken anywhere and are easily opened. Polenguinho is available in nine flavors and has just diversified as a cream for spreading or cooking.

#### Polenghi signs a wide range

of cheese products for all uses and all moments of consumption, from daily use to festive occasions. Brazil offers the perspective of solid growth. As in most Latin American countries, cheese is a well-rooted tradition with multiple uses: on bread, for snacks or for cooking. But per capita consumption only amounts to 3.7kg per year, so there is great promise for the pursuit of development.





# OTHER **DAIRY** PRODUCTS





\_\_\_\_\_



In France the market for cream, the quintessential culinary ingredient, has been boosted by a regain of interest for home cooking. Butter has also had the benefit of a return to favor for traditional products following several years of decline.

## LEADING BRANDS

SAVENCIA Fromage & Dairy has a dynamic policy of innovation and segmentation designed to satisfy all needs with its comprehensive ranges of butters and creams.

SAVENCIA Fromage & Dairy has a dynamic policy of innovation and segmentation designed to satisfy all needs with its comprehensive ranges of butters and creams.

Surgères' AOP Charentes-Poitou butter adds to an already very broad product offering.

Arias in Spain, Milkaut in Argentina and several of our subsidiaries in Central and Eastern Europe also manufacture creams and butters under their own brands.

## NEWS



### ELLE & VIRE

## THE CREAM OF CREAMS

The best of creams is nurtured in the best of terroirs, the “bocage” Norman countryside, an exceptional territory with its rich soil, temperate climate and abundant rain. All that is needed to make a very good cream.

Elle & Vire is the cream of designated origin recognized by all, whether consumers or the most demanding of professionals.

Just go to your local supermarket’s dairy counter if you want to cook like a starred chef using products previously reserved for professionals: whole thick cream, full liquid cream with 35% fat content, and Fleurette cream.

Elle & Vire’s new website helps internet users make a start, engage in more advanced cooking or take up the culinary challenges of the greatest chefs.



## ELLE & VIRE AN INNOVATIVE DIGITAL TOOL



Whether you are a consumer or professional, in France or abroad, the elle-et-vire.com website helps you master culinary techniques using the gestures of the pros, and discover both recipes for every day and chefs’ recipes. Elle & Vire also offers culinary advice and savory ideas on Instagram and Pinterest and provides live Twitter commentary on major culinary broadcasts.



### VITAL BY BALADE

## THE LIGHTEST OF PLEASURES

The Belgian market leader, Balade signs savory reduced-fat products. After its Balade Vital butter, rewarded in 2014 by the INN’Award for Food Innovation of the Year, the brand has launched a Balade Vital 12% fat content light cream which does not add to your cholesterol and contains 80% less saturated fats than a full cream. These patented innovations required several years of research by Corman.

### CORMAN

## BAKERY

Corman’s pioneering and innovative approach has given birth to the first ever layered butter dedicated to Viennese and flaky pastries. It has become the favorite butter of the best bakers in Belgium, France and Italy and, more and more often, in Asia. Corman Beurre Extra is the generic name of the product range which includes an 82% butter, a warm ambience version with a higher melting point and a 99.9% butter with a very characteristic taste. Corman also offers Tentation 60%, for lighter but still savory Viennese and flaky pastries, as well as butters that make cooks’ lives easier such as Beurre Noisette 98% which has an exquisite taste of roast butter without any need for cooking.

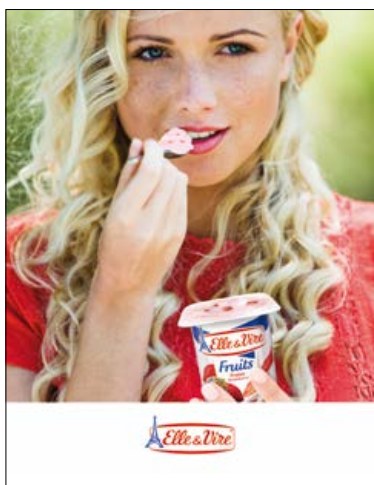




## LESCURE AND SURGÈRES

### AOP CHARENTES-POITOU BUTTERS AND CREAMS

Lescure cream and Lescure and Surgères butters round up the French AOP (protected designation of origin) segment of our product portfolio. Recognized by the best bakers and pastry-makers, Lescure is very present in schools of cuisine and cake-making. The brand accompanies the success of French gastronomy internationally. Considered in the UK as the food lover's butter, Lescure is exported as far afield as Japan and Australia.



## Elle & Vire International is Normandy's exporter to 120 countries

Elle & Vire sells, under the Elle & Vire International brand, a wide range of dairy products to the five continents: milk, butters, creams and UHT dairy-based desserts.

UHT technology enables creams and dairy-based desserts to retain all their gustatory and functional qualities.

Elle & Vire is thus able to offer, thanks to its long conservation processes, a little taste of France in more than 120 countries.

Our products are formulated to satisfy both the tastes of consumers from very different horizons and the nutritional needs of children.

Containers thus regularly depart from Condé-sur-Vire by ship towards all the continents.

Thanks to the quality of its products, its teams' expertise in international logistics and knowledge of the importing countries' regulatory requirements, as well as an effective distribution network, Elle & Vire International is able to take full advantage of rising emerging country demand for dairy products. The company continued its steady growth in 2014, notably in Asia where it has reinforced its teams to boost its development.

## THE PARTNER FOR FAST FOOD AND INDUSTRY IN THE USA

In the USA, Advanced Food Products is a leading supplier of cheese sauces, cream desserts and puddings in aseptic packaging.

It offers tailored solutions to the restaurant chain and industrial customers it serves nationwide via its three factories in Pennsylvania, Wisconsin and California.

In 2014, AFP reinforced its market leadership for cheese sauces and obtained excellent customer scores for its quality of service.

We work with international and local fast food chains in numerous countries.

The activity has continued its sustained growth in Latin America. We supply cheese for cheeseburgers and ice cream preparations to customers at whose side we are present in several countries. Our factories in Brazil and Uruguay help serve this dynamic market.

## BUTTER FROM OUR CONDÉ-SUR-VIRE DAIRY:

### TWO FORMATS FOR PROFESSIONALS

The butter produced by our Condé-sur-Vire dairy provides hints of fresh cream and hazelnut associated with the good taste of fresh milk. Unsalted or semi-salted, it is now available to professionals in 500g cylinders and in 10g mini-portions for table service, trays and buffets.



## BRAND PORTRAIT

### ELLE & VIRE PROFESSIONNEL



#### THE CHEFS' CHOICE

Elle & Vire is the brand of choice for the chefs of major hotel chains worldwide for creams, butters and dessert devices.

From the *Bocuse d'Or* to the *Coupe du Monde de la Pâtisserie*, via the Asian Pastry Cup and the *Championnat de France du Dessert*, the most talented professionals trust Elle & Vire when competing at the highest level.

The same is true of the most renowned cooking and "pâtisserie" schools.

Rapidly prepared and easy to unmold, Elle & Vire's *Panna Cotta* offers its creamy texture and sweet savor for a truly Italian recipe.



#### **Rapidly prepared and easy to use,**

Elle & Vire's *Panna Cotta* offers its creamy texture and sweet savor for a truly Italian recipe.



**A relationship of affection** between chefs and our Excellence cream. Numerous starred chefs use Elle & Vire's Excellence cream which has won them over by its quality, reliability and functionalities. It is France's most exported cream.



**Our culinary advisors,** Chefs Christian Guillot and Ludovic Chesnay, travel worldwide to be in direct contact with our customers. Training, technical advice, product sheets, recipes, a dedicated website, newsletters, a magazine... Elle & Vire Professionnel provides comprehensive technical support anchored in the brand's cherished values of heritage and sharing. Elle & Vire places its expertise at the disposal of chefs who are thus able to give free course to their creativity.

## NEWS

### FOOD SERVICE

#### PARTNERS IN SUCCESS

As the technical partner for professionals in the food service, bakery and pastry manufactures, we use our in-depth knowledge of their operating methods to help them succeed.

From whipping cream with unequalled power to remain whipped to cooking creams ideal for sauces, from traditional desserts to the most refined of entremets, from extra-dry to spreadable butter, from cheese for platters to cheese for cooking, SAVENCIA Fromage & Dairy continues to enrich its offering to more completely serve its customers: hotels, restaurants, bakers and pastry-makers, caterers and cooks.



## The Maison de la Crème Elle & Vire

### A UNIQUE INSTITUTE DESIGNED FOR CHEFS

How best to support customers present on the five continents?

As a complement to the on-site technical training offered by the advisors of Elle & Vire's culinary division, the *Maison de la Crème Elle & Vire*, a new training and application laboratory, allows chefs worldwide to receive training in Elle & Vire's products and discover new sources of inspiration. It also welcomes the sales forces of our distributors who are in contact with chefs who are the final users. Customers from Singapore inaugurated the first seminar organized in this framework. The *Maison de la Crème* provides a forum for chefs, led by *Meilleur Ouvrier de France* Nicolas Boussin and culinary expert Sébastien Faré, and is dedicated to creativity and excellence in the service of professionals.

### ELLE & VIRE

#### SUBLIME, INEVITABLY SUBLIME



Our range of professional creams has grown with three innovative new products:

- Sublime Crème au Mascarpone, a mixture of Excellence cream and mascarpone for pastries combining exceptional stability and unctuous taste;
- Performance 35%, a multi-use cream for savory and sweet toppings;
- Avantage Whipping, an economical alternative for use in industrial confectionery.

## CONCOURS GÉNÉRAL AGRICOLE



### 2 SILVER MEDALS

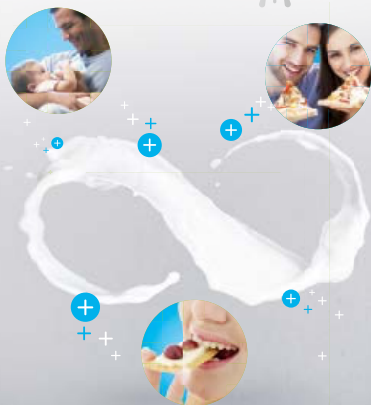
- **Lescure AOP Charentes-Poitou**  
84% *pâtisserie* butter in 1kg sheet

- **Elle & Vire Professionnel**  
Thick fresh Excellence 35% cream  
for professional use also won  
a Silver Award at the International Cheese  
Awards in the UK





## NEWS

**ARMOR****A COMPREHENSIVE  
PLAYER FOR MILK  
INGREDIENTS**

Armor collects the Group's milk ingredient activities under a common banner and with common goals. To provide complete service to the agro-food, pharmaceutical, infant formula and young animal nutrition industries, Armor is structured in five divisions:

- Armor Protéines for functional and nutritional milk ingredients;
- Armor Pharma for pharmaceutical lactose;
- Sodilac for infant formula;
- Elvor for young animal nutrition;
- Cheese Ingredients for cheese-based ingredients.

The divisions has 9 plants located in France and in Poland

**ARMOR PHARMA**  
**WORLD-CLASS  
INDUSTRIAL FACILITIES**

Armor, which has long produced edible lactose for agro-food manufacturers, and refined edible lactose for the formulation of infant formulas, has diversified into the production of pharmaceutical lactose employed as an excipient in the manufacture of drugs. The product range includes crushed and sieved lactose products and lactose products for direct compression.

Production is performed in a new dedicated facility.

The facility, inaugurated in 2014, meets all the applicable pharmaceutical standards (USP-NF, Ph. Eur. & JP) and applies Process Analytical Technology (PAT), as recommended by the US Food and Drug Administration's best practice guide, for the continuous control of critical manufacturing parameters.

*How would you like your lactose?* Attentive to its customers' expectations, Armor Pharma strives continuously to provide the most appropriate product and packaging solutions. The flexibility of its manufacturing facility makes that possible.

**ARMOR PROTÉINES****A SPECIALIST IN FUNCTIONAL AND NUTRITIONAL  
INGREDIENTS**

Armor Protéines offers food, dietetic and healthcare manufacturers a wide range of functional and nutritional ingredients.

Textured proteins provide low-fat recipes with greater unctuousity. Other ingredients preserve the softness of breads and pastries.

Nutritional proteins are used in dietetic and high protein formulations designed for infant, sporting or clinical nutrition or for use by senior citizens.

Mineral concentrates help increase calcium content, or reduce salt

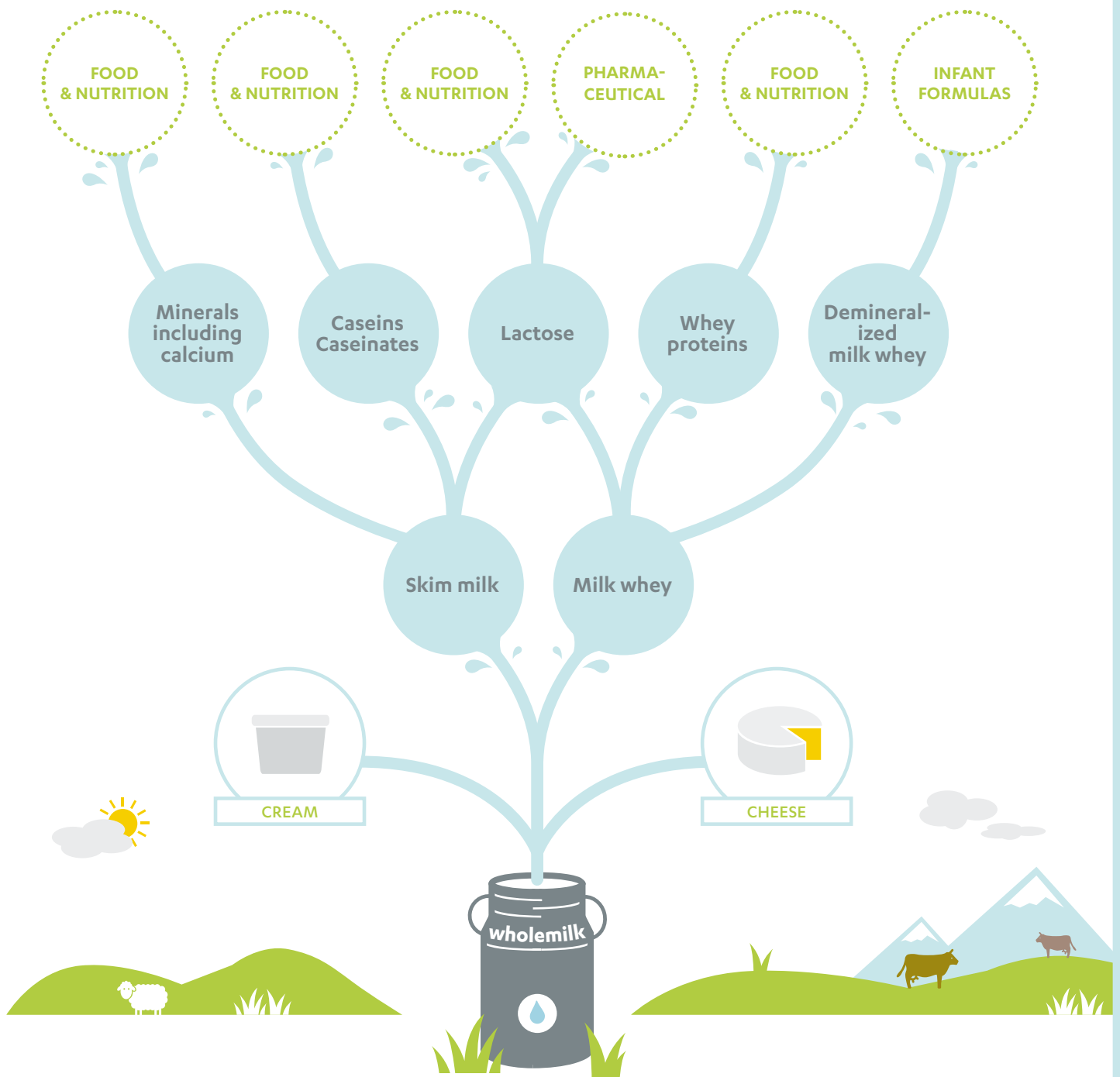
content, in certain recipes without compromising their savor.

In the framework of the agreement reached with Terra Lacta the integration of two additional plants, Champdeniers and Surgères, has made it possible to extend our range of ingredients in particular to casein rennet and fat-filled powders.

Armor Protéines uses the expertise of its specialists in product formulation and process control to help its customers make the best use of the properties of its ingredients.



THE MOST ADVANCED EXPERTISE AT THE SERVICE  
OF THE BEST OF INGREDIENTS



#### INGREDIENTS

**On average, 1 liter of cow milk contains** 900g of water • 45 to 50g of lactose (a carbohydrate) • 35 to 40g of fat • 27 to 30g of casein (a protein) • 3 to 4g of soluble proteins • 8 to 10g of minerals (mainly calcium, potassium, phosphorus, sodium) • vitamins A, D, E, K, B2, B3, B12.

#### Cream is manufactured

by centrifugation of the fat content of milk. What remains is thin skim milk.

**To produce cheese,** the milk is separated into 2 components: curd, produced by coagulation of milk casein, which after draining will become cheese, and milk whey, produced by the draining.

**Milk whey** comprises 94% of water, 4 to 5% of lactose, soluble proteins and mineral salts. New technologies make it possible to extract its main components and use them to formulate very elaborate nutritional and functional products.

## NEWS

### **SODILAC - MODILAC** NEW KNOW- HOW FOR NUTRITION

Sodilac, which joined the Group in 2013, specializes in the development, production control and sales of infant formulas under the Modilac brand present in hypermarkets and supermarkets and, under the Modilac Expert brand, in pharmacies.

### 30 YEARS OF EXPERTISE



In 2014, Modilac celebrated its 30<sup>th</sup> birthday with many events organized with health professionals and parents, including creation of the “Mamans Papillon” blog and a quiz game on Facebook which has attracted numerous players.



### **ELVOR**

#### A SPECIALIST IN THE NUTRITION OF YOUNG ANIMALS

Market leader for the nutrition of young animals, Elvor proposes a broad range of milk replacers for calves, lambs, kids, foals and piglets.

Each product is adapted to the animal's physiology to complement or replace the mother's milk until weaning.

Elvor Energetic is a specially formulated milk replacer for calves reared in rigorous climatic conditions.



Elvor Adapto provides a very complete formulation to secure the first days of the newborn calf.

Elvor's team of vets and technicians is at our customers' disposal to develop logistical and technical responses to each problem posed.

### **ELVOR**

#### AN APPLICATION DEDICATED TO LIVESTOCK FARMERS

Help livestock farmers prepare calves' drinking mixtures and optimize the use of milk diet: such was Elvor's ambition with its free application for iPhone, iPad and Android, a first in this field.

Once the applicable livestock breeding practices have been input – age of the animal, type of weaning, number of feeds, basis of preparation – the application calculates for each individual calf the quantity of milk replacer and water to be mixed. It suffices to follow the instructions for easy preparation of the drinking mixture.

The application provides access to advice from Elvor's vet and offers additional functionalities designed to simplify breeders' work and care for their herd.



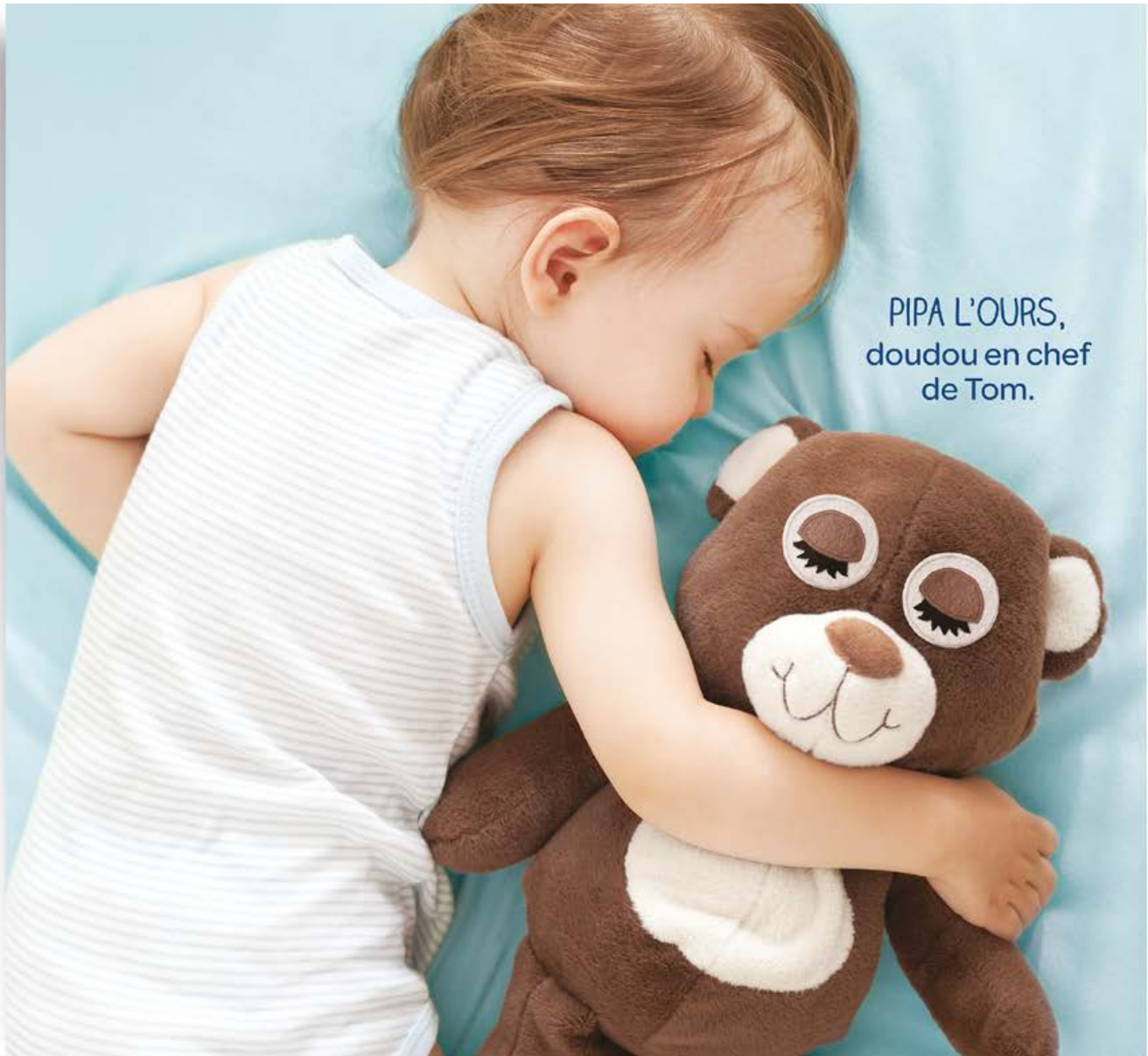
### **CHEESE INGREDIENTS**

#### A COMPREHENSIVE RANGE, FORMULATIONS ON DEMAND

Cheese Ingredients offers food manufacturers, and food-service professionals, cheese-based ingredients for the manufacture and preparation of pizzas, sandwiches, cooked dishes, cordon bleu, veal cutlets, cheese sauces etc. Our product range includes Emmental, mozzarella, processed cheeses, fresh cheeses, cheese sauces and fresh and UHT cream ingredients for cooking and whipping.

Our recipes are adapted to our customers' requirements in terms of taste and functionalities, with packaging also adapted to the various uses.

We are active in this market in Europe, in America, in particular in the cream cheese segment, and in Asia.



PIPA L'OURS,  
doudou en chef  
de Tom.

DÈS LE DÉBUT, LA VIE EST UNE HISTOIRE DE CHOIX.

COMME LE CHOIX D'UN LAIT INFANTILE

au plus proche du lait maternel, pour protéger Tom et l'aider à grandir  
en répondant à ses besoins bien à lui.



Mon bébé, son Modilac.



A close-up photograph of a person's hands, wearing a dark jacket, gently holding a small green seedling. The seedling has several broad, light green leaves and a visible root system. The background is blurred, showing more of the person's clothing and a hint of an outdoor setting.

# RESPONSIBLE AND **COMMITTED**

COMMITTED, WITH OUR STAFF  
AND SUPPLIERS, TO SUSTAINABLE  
DEVELOPMENT RESPECTFUL OF  
THE ENVIRONMENT AND WITH DUE  
REGARD FOR THE COMMON GOOD



# PROGRESS ALL ALONG THE VALUE CHAIN

## OUR FOCUS ON EXCELLENCE UNDERPINS THE RELATIONSHIPS OF CONFIDENCE ESTABLISHED WITH ALL OUR PARTNERS

### DERIVING VALUE FROM EACH DROP OF MILK

Such is the objective of our TPM (Total Performance Management) approach and of the associated tools (including 6 Sigma) that we deploy. Targets for material yield and use of milk by-products are defined and monitored for each plant and product line. Standardization of processes and operating methods reinforces our quality assurance. At all our dairy sites, the daily preparation of a complete material usage analysis, using a dedicated computer tool, helps our teams optimize process control.



Value analysis also contributes to improved use of resources, associating marketing, research and development in order to define the right level of product performance and eliminate superfluous consumption with particular regard to packaging.

Our specialized technical centers accelerate the dissemination of best practices and technical innovations. Operators have greater autonomy and responsibility, thereby enhancing operating efficiency.

### ENSURING FOOD SAFETY

Our quality assurance policy covers both purchasing, production and distribution processes. It is calibrated at the level of the applicable international food safety protocols for diagnosis and control and strict regulatory compliance is observed.

An experienced team regularly performs audits of best hygiene and food safety practices at our production sites.

Supply chain traceability means we can rapidly implement product recalls in case of need. A network organized for rapid mobilization and communication of information means that our procedures remain effective for international use.

### SELLING BETTER AS A TEAM

We work with our customers, all along the value chain, to improve our commercial performance and reduce costs. Based on panels and other surveys in purchasing situations, we offer our customers comprehensive sales solutions which are adapted to their distribution networks and distributor profiles. Dimensioning, organization and presentation of counters, management, leadership and training: our specialized teams offer recognized expertise which they put to good use in improving the overall performance of both self-service and cutting counters.

In parallel, we engage in joint management of data and procurement with our major distributor customers. Planning of production and deliveries is thereby improved, satisfying customers, increasing sales and avoiding stock-outs. Warehouses know the status of each store's inventories and forecast sales and can thus fine-tune their orders to production units and store deliveries.



### THE "NEW CUTTING" CONCEPT...

...or how to conjugate all the pleasure of countryside cheese and traditional cutting with self-service, more practical and accessible for the consumer.

# RESPECT FOR THE ENVIRONMENT

ENVIRONMENTAL PROTECTION IS A NATURAL COMPONENT OF THE GROUP'S INDUSTRIAL POLICY.



-23%

Such has been the significant fall in heavy fuel consumption following changes in energy sources.



## CAPRICE DES DIEUX: AN ENERGY PIONEER

The Illoud "fromagerie", which manufactures Caprice des Dieux, was the Group's 1<sup>st</sup> ISO 50001 certified site for its energy management.

It is equipped with a 2,800kWh wood boiler saving 7,000 tons of CO<sub>2</sub> emissions per year. Its initiative was followed by our Besse site which manufactures RichesMonts *raclette* cheese at the heart of the Volcans d'Auvergne regional natural park. Its steam requirements are met by a dual combustion very high yield boiler built in Auvergne and fired by wood pellets also manufactured in the region.

## CONTINUOUS IMPROVEMENT

The Group's industrial department supports subsidiaries in the deployment of their environmental prevention and protection plans, helping in their preparation of ISO 14001 certification and monitoring their improvement programs and results.

A specialist technical watch function is charged with identifying and disseminating the best practices for environmental preservation and life cycle management identified both within and outside the Group.

## SAVING WATER AND ENERGY AND REDUCING EMISSIONS

Each Group site makes an annual commitment to limitation of its water and energy consumption. The use of water, vital for both hygiene and food safety, is subject to continuous optimization. Minimum yield requirements are defined for boiler houses which are covered by a comprehensive program for renovation. A master plan for

refrigeration has also been defined. The energy efficiency of refrigeration equipment and air conditioning is systematically assessed. New equipment is designed to reduce consumption of ammonia.

### PROCESSING WASTE

We use technologies which make it possible both to limit losses of milk or whey, save water and energy and reduce waste water load. For example, milk or whey is concentrated to eliminate all the molecules of water. The very pure water obtained in the process is reused on site, thereby reducing consumption of tap water or well water. The concentrated milk and whey can be transported and dried, if so required, at lower energy cost.

The installation of consumption meters, of turbidity meters to assess wastewater load, of degreasing equipment and of buffer tanks, helps limit chemical oxygen demand of the wastewater treated by our purifying stations, producing biodegradable sludge which is then transformed into fertilizer in liaison with local farmers.

### OPTIMIZING TRANSPORT

Most of our cheese plants are located at the heart of their milk collection zones. Our fleets of vehicles for collection and delivery are equipped with robust and economic traction units. Our drivers are trained in eco-driving. Electronic monitoring of fuel consumption and scheduled maintenance help improve environmental and economic performance.

Milk collection and delivery rounds have been optimized and the Group's tankers have been equipped with specially designed large capacity tanks. In the same way, grouped deliveries of finished products have made it possible to optimize truck loading and increase the frequency of deliveries: better service and lower CO<sub>2</sub> emissions.



**A GREEN CONTRACT  
FOR ELECTRICITY  
IN GERMANY**

**100%**  
of the electricity used  
is produced  
from renewable sources.



**A PAPER  
REDUCTION  
PLAN IN  
HUNGARY**

**15** tons of  
paper and cardboard  
were saved in Hungary  
in 2014.



### OBJECTIVE CO<sub>2</sub>, CARRIERS COMMIT

In France, a charter designed to reduce polluting emissions and CO<sub>2</sub> emissions has been signed with several subsidiaries. Optimization of milk collection,

renewal of truck fleets, improvement of equipment and training in eco-driving for drivers are all actions enabling milk transporters to take an overall approach to reducing CO<sub>2</sub> emissions.





# STAFF MOTIVATION AND COMMITMENT

WE ENCOURAGE THE PROFESSIONAL WELLBEING OF OUR STAFF, DEVELOP THEIR POTENTIAL AND RECOGNIZE THEIR CONTRIBUTION.



**50%  
OF MANAGER  
GRADE  
POSITIONS**

are filled by internal mobility.

## DEVELOPING AND PROMOTING STAFF

Our decentralized form of organization gets decision-making out into the field. We combine the benefits of human-scale companies for our daily activity and the career development perspectives of an international group. In-house promotion is preferred and there is great potential for mobility.

Our compensation policy is designed to provide for internal equity and external competitiveness as well as to reward performance and commitment. The quality of our human relationships and of the working environment, and the level of social protection, contribute to building staff loyalty. We monitor both staff satisfaction and employees' aspirations.

## THE REINFORCEMENT OF EXPERTISE: A GOAL DECIDEDLY DEPLOYED

Training enables each employee to enrich his or her competencies with a view to personal development, contributing to shared success and the maintenance of employability. A jobs and skills database helps optimize the management of training and individual career paths.

## A few examples of transversal training initiatives.

### THE "KNOWING ABOUT CHEESE" PROGRAM

The program helps reinforce knowledge of cheese with online quizzes and convivial team meetings.

### JOB TRAINING

● **SAVENCIA ACADEMY:** an in-depth program designed to reinforce manufacturing managers' expertise.

● **HR EXCELLENCE:** a new program co-developed with ESCP Europe for the benefit of HR staff.

### MANAGEMENT & EXCELLENCE

Our Management & Excellence training seminars have now been deployed internationally, with the launch of a program in the USA, as well as in the framework of line supervision with an extension of the Foremen and Technicians Management & Excellence program in France.

## Our subsidiaries also contribute to developing the skills of their staff.

● **RESOLUTELY PROFESSIONAL:** Fromarsac has created the 1<sup>st</sup> professional diploma for machine line conductors complemented by a 1<sup>st</sup> certified training program for temporary operatives.

● **TRAINED SEASONAL WORKERS:** *Fromagerie des Chaumes* and France's national employment agency worked together to prepare the ewe milk cheese session, training job-seekers based on a program recognized by ENIL.

● **A DEDICATED CLASS:** in Poland Paslek, in partnership with a vocational school, has created a class devoted to training young technicians.

### SCHOOL/WORK-LINKED TRAINING IS PREFERRED:

we believe this is the best way to integrate young people at all levels of the company and allow our older employees to enhance the value of their experience via tutoring.



## 100% COMMITMENT BY OUR SITES



## SAFER EQUIPMENT

Protective shoes, rainwear, frontal lamps and ear muffs for NBT's drivers.

## INTERNATIONALLY SAFETY IS MY BUSINESS!

The Group has deployed a major international program of mobilization, training and management to improve safety at work.

A Safety Guide has been provided to all our production units and our 10 Golden Rules are displayed on posters to reinforce the drive for prevention. Our Behavioral Safety Inspections remain the pivot of our action to raise awareness and help mobilize all the persons concerned – executive management, line managers and operatives – enabling us to identify situations of risk and then strive to eliminate them.



## TWO DAYS AT THE FACTORY FOR HIGH SCHOOL PUPILS

Such was the savory program of discovery concocted by Elvir for 9<sup>th</sup> grade pupils from the local high school. More than 20 job functions were presented with the aim of giving them tangible form and arousing vocations.

## LIVE MY LIFE

By discovering a day in the professional life of a colleague, we are better placed to understand his or her job, objectives, constraints and contribution. A fine way to learn how to work better together.



## MORE THAN 3 YEARS WITHOUT ANY TIME OFF WORK FOR INJURY

Such has been the achievement, in particular, of ULN UK and of Armor's Loudéac site with a record of 1,252 consecutive days at the end of December 2014.



# PARTNERSHIP WITH OUR SUPPLIERS

WE DEVELOP WITH OUR MAIN SUPPLIERS LONG-TERM RELATIONSHIPS UNDERPINNED BY THE DYNAMICS OF CONTINUOUS IMPROVEMENT.

## IN 2014



**6** training sessions in best purchasing practices.



**110** More than managers received training.



**180** More than vendors were evaluated in terms of corporate social responsibility.

### COOPERATION IN THE SERVICE OF INNOVATION

Analysis of requirements and openness to innovation are at the heart of our purchasing policy. We select suppliers based on criteria of quality, security, service and competitiveness.

We reason in terms of total lifetime cost and take into account suppliers' capacity to propose more effective, economic or lasting solutions.



Our close relationships with equipment manufacturers allow us access to the most recent innovations, from the design stage of our projects for industrial modernization or development, and the opportunity to engage in joint developments in the framework of long-term partnerships.

We also organize forums for innovation, the occasion for invited suppliers to present their offerings in selected areas to the Group's decision-makers and obtain a clearer understanding of our requirements.

### LOYALTY AND SOLIDARITY

Our purchasing code of conduct sets out commitments for our buyers, in their relations with vendors, covering four main areas: integrity and ethics, communication and collaboration, progress and performance, responsibility and sustainable purchasing.

The Charter for Sustainable and Inclusive Purchasing defines our policies in the area of sustainable purchasing. It is the subject of specific training for new buyers and managers. It is communicated to our major vendors who are evaluated by an independent organization on the basis of criteria of corporate social responsibility. Areas for progress identified are then shared with the suppliers concerned.

Buyers identify, in their region, sheltered sector businesses and businesses promoting professional integration and capable of supplying the products or services they require.

***"We strive to apply best purchasing practices and are attentive to the economic equilibrium of our SME suppliers."***

**Charte**   
**RELATIONS FOURNISSEUR  
RESPONSABLES** Signataire



# CONTRIBUTING TO THE COMMON GOOD

THE GROUP ENCOURAGES ITS ENTITIES TO SUPPORT COMMUNITY ACTIONS IN WHICH ITS STAFF ARE INVOLVED.



## BETTER NUTRITION FOR MANKIND

Such is the vocation of the Group's endowment fund which supports concrete and durable initiatives engaged in by associations supported by our staff and encourages staff to undertake missions of solidarity.

In 2014, the Fund contributed to the creation of an outreach grocery in France, to the development of small livestock farms in Egypt and to the development of access to water in Madagascar.

*Sapere  
Les classes  
du goût*

## LEARNING HOW TO EAT SENSIBLY

To prevent infantile obesity, the Sapere association initiates children to food diversity by means of sensorial education. We support their "classes of taste", training sessions which are dispensed to primary school teachers in France and, in 2014, were extended to extracurricular activities.

## CENTS THAT COUNT

In France, the Group supports *Arrondi Solidaire*, a micro-gift system in which our employees can participate by gifting the cents of their monthly paycheck to which Savencia adds an equal amount. The money raised is paid to two associations, Adie (Association for the Right to Economic Initiative) and PlaNet Finance. Almost 1,000 employees take part in the program.

In Germany a similar program, Restcent-Aktion, finances actions in the areas of diet and health.

**l'arrondi**  
SOLIDAIRE  
*vos centimes passent à l'action*



## A COMMUNITY TRAINING PROGRAM

To combat the waste of milk and improve food safety in Senegal, in 2014 From'Alliance Afrique trained 8,000 women in the manufacture of a local cheese called Boudi Kosam.



## PREVENTING DIETARY DEFICIENCIES TO COMBAT NOMA DISEASE

*Gegen Noma-Parmed in Germany, and Vaincre Noma in France*, support a program in Burkina Faso aimed at preventing Noma disease, an illness which disfigures children. About a hundred members of local associations, and thirty journalists, received appropriate training in 2014.

## HUMANITARY AID FOR CHILE

**with a significant gift of products distributed to the families hit** by the Iquique earthquake in Chile. Our Santa Rosa subsidiary also supplied Toques Blanches canteens following the Valparaiso fire.

# GOVERNANCE AND RESULTS

---

The name Bongrain SA has been retained in the part of our 2014 Annual Report devoted to governance and results. Since April 22, 2015 and the approval of the decision by the company's stockholders, Bongrain SA has changed its name to become SAVENCIA Fromage & Dairy.

- 43** Corporate governance
- 44** Key figures
- 46** Stock market activity in 2014
- 47** Management report
- 50** Issues, responses and ways forward
- 52** Social and environmental information
- 66** Internal control and risk management
- 68** Consolidated income statement
- 69** Consolidated balance sheet
- 70** Consolidated statement of cash flows
- 71** Simplified Group structure
- 72** GRI table of equivalence

# CORPORATE GOVERNANCE

## The Board of Directors

The Board of Directors is made up of ten members. They are appointed for a one year renewable term. Five directors are independent on the basis of the criteria set by France's

AFEP-MEDEF report. The Board sets its schedule of meetings, which are held every two months unless additional urgent or necessary meetings are called in the interest of the Company.

## The specialist committees

The Board is assisted by three specialist committees. Bongrain SA provides them with the means necessary for carrying out their task, when necessary with the help of the various departments concerned, and authorizes them to take outside advice. Each of these committees meets several times a year and whenever its opinion is deemed necessary by the Chairman of the Board, the Board or by the Chairman of the committee.

## The Audit and Risks Committee

This Committee is made up of at least three members of the Board of Directors and carries out its task in the fields of external statutory audit, internal control and the Group's half-yearly and annual financial statements and financial announcements. In each of these fields, it assesses the Group's requirements, the technical and human resources employed and their suitability. It informs the Board of Directors of any observations or recommendations that it considers useful.

### Members

Jean-Michel Strasser, Chairman,  
Dominique Damon, Bernard Houlot, Martine Liautaud.

## The Management and Remunerations Committee

It is made up of at least three members of the Board of Directors other than the Chairman. It assists the Board in respect of the organization and structures of the Group, the appointment and evolution of executive directors, the selection of new Board directors, compensation policy for executive directors and any ethical questions with which managers may be confronted.

### Members

Bernard Houlot, Chairman,  
Armand Bongrain, Dominique Damon, Ignacio Osborne.

## The Strategy Committee

It consists of at least three members. Its primary task is to inform the Board of Directors about the long-term orientations proposed by the executive directors and to analyze the most important divestiture and acquisition proposals submitted for decision to the Board of Directors.

### Members

Élisabeth Lulin, Chairwoman,  
Martine Liautaud, Xavier Paul-Renard, Thomas Swartele.

## Composition of the Board of Directors

### Alex Bongrain

Chairman

### Armand Bongrain

Director

Member of the Management and Remuneration Committee

### Dominique Damon

Independent director

Member of the Management and Remuneration Committee

Member of the Audit and Risks Committee

### Bernard Houlot

Director

Member of the Management and Remuneration Committee

Member of the Audit and Risks Committee

### Martine Liautaud

Independent director

Member of the Audit and Risks Committee

Member of the Strategy Committee

### Élisabeth Lulin

Independent director

Chairwoman of the Strategy Committee

### Ignacio Osborne

Independent director

Member of the Management and Remuneration Committee

### Xavier Paul-Renard

Director

Member of the Strategy Committee

### Jean-Michel Strasser

Independent director

Chairman of the Audit and Risks Committee

### Thomas Swartele

Director

Member of the Strategy Committee



# KEY FIGURES

## Net sales for 2014

In millions of euro

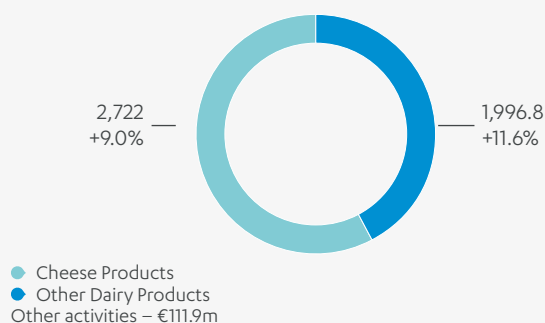


\*restated

Net sales increased by 9.6%. Organic growth had an impact of +4.7% and acquisitions, an impact of +7.6% reflecting the consolidation of Berthaut in April 2013, Söbbeke in August 2013 and Terra Lacta's operations with effect from October 1, 2013, as well as the acquisition of a controlling interest in Delaco on April 1, 2014. Foreign exchange had an impact of -2.7%. 68.1% of net sales were achieved outside France.

## Net sales for 2014 and 2013-2014 change

By business and in millions of euro



- Cheese Products accounted for 59.1% of consolidated net sales, with organic growth of +4.2%, a foreign exchange impact of -1.5% and acquisitions generating an impact of +6.2%.
- Other Dairy Products accounted for 43.3% of consolidated net sales, with organic growth of +6.4%, a foreign exchange impact of -4.5% and acquisitions generating an impact of +9.9%.

## Group share of net income

In millions of euro



\*restated

The Group's share of net income fell by 20%. Non-recurring expenses fell by €8.3 million whilst net borrowing costs rose by €5.6 million. The Group's share of results of associates fell by €4.3 million and its corporate income tax fell by €25.2 million.

## Current operating profit

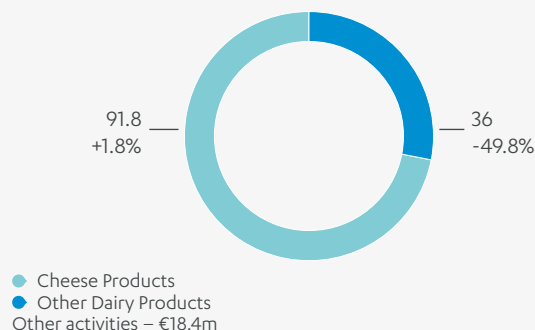
In millions of euro and operating margin as a % of net sales



Current operating profit fell by 23.7% as a result of the very unfavorable environment prevailing for milk.

## Current operating profit for 2014 and 2013-2014 change

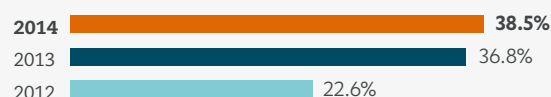
By business and in millions of euro



- Current operating profit for Cheese Products gained 1.8%. Current operating margin fell from 3.6% to 3.4%, mainly as a result of the difficulty of recovering the significant increase in the cost of milk via our selling prices.
- Current operating profit for Other Dairy Products fell by 49.8% as the business was particularly hard hit by the brutal fall in world prices for industrial products following the Russian embargo. As a result, the current operating margin rate fell from 4% to 1.8%.

## Net debt/equity

In percent



Investment in tangible and intangible assets amounted to €164.4 million, down by 5.8%, and company acquisitions to €8.4 million compared with €74.4 million in 2013.

Net borrowings rose by €27.3 million to €470.2 million. Equity increased by €14.5 million over 2013.

**Employees***Average total employees including temporary staff*

\*After application of IFRS 11

Average employees rose by 4.6% (1% like-for-like). Half our employees have more than ten years' past service, and more than a quarter more than twenty, thus bearing witness to their attachment to the Group.

**Training***In days*

\*In 2013, change of unit in compliance with France's Grenelle 2 environmental requirements.

68.3% of employees attended at least one training course. Training leading to a diploma is encouraged.

**Safety***Number of accidents requiring time off work per million hours worked*

The Group's accident frequency rate fell by 6%. The severity rate was stable in comparison with 2013.

**Water consumption***(Like-for-like/all sites) in millions of m³*

Water consumption per ton of production rose by 3.8% like-for-like. 98.9% of wastewater is treated before release into the environment.

**Energy consumption***(Like-for-like/production sites) in GJ/ton produced*

Like-for-like, direct energy consumption per ton of production fell by 1.6% over 2013.

**Non-dangerous industrial waste***(Like-for-like/production sites) in thousands of tons*

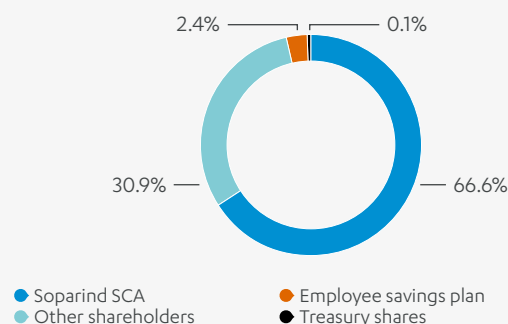
Non-dangerous industrial waste tonnage at our production sites, which account for almost all waste produced, increased by 7.9% like-for-like.

# STOCK MARKET ACTIVITY IN 2014

- Euronext Paris - Eurolist Compartment B
- ISIN code FR0000120107
- Par value: €1
- Number of shares: 14,032,930
- Market capitalization at 12.31.2013: €790.05 million
- Euronext closing market price on 12.31.2014: €51.93
- Market capitalization at 12.31.2014: €728.73 million

Bongrain SA is one of the companies selected for inclusion in the GAIA Index, the 1<sup>st</sup> socially responsible SME index developed by the non-financial rating agency Ethifinance.

## Composition of the share capital in 2014



## Data per share

In euro	2014	2013	2012	2011	2010
Equity	86.92	85.89	78.20	76.53	75.34
Net income	2.79	3.49	4.49	3.07	5.68
Net dividend <sup>(1)</sup>	0.8	1	1.3	1.2	1.6
Global yield <sup>(2)</sup>	1.54%	1.78%	2.84%	2.48%	2.66%

(1) Proposed at the AGM held on April 22, 2015.

(2) Based on the share price at December 31.

## Data per share

In euro	2014	2013	2012	2011	2010
Highest adjusted price	65.00	58.3	53.5	70	61.6
Lowest adjusted price	51.3	45.8	42	44	50
Price at December 31	51.9	56.3	45.8	48.41	60.25
Market capitalization at December 31 <i>in millions of euro</i>	728.73	790.05	706.8	747.07	929.79

## Adjusted share price in 2014

In euro



## Shareholders' agenda

Annual general meeting	April 22, 2015
Dividend payment	May 20, 2015

## Financial information

Annual net sales and results for 2014	February 2015
1 <sup>st</sup> quarter net sales	April 2015
Half-yearly results	September 2015
3 <sup>rd</sup> quarter net sales	October 2015
Annual results	February 2016



# MANAGEMENT REPORT

During 2014, Bongrain SA pursued the development of its activities and grew its net sales. Its current operating profit was affected by particularly difficult conditions in the market for milk and in the overall economic environment. Nevertheless, the Group resisted well thanks to the strength of our major brands and by reinforcing value for Other Dairy Products.

## ACCOUNTING STANDARDS

Bongrain SA's consolidated financial statements have been prepared in accordance with IFRS as adopted by the European Union.

The Group has applied the new standards and amendments applicable with effect from January 1, 2014, in particular the new standards dealing with consolidation IFRS 10, *Consolidated Financial Statements*, IFRS 11, *Joint Arrangements* and IFRS 12, *Disclosure of Interests in Other Entities*. The Group's analysis of its joint arrangements has led it to recognize a certain number of joint ventures requiring application of the equity method, since proportional consolidation is no longer authorized. As the revised standards had retroactive effect from January 1, 2013, restated financial statements for 2013 were prepared and all changes from the prior year are thus expressed with reference to those restated financial statements for 2013.

## CONSOLIDATION SCOPE

The Group's consolidation scope includes, with effect from the second half of 2013, Söbbeke GmbH and Rogge KG as well as Fromageries Lescure. With effect from October 1, 2013 Terra Lacta contributed its activities of manufacture and distribution of butter, cream, cheeses and milk ingredients to various Group companies. Finally, in December the Group acquired Sodilac, a company specializing in milk powder formulations.

During 2014, the Group sold its interest in Rupp, acquired exclusive control of Delaco in Rumania (following the purchase of an additional 20% interest with effect from April 1), and acquired an additional 33.3% interest in Corman Deutschland GmbH in June. It also, in December 2014, sold interests in Emmi Fondue AG and Ground Dairy Industry Company and divested its Schratter subsidiary in the USA on December 31, 2014.

## ACTIVITY AND RESULTS

The diversity of its businesses and markets allows Bongrain SA to surmount temporary difficulties in both consumer demand and in the Group's various cost components. Consumer demand does not evolve in identical fashion in our mature markets and in developing regions. It is equally affected in different degrees for different consumer products and depending on the intensity of the marketing efforts deployed. Changes in the world prices for industrial products are unlikely to have the same impact on Cheese Products and Other Dairy Products, whether in terms of timing, intensity or even the direction of change. The selling price absorption of cost price increases is bolstered by the strength of our brands and the recurrently innovative nature of our consumer offerings.

2014 was characterized by adverse conditions for milk, with a high milk price and sharply falling world prices for industrial products, accentuated by the Russian embargo, resulting in a scissor effect impacting the Group's performance. Our results for 2014 were contrasted with:

- Revenue growth bolstered by the solid resistance of our strategic branded products and by our constant striving for innovation and reinforcement of value added; and
- A decrease in current operating profit which was penalized by geopolitical crises and by the fall in world prices for milk-based ingredients.

Nevertheless our performance improvement plans continued, both in France and abroad, to bear fruit.

Bongrain SA's consolidated net sales for 2014 amounted to **€4,606.9 million**, compared with **€4,204.6 million (\*)** for 2013, an improvement of **+9.6%** reflecting organic growth of +4.7%, acquisitions for +7.6% and an unfavorable foreign exchange impact of -2.7%.

The growth in net sales mainly reflected the continuous progress of our specialty brands which was nevertheless attenuated by falling consumption in certain markets exposed to economic crisis. The product mix for our industrial activities improved but these activities were nevertheless severely penalized by falling prices for industrial products.

Net sales achieved outside France fell from 69.9% of our total sales in 2013 to 68.1% in 2014.

(\*) Data is expressed on the basis of the previously reported figures for 2013 restated for the impact of IFRS 11.

**Current operating profit fell by 23.7% to €109.4 million.** Current operating margin amounted to 2.4% of net sales, compared to 3.4% in 2013 (\*), reflecting:

- The solid volume resistance of our strategic brands;
- Improved volume and/or mix for certain activities;
- The pursuit of rationalization initiatives.

The above favorable impacts were however countered by:

- Unfavorable conditions for milk with a rising milk price during the first nine months of the year and constantly falling prices for industrial products, the latter movement exacerbated by the Russian embargo starting in August 2014;
- A difficult economic context affecting numerous markets;
- Continuous pressure on sales prices for consumer products in particular in France.

The evolution during 2014 of the Group's two business segments was thus contrasted with:

- An increase of 3% in current operating profit (like-for-like) for cheese products, albeit current operating margin fell from 3.6% (\*) to 3.4%;
- A decrease of 32.5% (like-for-like) in current operating profit for other dairy products, and a decrease of current operating margin from 4% to 1.8%.

### Cheese Products:

**Cheese product net sales** rose +9% compared with 2013, to **€2,722 million** or 59.1% of Bongrain SA's total consolidated net sales. The proportion amounted to 59.4% (\*) in 2013. The change mainly reflected favorable pricing in almost all countries, and reasonably favorable volume and/or mix, subject however to strong contrasts depending on market and business. It breaks down as to:

- Organic growth of +4.2%;
- A -1.5% unfavorable foreign exchange impact mainly reflecting the decrease against the euro of the Brazilian real and the currencies of Eastern Europe;
- A +6.2% favorable scope of consolidation impact.

In **France**, net sales evolved favorably and displayed solid resistance on the part of our strategic brands.

In the other countries of **Europe**, net sales grew moderately but contrasts were perceptible inasmuch as certain countries progressed because of favorable pricing but sometimes suffered falls in volume, whereas others bore the brunt of a difficult economic environment resulting in a slowdown of consumption. The zone was also penalized by foreign exchange impacts.

**Beyond Europe**, sales were also penalized by unfavorable currency impacts but increased in terms of organic growth with favorable price and volume impacts.

**Current operating profit** amounted to **€91.8 million**, €1.6 million more than in 2013 (€90.2 million) (\*), yet current operating margin fell from 3.6% (\*) to 3.4%, reflecting:

- The increase in raw material costs, not fully reflected in our selling prices in all our markets;
- Constant pressure on the selling prices for consumer products;
- Growth in volumes for our strategic brands.

### Other Dairy Products:

**Other Dairy Product net sales** amounted to **€1,996.8 million**, +11.6% more than in 2013 with:

- Growth of +6.4% reflecting strong volumes and favorable mix helping industrial product sales resist despite steeply falling world prices;
- A positive impact of +9.9% from acquisitions;
- An unfavorable foreign exchange impact of -4.5% mainly reflecting the depreciation against the euro of the Argentinian peso.

**Current operating profit for Other Dairy Products** fell to **€36 million**, compared with €71.8 million in 2013, given the particularly unfavorable conditions prevailing for milk.

### Unallocated items

**Unallocated items depleted current** operating profit by €18.4 million compared with €18.6 million 2013. They mainly comprised holding company costs.

**Non-recurring items** amounted to **-€12.3 million** compared with **-€20.6 million** in 2013 (\*). They mainly comprised costs (including provisions) associated with performance improvement plan restructuring, and impairment of certain operating assets in Latin America reflecting economic difficulties, partially offset by a net reduction in the amount of provisions for tax litigation and by capital gains on sale of investments.

**Operating profit** amounted to **€97.1 million**, down 20.9% over 2013.

**Net financial expense** amounted to **€30.2 million** compared with €24.6 million (\*) in 2013.

**The Group's share of results of associates** amounted to **€3.7 million** compared with €8 million (\*) in 2013.

**Corporate income tax** amounted to **€25.8 million**, down €25.2 million over 2013 and reflecting an effective tax rate of 36.5% compared with 48.1% in 2013 (\*), in turn reflecting the impact of non-deductible expenses and the reduced impairment of deferred tax assets.

(\*) Data is expressed on the basis of the previously reported figures for 2013 restated for the impact of IFRS 11.

**Net income for continuing operations** amounted to **€44.8 million** compared with €55.1 million in 2013.

**Net income from operations discontinued, sold or in process of sale** was insignificant in amount.

**Bongrain SA's consolidated net income** for the year amounted to **€39.1 million**, compared with **€48.9 million in 2013**

## EMPLOYEES

**The Group employed on average** (including temporary staff and at fully consolidated entities) **19,246 employees in 2014** compared with **18,395 in 2013**, a rise of 4.6%. Headcount rose by 1% on a like-for-like basis.

Their deployment by business segment was as follows:

- Cheese Products: 73.1%;
- Other Dairy Products: 23.3%;
- Unallocated employees: 3.6%.

## CAPITAL EXPENDITURE

**The Group's investment in tangible and intangible fixed assets** fell by 5.8% in 2014, to **€164.4 million** compared with **€174.6 million (\*)** in 2013.

Its deployment by business segment was as follows:

- Cheese products: 53.3%;
- Other Dairy Products: 41.9%;
- Unallocated investment: 4.8%.

**Acquisitions** of subsidiaries amounted to **€8.4 million** in 2014 compared with €74.4 million in 2013.

## RESEARCH AND DEVELOPMENT

Bongrain SA has always considered research and development expenditure as key to innovation and thereby to growth of its businesses. Consistently with our business culture and operating principles, development activities are organized into technological divisions in order to meet the specific requirements of each business. They are transversally coordinated and focus on balanced diet and the exploitation of milk's nutritional qualities.

All research and development expenditure is classified by nature and charged to profit or loss as incurred.

## FINANCIAL POSITION

**The Group's balance sheet** continues to reflect a satisfactory financial position.

**Equity** rose by €14.5 million, compared with the 2013, to **€1,219.8 million**.

The Group's syndicated loan financing was renewed in 2014 for a period of up to seven years. On this occasion the definition of the Group's net debt was modified to exclude the liabilities associated with put options granted to non-controlling interests in the Group's subsidiaries, which are henceforth classified as part of other non-current liabilities since their overall amount is judged material for the Group.

**Net borrowings** increased by €27.3 million to **€470.2 million** and represent **38.5% of equity** compared to 36.8% as of December 31, 2013.

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 policy of prudent hedging.

## EVENTS AFTER THE YEAR-END

No material event has occurred since the year-end.

## OUTLOOK

The economic disruption of 2014 may be expected to be attenuated in 2015, but the year is nevertheless liable to be influenced by the end of milk quotas, concentration of retail distributors, the evolution of the world's geopolitical crises and the slowdown in growth in the emerging countries. Within this context, the Group will continue to adapt by adjusting its organization and continuously improving the value of its brands and the quality of its products. It will continue throughout 2015 to unroll its strategy based on innovation, development of market shares and improvement of competitiveness.

(\*) Data is expressed on the basis of the previously reported figures for 2013 restated for the impact of IFRS 11.



# ISSUES, RESPONSES AND WAYS FORWARD

CONSUMERS	OUR COMMERCIAL PARTNERS AND SUPPLIERS	MILK PRODUCERS
<b>Issues</b>		
<ul style="list-style-type: none"> <li>● Enhancing the value of our brands by faultless quality.</li> <li>● Providing clear information on the nutritional qualities and environmental impact of products.</li> <li>● Promoting sound and balanced diet.</li> <li>● Innovating to develop food specialties of high quality.</li> </ul>	<ul style="list-style-type: none"> <li>● Building up mutually profitable relationships of confidence.</li> <li>● Contributing to our customers' operational performance.</li> <li>● Associating our customers and suppliers with our performance targets.</li> <li>● Committing with our suppliers to corporate social responsibility.</li> </ul>	<ul style="list-style-type: none"> <li>● Sharing our goals of quality, naturalness and responsibility.</li> <li>● Helping producers progress in the sustainable development of their farms and in know-how for their activity.</li> <li>● Support farmers' adaptation after the end of milk quotas in 2015.</li> <li>● Ensuring the best added value possible for the milk that we buy.</li> </ul>
<b>Our responses</b>		
<ul style="list-style-type: none"> <li>● Developing products benefiting from recognized brands in which consumers have confidence.</li> <li>● Rigorously selecting raw materials.</li> <li>● Deploying quality policy based on ISO 9001 and food safety policy based on ISO 22000; in addition, depending on the market, BRC<sup>(1)</sup> or IFS<sup>(2)</sup> type certifications complementing our established quality and safety arrangements.</li> <li>● Organizing panels of consumers, experts and staff trained in sensorial analysis and regularly monitoring products' organoleptic quality.</li> <li>● Organizing consumer departments in close touch with customers and attentive to their expectations.</li> <li>● Providing precise and detailed nutritional information on every product.</li> <li>● Engaging in leading-edge research and developing advanced technologies to improve the nutritional qualities of our products.</li> </ul>	<ul style="list-style-type: none"> <li>● Deploying recognizedly innovative category management on a large scale.</li> <li>● Designing innovative merchandising solutions.</li> <li>● Performing regular business reviews with our customers.</li> <li>● Providing relevant training for store cheese counter staff.</li> <li>● Providing information and training for food service professionals.</li> <li>● Engaging in a joint supply management approach with suppliers.</li> <li>● Organizing verification by an independent organization of the due application by our suppliers of corporate social responsibility criteria.</li> <li>● Applying a responsible purchasing charter.</li> <li>● Organizing forums to stimulate innovation.</li> </ul>	<ul style="list-style-type: none"> <li>● Deploying Responsible Dairy Sourcing to reduce milk producers' environmental impact whilst at the same time improving farming performance.</li> <li>● Organizing Open Days to present our approach and providing support via our dairy advisors.</li> <li>● Deploying our Charter for Best breeding Practices and training in best breeding practices.</li> <li>● Ensuring full milk traceability based on rigorous and systematic controls and commitment well in excess of our regulatory obligations.</li> <li>● Developing the production of fodder crops and more natural feeding of herds.</li> <li>● Providing information on issues associated with the dairy industry.</li> <li>● Generalizing the new contractual relationships with milk producers.</li> <li>● Providing assistance to young farmers setting up.</li> </ul>
<b>Ways forward</b>		
<ul style="list-style-type: none"> <li>● Developing environmental labeling for all products.</li> <li>● Extending the use of responsible communication best practices.</li> <li>● Optimizing digital applications to develop qualitative information for consumers.</li> </ul>	<ul style="list-style-type: none"> <li>● Developing commercial innovation by being proactive.</li> <li>● Understanding the expectations and behavior of prospective buyers as a basis for optimizing commercial innovation.</li> <li>● Sharing our social and environmental responsibility criteria.</li> </ul>	<ul style="list-style-type: none"> <li>● Contributing ever more to the implementation of sustainable dairy farming.</li> <li>● Promoting the adoption of reasoned farming practices designed to reduce farms' environmental footprint.</li> <li>● Encouraging the production of milk of high nutritional quality.</li> </ul>

<sup>(1)</sup> BRC: British Retail Consortium. <sup>(2)</sup> IFS: International Food Standard.

THE ENVIRONMENT	OUR EMPLOYEES	SOCIETY AT LARGE
<b>Issues</b>		
<ul style="list-style-type: none"> <li>● Intensifying our environmental management systems.</li> <li>● Economizing water and energy.</li> <li>● Pursuing the reduction of waste and the development of recycling.</li> <li>● Reducing environmental impacts commencing with the management of raw materials and ending with the delivery of our finished products.</li> </ul>	<ul style="list-style-type: none"> <li>● Fostering employees' development and wellbeing.</li> <li>● Developing the skills of our staff and furthering their employability in particular via training.</li> <li>● Encouraging initiative.</li> <li>● Ensuring safety at work.</li> <li>● Promoting diversity.</li> <li>● Rewarding performance and commitment.</li> </ul>	<ul style="list-style-type: none"> <li>● Encouraging employees' local and social commitment.</li> <li>● Raising awareness of the importance of a balanced diet.</li> <li>● Contributing to the economic and social development of the regions in which we operate.</li> <li>● Developing support for the community.</li> </ul>
<b>Our responses</b>		
<ul style="list-style-type: none"> <li>● Reducing water and energy consumption and manufacturing waste.</li> <li>● Monitoring the quality of wastewater treatment and that of air emissions.</li> <li>● Using renewable energy sources such as wood-fired boilers.</li> <li>● Performing carbon audits.</li> <li>● Engaging in daily monitoring of production sites' raw material usage.</li> <li>● Reducing packaging and making use of recyclable materials.</li> <li>● Optimizing collection and delivery rounds and providing training in eco-driving.</li> <li>● Implementing best practices such as the "Objective CO<sub>2</sub>, carriers commit" charter.</li> <li>● Implementing new measures, such as landscape integration, for preserving biodiversity.</li> <li>● Operating an HQE<sup>(3)</sup> logistical platform.</li> <li>● Reducing odor and noise pollution.</li> <li>● Installing new heating and cooling equipment designed to improve environmental performance.</li> <li>● Raising employees' awareness of, and providing training in, environmental protection.</li> </ul>	<ul style="list-style-type: none"> <li>● Obtaining Top Employers Europe certification for the second consecutive year.</li> <li>● Performing opinion surveys designed to identify progress achieved and areas for improvement.</li> <li>● Issuing a guide to best practices encouraging equality of men and women with respect to recruitment.</li> <li>● Organizing the second worldwide health and safety week.</li> <li>● Using a skill database to support individual staff development plans.</li> <li>● Supporting and promoting internal mobility and personal development.</li> <li>● Organizing specific arrangements for psychological support for and listening to staff.</li> <li>● Publishing a Safety Guide and engaging in Behavioral Safety Inspections.</li> <li>● Working together with sheltered sector businesses and associations of disabled persons.</li> </ul>	<ul style="list-style-type: none"> <li>● Offering our <i>Arrondi Solidaire</i> micro-gift program under which employees can gift the cents of their monthly paycheck to support humanitarian aid.</li> <li>● Developing our "Nourishment for Mankind" fund supporting high added value nutritional, environmental or societal initiatives.</li> <li>● Increasing staff involvement in our "Nourishment for Mankind" fund.</li> <li>● Supporting the Sapere association which helps to fight infantile obesity via training in taste.</li> <li>● Actively cooperating with local technical colleges and employing young people in our companies.</li> <li>● Giving products to people in need.</li> </ul>
<b>Ways forward</b>		
<ul style="list-style-type: none"> <li>● Pursuing environmental certifications.</li> <li>● Continuing to optimize management of water and energy.</li> <li>● Reducing waste at source and improving the quality of wastewater.</li> <li>● Generalizing green packaging design.</li> <li>● Reducing still further our impact on ecosystems.</li> </ul>	<ul style="list-style-type: none"> <li>● Continuing to treat safety at work as an absolute priority.</li> <li>● Continuing to focus all our staff on the themes of our worldwide health and safety week.</li> <li>● Developing our induction and integration programs for disabled employees.</li> <li>● Accelerating the deployment of vocational and skill development programs.</li> <li>● Encouraging professional mobility.</li> </ul>	<ul style="list-style-type: none"> <li>● Encouraging our staff to support projects funded by the "Nourishment for Mankind" program.</li> <li>● Supporting the commitment of our subsidiaries and brands to solidarity initiatives.</li> <li>● Encouraging subsidiaries' involvement in local life.</li> </ul>

<sup>(3)</sup> HQE: High Environmental Quality.

# SOCIAL AND ENVIRONMENTAL INFORMATION

Bongrain SA is committed to a policy of excellence and continuing progress, taking into account the point of view of all interested parties: staff, consumers, producers, shareholders, customers, partners and civic society, and to respecting the environment. Its strategy is consistent with sustainable development defined as *"development that meets the needs of the present without compromising the ability of future generations to meet their own needs"* (the Brundtland report).

Since 2003, those commitments have been confirmed by Bongrain's adherence to the UN's Global Compact and therefore to its ten fundamental principles in the areas of human rights, labor, the environment and anti-corruption.

In order to ensure the deployment of its policy and monitor the associated results, the Group makes use of a system of reporting shared by all its subsidiaries. Structured environmental and social reporting is thus ensured via a dedicated tool. An annual questionnaire is addressed to all subsidiaries worldwide as a means of collecting and consolidating information for analysis and commentary.

Since 2002, the process of consolidation of the information gathered has been subject to verification by the Group's statutory auditors, thereby ensuring independent review of the data.

In 2014, all our environmental and social indicators have also been reviewed by one of our statutory auditors designated an independent third party body as defined by France's Grenelle 2 environmental law (decree n° 2012-557).

The scope of our environmental and social reporting has evolved between 2013 and 2014 as a result of:

- The divestment of CF&R;
- The full consolidation of Delaco, Fromagerie Berthaut, Fromageries Lescure, Fromageries St Saviol and Sodilac.

Each indicator reported is subject to mention of the applicable consolidation scope. The changes compared to 2013 have been calculated on a like-for-like basis, i.e. reflecting the data for those subsidiaries which were present in both years.

## ENVIRONMENTAL REPORT

### GENERAL POLICY AND ISSUES

Groupe Bongrain is a responsible industrial company attached to minimizing its footprint on the environment from procurement of raw materials to delivery of finished products. All subsidiaries are bound by the same environmental undertakings.

Its approach begins with the establishment of long-term relationships with milk producers and the application of a protocol detailing best livestock husbandry practices, promoting reasoned farming practices designed to reduce farms' carbon footprints and other environmental impacts, and improving the efficiency of milk collection.

As a manufacturer, the Group is committed to controlling the impact of the whole of its business on the environment. The main issues center on reducing water, energy and packaging consumption and making optimal use of raw materials, as well as on monitoring and controlling discharges to the air and wastewater.

Standardization of processes and operating methods, generalization of the most efficient equipment and the identification and dissemination of best practices all help reduce consumption, emissions and waste.

A system for assessing safety and regulatory compliance at production sites helps operational units implement appropriate prevention and protection policies. The approach involves the use of ratings reflecting the levels of risk which in particular condition the calculation of the Group's insurance premiums. Since the institution of this system, the frequency of accidents in the Group has been significantly reduced, thereby improving our insurance terms and the applicable deductibles.

The Group has recognized no provisions and provided no guarantees in respect of environmental risks.

### ENVIRONMENTAL MANAGEMENT

#### Organization

A manager is responsible for the operational deployment of environmental protection measures at every subsidiary. At subsidiaries with several production sites, the manager is generally in charge of Hygiene, Quality, Safety and the Environment (HQSE).

At head office, the Group's industrial department supports subsidiaries in the operational implementation of environmental protection measures, supervises their improvement plans, promotes sharing of best practices and monitors changes in their environmental indicators.



## Standards

The Group uses the ISO framework in managing its operations at subsidiaries, relying in particular on ISO 22000 and placing the accent on the issues at the heart of its activity i.e. hygiene and food safety of its products.

As a means of anchoring the development of control over their environmental impact, Group subsidiaries are equally encouraged to apply for ISO 14001 certification of their environmental management systems.

The Group has also developed internal Guides to Best Practices with regard to various issues with environmental impacts. The following guides have already been deployed at our manufacturing locations:

- *Guide to Best Practices for managing raw material yields;*
- *Guide to Best Practices for energy management;*
- *Guide to Best Practices for damage prevention;*
- *Guide to Best Practices for managing cleaning-in-place systems.*

The guides are generally accompanied by self-diagnosis questionnaires enabling each entity to measure its progress.

## Consumer health and safety

The essential part of the Group's production is performed using milk that the Group collects either directly or via associated cooperatives. Milk traceability is entire and subject to rigorous and systematic control. All suppliers of ingredients are subject to listing procedures including the joint signature of specifications ensuring compliance with all the applicable regulatory requirements.

Intrinsic quality is an integral component of our business culture. The Group devotes very significant resources to achieving excellence over Bongrain's five focuses of quality, namely food safety, health, know-how, consumer satisfaction and product superiority.

The Group believes that its commitment to food safety must be materialized continuously and always aim higher than the applicable regulatory requirements. All its action in this area is strongly supported by Group management and is the cornerstone of the Group's industrial policy.

To that end, on-site audits are regularly performed at all locations alongside systematic product testing prior to release and a specific procedure for approval of new products.

In addition external audits, performed by internationally recognized firms and focused on compliance with ISO 22000, are regularly undertaken at the same locations.

Quality as perceived by consumers is monitored via two tools in particular: a permanent panel of consumers which continuously assesses all aspects of our products and sensorial analysis which enables our products to be regularly assessed by trained staff.

This approach enables us to place the accent on improving products' relative quality with regard to their competitive environment.

## Management of environmental incidents

A crisis management system is operational at all the Group's manufacturing, logistical and administrative locations. In the event of any environmental incident or accident, subsidiaries immediately apply the requisite procedures. Regular exercises are performed to check the responsiveness of this organization and to fine-tune its operation.

Particular attention is paid to damage prevention. Best practices for preventing risks of fire, explosion and natural catastrophes are disseminating with the aim reducing their impacts in the event of occurrence.

This preventive action is complemented by investment in prevention and protection including the provision of sprinklers and water tanks, the securing of electrical installations, the creation of retention ponds for detergents, the reconstruction of industrial effluent networks, the reinforcement and improvement of water purification stations by means of pre-treatment systems, etc.

## Consolidation of environmental information

This year's environmental reporting covers 98.6% of the Group's production, including both production, logistics and commercial facilities, given the divestment on December 31, 2014 of an entity representing 1.4% of the total.

Environmental reporting is an integral part of our subsidiaries' processes.

## Training and information of employees

Each year, each Group location makes commitments to limit its consumption of water and energy. In 2014 several locations engaged in environmental protection training and information of employees including:

Monitoring of indicators, poster campaigns:

- Employee meetings to explain results;
- Awareness-raising for new employees based on a slide presentation and a quality, health and environmental safety quiz;
- Training in environmental management, sorting of waste and energy saving;
- In 2014 one of our major sites initiated an ISO 50001 training program in energy management for its teams of supervisors and managers.

In-house training is used to reinforce awareness-raising. Aimed at all supervisory personnel, it contributes to employees' personal and professional development and helps deploy a veritable culture of environmental respect within the Group.

## SUSTAINABLE USE OF RESOURCES

### Controlling consumption

The Group's commitment to limiting its environmental impact involves all management levels and all processes with potential impacts.

The deployment and monitoring of action plans are supported by specialized cross-functional committees which encourage synergies and initiatives at each factory.

### Optimizing consumption of raw materials

We engage in continuous review of processes in order to maximize transformation of the milk that constitutes the Group's essential raw material.

In 2014, our major raw materials management project continued to be deployed: daily exhaustive raw material reporting by each manufacturing location using dedicated software, enabling our operating teams to optimize process functioning.

### Reducing water consumption

#### Evolution of consumption

In 2014, water consumption amounted to 14.5 million m<sup>3</sup>, up 2.6% like-for-like in line with the increase in production.

#### Evolution of water consumption

Like-for-like, all locations, in millions of m<sup>3</sup>



Several means are used to reduce water consumption:

- Elimination of open circuit use of water;
- Improvement of metering and daily monitoring and definition of target consumption for each workshop;
- Partial recovery of whey which is filtered then used for washing, thereby avoiding the use of new water;
- Optimization of cleaning processes: attachment of water pistols to hoses, recovery of water used to rinse tankers and cool pumps, dissemination in 2014 of a Guide to Best Practices;
- Motivation of employees based on training and continuous improvement.

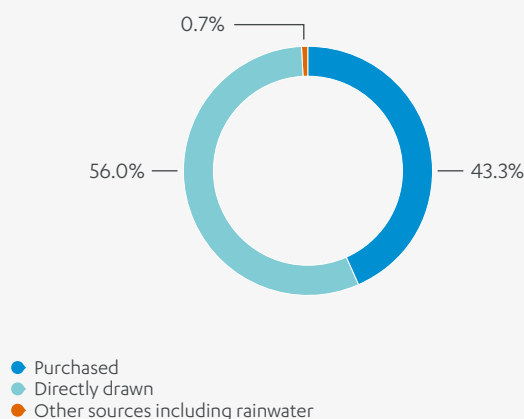
### Structure of consumption

Local water supply constraints are rare and essentially seasonal in nature. They only affect 9.4% of the Group's locations.

43.3% of the water consumed in 2014 was purchased (on a like-for-like basis) whilst directly drawn water accounted for 56.7%, virtually identical levels to 2013.

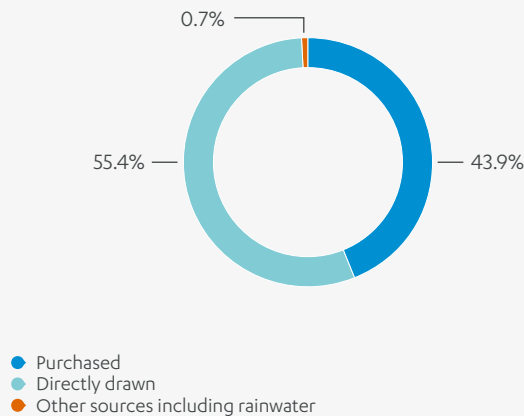
#### Structure of water supply in 2014

Like-for-like, all locations



#### Structure of water supply in 2013

Like-for-like, all locations



## Reducing packaging and paper consumption

### Evolution of consumption

In 2014, packaging and paper consumption, all materials and all product types included, increased 1.6% on a like-for-like basis reflecting in particular the success of products commercialized in slices and individual portions.

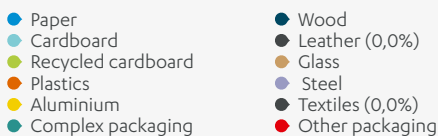
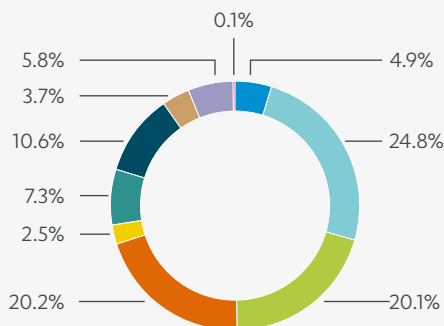
The proportion of recyclable packaging amounted to 20.1% compared with 19.5% in 2013.

The Group continues to focus on the eco-design of packaging and on optimizing the organization of production, as well as developing partnerships with the various national bodies responsible for collecting, sorting and recycling packaging.

### Structure of consumption

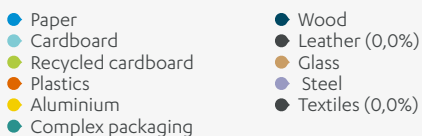
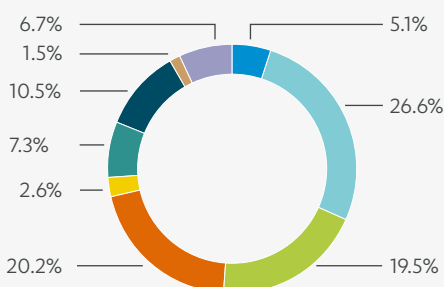
#### Structure of consumption of paper and packaging in 2014

Like-for-like, all locations



#### Structure of consumption of paper and packaging in 2014

Like-for-like, all locations



## Improving energy efficiency

### Evolution of consumption

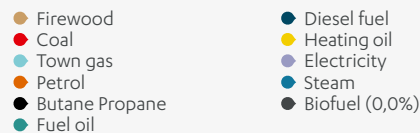
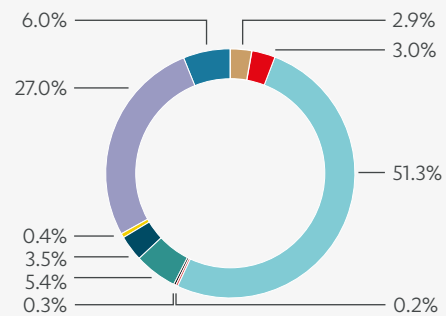
In 2014, the Group's energy consumption amounted to 7,156 GJ, a fall of 1.5% like-for-like compared with 2013.

Specific energy consumption per ton of production fell by 1.7% overall, confirming the trend of prior years.

### Structure of consumption

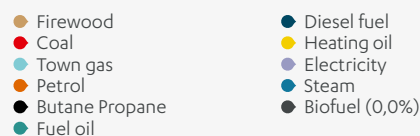
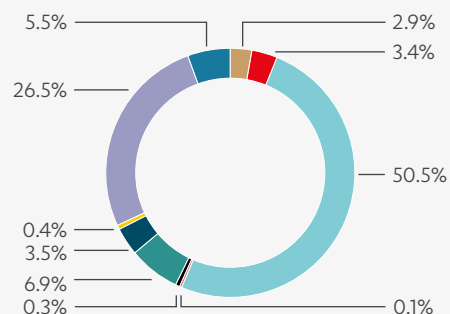
#### Structure of energy consumption in 2014

Like-for-like, all locations



#### Structure of energy consumption in 2013

Like-for-like, all locations



The main change is the significant fall of 22.7% in fuel oil consumption reflecting the increasing use of gas.

### Measures taken to improve energy efficiency

Information on best energy practices is gathered with a view to their general deployment at our sites. Periodic review contributes to accelerating progress in the following three main areas:

#### Energy production and transformation:

- Systematic measurement of boiler yields and periodic performance appraisal;



- Replacement of old boilers with new boilers providing higher yields (a three year plan has been developed and progress is regularly monitored);
- Renovation of ammonia-based cooling equipment to reduce the quantities of NH<sub>3</sub> used and increase performance;
- Appraisal of existing refrigeration equipment and implementation of action plans producing excellent results at numerous sites.

#### Energy distribution:

- Lagging;
- Systematic tracking of compressed air leaks;
- Installation of variable speed pumps, ventilators and compressors and variable pressure settings for networks.
- Inspection of steam network bleeders.

#### Energy consumption:

- Development of metering and monitoring of yields;
- Development of a three year plan for renovation and enhancement of cleaning-in-place equipment;
- Deployment of membrane-based processes in partial or full replacement of evaporators.

#### Renewable energies

Sites equipped with wood boilers confirmed their performance in 2014.

The wood used is sourced from renewable forests managed by the *Office National des Forêts* and giving priority to local supply.

#### Protected zones

A limited number of sites (5.1%) are implanted in protected zones such as natural parks, forests and Natura 2000 zones.

In order to preserve them, the action taken involves in particular preserving forest areas by planting native trees and limiting discharges to the atmosphere.

## POLLUTION AND WASTE MANAGEMENT

#### Limiting air pollution

On a like-for-like basis, there was a fall of 4.1% in CO<sub>2</sub> linked to energy consumption at production sites.

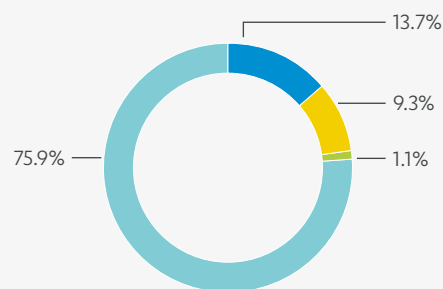
The improvement was achieved by means of best practices such as subscribing to the "Objective CO<sub>2</sub>, Carriers Commit" charter which produced very positive impacts on the emissions associated with milk collection, inter-plant transfers and finished product distribution.

#### Reducing wastewater discharges and improving wastewater quality

Total wastewater discharges amounted like-for-like to 12.6 million m<sup>3</sup>, down 0.7% over 2013. 98.9% of wastewater is purified before being discharged into the natural environment.

##### Destination of wastewater in 2014

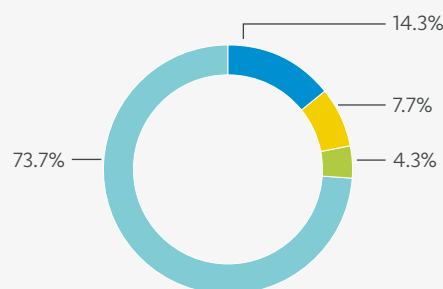
*Like-for-like, all locations*



- Sanitation networks, without treatment
- Sanitation networks, after treatment
- Natural environment, without treatment
- Natural environment, after treatment

##### Destination of wastewater in 2013

*Like-for-like, all locations*



- Sanitation networks, without treatment
- Sanitation networks, after treatment
- Natural environment, without treatment
- Natural environment, after treatment

These results were mainly attributable to the following actions which are renewed and improved each year:

#### Manufacturing process control including:

- Reduction of water consumption, thus mechanically reducing the volume of wastewater;
- Reduction in the proportion of pollutants in water before it goes to the treatment plant thanks to the reinforcement and systematization of controls;
- Installation of waste water meters and turbidity meters designed to measure and monitor changes in load.

**Control over purification by:**

- Implementing best practices;
- Developing pre-treatment or post-treatment processes to optimize purifying plant efficiency;
- Installing devices for measuring chemical oxygen demand;
- Deploying new processes for the recuperation of phosphor.

**Reducing undesirable noise and smells**

Several measures assist in reducing undesirable odors:

- The organization of appropriate testing procedures;
- Closed-loop control of ventilators in order to reduce their period of functioning;
- The installation of remote optical camera control of piping cleanliness.

**Reducing industrial waste**

*The quantities indicated are those evacuated in 2014; sub-standard products are not included.*

Industrial waste produced by the Group is mainly non-dangerous waste arising as a by-product of manufacturing. Like-for-like, non-dangerous waste for our production sites rose by 7.9%. The change is attributable to:

- Increased use of packaging;
- Significant cleaning operations in the framework of major engineering work at several sites;
- Improved recovery of recyclable materials.

76.7% of non-dangerous waste is recycled.

The measures taken to reduce waste include:

- Selective sorting;
- Action with suppliers to reduce packaging e.g. by introducing returnable containers.

**Quantity of non-dangerous waste**

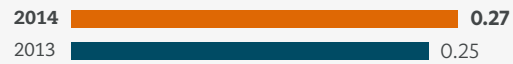
*Like-for-like, all locations in thousands of tons*



Dangerous industrial waste for our production sites rose by 11.1%, like-for-like, following numerous waste disposals and asbestos removal at certain sites. Priority continues to be given to buying the least dangerous products for a given level of quality and to recycling containers.

**Quantity of dangerous waste**

*Like-for-like, all locations in thousands of tons*

**Ground preservation**

Ground preservation is supported by measures such as:

- Installing retention basins;
- Renewing drainage networks;
- Recovering water from plant cleaning, vehicle washing areas and parking lots.

**ADAPTING TO AND COMBATING CLIMATE CHANGE****Carbon footprint and lifecycle analysis**

In 2010, the Group performed lifecycle analysis of certain of its products in order to improve knowledge of the environmental impact of its operations and adapt its strategy. A Responsible Dairy Sourcing program, designed to support our milk producers in sustainable development of their farms, and help them reduce their environmental impact including carbon footprint, was deployed.

The diagnosis was performed over ten key indicators relating particularly to carbon footprint and biodiversity.

Focuses for progress are then proposed to farmers.

To perform diagnosis and engage actions for improvement, partnerships have been concluded with several organizations.

We also provide Group technicians, regional chambers of agriculture and milk testing laboratories with training on how to assist producers in this innovative approach.

To explain our approach to farmers, a film presenting their feedback has been produced and open days are organized at farms.

Action plans have been deployed in various areas such as the improvement of vegetation (e.g. by scattering chosen seeds to create vegetation acting as a natural carpet preventing the growth of weeds, the reduction of phytosanitary treatments and the conservation of hedges).

After testing the approach on a panel of pilot farms, full deployment of the improvement program is now in progress.

By the end 2014, numerous French dairy farms supplying the Group were involved. The objective is to achieve, by 2020, a significant reduction in the carbon footprint of dairy farms supplying the Group.

### In manufacturing

In parallel, the Group is attentive to reducing the emission of greenhouse gases associated with its manufacturing activities. Its main activities devoted to that end involve:

- Improving the energy efficiency of transport for milk collection, inter-plant transfers and product distribution: optimization of rounds and of the choice, equipment and maintenance of heavy vehicles, design of new milk tanks, subscription to the "CO<sub>2</sub> Carriers Commit" charter and training of drivers in eco-driving;
- Improving the energy efficiency of our manufacturing facilities;
- The deployment of processes for reducing the energy cost of evaporation;
- The optimization of milk skimming to reduce energy impacts and waste.

### Group-wide

To complement the carbon footprint audits performed at certain locations, the Group is currently developing a tool for measuring greenhouse gas emissions at two levels (scope 1 and scope 2).

### At the level of the industry

The Group contributes actively to defining a shared framework for the dairy industry covering the calculation of lifecycle analysis data with regard to greenhouse gases and the provision of environmental data in respect of finished products.

### Protection of biodiversity

The Group is committed to the protection of biodiversity via its Responsible Dairy Sourcing program. Biodiversity is one of the ten focuses of the farming diagnosis proposed to our milk producers.

The development of pastures, the improvement of vegetation, the reduction of phytosanitary treatments and the conservation of hedges are amongst the focuses of improvement recommended on an individual basis following that diagnosis. They all assist in preserving biodiversity.

The effects of such measures are all the more favorable that well-managed pasture requires virtually no use of pesticides and fertilizers.

Responsible Dairy Sourcing also involves promoting best watering and cleaning practices so as to reduce farms' water consumption, thereby equally contributing to more balanced ecosystems.

Practical examples of the measures taken by our locations have included restocking a pond with fish or delaying haymaking of

the natural pastures neighboring one of our facilities.

Preventive measures designed to reduce or limit the impact of our locations' operations on the natural environment and ecosystems include:

- Reducing the consumption of cleaning products;
- Methanization of waste designed to limit phosphorus emissions;
- The renovation of drainage networks.

We also regularly engage in landscaping improvement in particular by planting trees and hedges around our purifying stations and embellishing the land surrounding production sites.

## OTHER MEASURES IN FAVOR OF THE ENVIRONMENT

### Compliance and regulatory watch

The Group, our subsidiaries and individual sites pay great attention to their regulatory compliance.

A firm of outside consultants assists us in following the day-to-day changes in legislation and regulatory requirements. An ad hoc computer application, periodic bulletin and quarterly interviews are used to help our sites keep up to date with new requirements and their practical application.

### Action programs and capital expenditure in 2014

Several actions were engaged in with a view to:

- Reducing water consumption;
- Reducing energy consumption;
- Reducing waste generation.

### Capital expenditure was engaged in as follows:

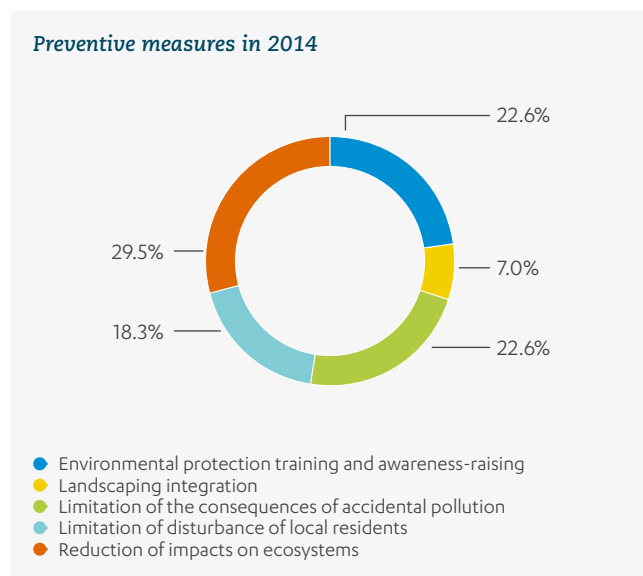
- In environmental protection: new heating and refrigeration equipment, measurement and control of consumptions and waste, equipment for prevention, optimization of drainage and treatment;
- In damage limitation with regard in particular to fire risk: detection, electrical security and risk control.

### Operating expenditure was committed with a view to:

- Protecting the environment, in particular with regard to the verification and maintenance of installations, to spreading of sludge and to treatment of waste and wastewater;
- Reducing the risks of damage to assets: verification of electricity networks, maintenance of fire detection systems.



Preventive measures designed to limit risks, or the impact of their consequences, were deployed in the following areas:



### Relations with interested parties

The main interested parties have been identified: customers, consumers, employees, farmers, suppliers, local residents, regulatory agencies, city halls, fire services and other public authorities the needs of all of whom are assessed via on-site meetings, satisfaction surveys and audits. Group locations strive to meet all their requirements by developing relationships of confidence and engaging in appropriate communication.

Specific preventive measures are also aimed at reducing and limiting any disturbance of local residents essentially in the following areas:

#### Noise disturbance:

- Performance of acoustic surveys;
- Deployment of anti-noise covers;
- Installation of acoustic walls.

#### Olfactory disturbance:

- Optimization of purifying station treatments in order to accelerate biodegradation and thus avoid the formation of smells;
- Limitation of the ventilation of purifying station sludge;
- Dehydration of sludge using centrifugation.

### Relations with suppliers

The Group develops long-term collaborative relationships with its main suppliers.

Suppliers are selected on the basis both of criteria of quality, security, service and competitiveness, but equally in terms of their capacity to provide sustainable support for continuous progress and innovation. The Group is attentive to the economic equilibrium, for the long term, in particular of its large and small SME suppliers.

Competitiveness is reinforced by placing functional analysis of requirements and the search for innovative solutions at the heart of the Group's purchasing policy. By reasoning in terms of value in use, i.e. of total cost, the emergence of competitive and sustainable solutions is encouraged.

Management of supplier risk, including their social and environmental risks, is a key preoccupation designed to ensure both quantitative and qualitative sustainability of our supply sources. By engaging in periodic audit of suppliers' production sites, including those of suppliers of materials in contact with our products, the Group ensures the safety and continuous improvement of the products that enter our factories.

The Group organizes forums for innovation enabling dialogue and presentation of suppliers' expertise and know-how on selected subjects.

The location of purchasing functions at the level of subsidiaries equally encourages dialogue and collaboration.

### Responsible procurement

In France, the Group is a signatory of the *Charte de la médiation inter-entreprises* intended to promote best practices between customers and suppliers.

Specific training is engaged in to raise buyers' and all new managers' awareness of the Group's best purchasing practices: numerous managers attended the sessions organized in 2014.

Buyers undertake to comply with the requirements of the Group's code of conduct which governs our relationships with suppliers in the following four main areas: integrity and ethics, communication and collaboration, progress and performance, responsible and sustainable procurement.

The Group's Charter for Sustainable and Socially Inclusive Purchasing sets out the Group's expectations. Widely distributed to suppliers, who are invited to confirm their adhesion, it is also systematically communicated in the framework of requests for tender.

The number of suppliers subject to independent review on the basis of a range of social and environmental responsibility criteria continues to grow. Areas for progress identified are shared with the vendors concerned.

Several such evaluations were performed in 2014.

## SOCIAL REPORT

### VALUES AND ORGANIZATION

Bongrain SA is a group with a strong corporate culture in which our values and action principles are at the forefront of each employee's conception of his or her mission.

In our ethical charter, translated into 19 languages and communicated to each staff member, Bongrain displays its will to build the future in partnership with our employees and by developing their talents and enabling both men and women to flourish within the Group.

The diversity of our geographical locations, activities and businesses makes it possible to offer numerous career opportunities supported by a charter for mobility.

Our participative management through objectives makes it possible to delegate and to render each employee accountable. Annual assessment and personal development plans help identify areas for improvement and appropriate actions for development.

For several years, the Group has applied a structured approach to prevention designed to ensure employees' health and safety at work. In 2014 it organized, for the 2<sup>nd</sup> consecutive year, a worldwide week devoted to health and safety at work. Health and safety is an active preoccupation for all our employees at all our sites.

Staff opinion surveys, regularly renewed, enable each subsidiary to dispose of quantified data and define focuses for progress. The aim: companies where people love to work.

For the 6<sup>th</sup> year the Group has received the Top Employer France label and for the 2<sup>nd</sup> time, the Top Employer Europe label. The label recompenses the quality of managerial practices and the HR tools used for the benefit of staff.

### Consolidation of social information

The scope of the data presented is specified for each indicator reported.

### THE GROUP AND ITS EMPLOYEES

The Group had 19,246 equivalent full-time employees (including temporary employees) in 2014 (18,395\* in 2013).

18,327 persons were employed on the basis of indefinite or fixed term contracts of employment at December 31, 2014 (17,695\* at the end of 2013). The change is mainly attributable to the integration of Berthaut, Sodilac, Lescure and Saint Saviol.

\*After application of IFRS 11

### Analysis of employees on December 31, 2014

#### By geographic zone

For these indicators, the scope represents 100% of employees as of December 31, 2014.

As in 2013, the Group's employees are located as follows:

- 38% in France;
- 33% in the rest of Europe;
- 29% in the rest of the world.

#### By status

For these indicators, the scope represents 100% of employees as of December 31, 2014.

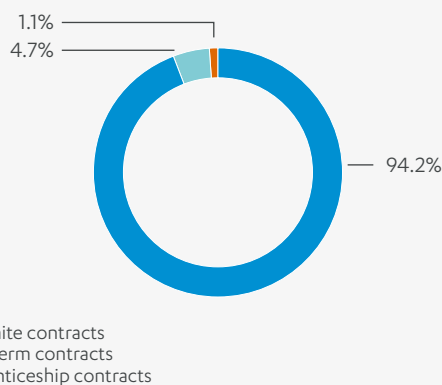
The number of managerial staff in the Group attained 2,685 at December 31, 2014 i.e. 14.7% of the total at the level of the Group and 17.3% in France, stable compared with 2013.

On a like-for-like basis, managerial staff numbers fell by 1.8% compared to 2013.

#### By type of contract

For these indicators, the scope represents 100% of employees as of December 31, 2014.

#### By type of contract



On a like-for-like basis, the ratio of permanent contracts to total employees rose by 2.1% compared to 2013.

In France, permanent contracts represented 94.2% of total employees and their number fell by 4.4%.

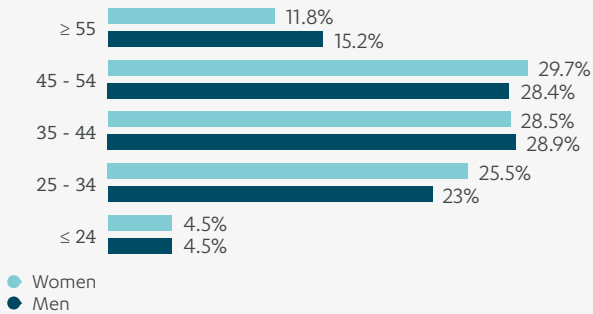
At December 31, 2014 the Group had 1,352 temporary or similar employees, i.e. 6.9% of total employees.

## By age

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

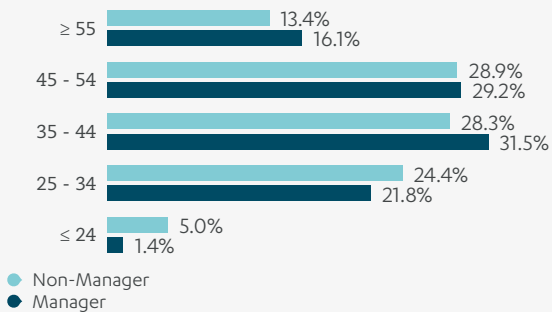
### Breakdown of permanent employees by sex and by age

In percentage



### Breakdown of permanent employees by status and by age

In percentage



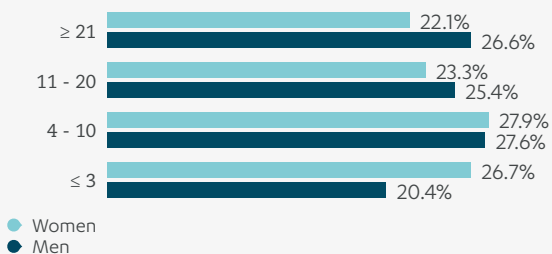
On a like-for-like basis, the number of young employees fell by 4.4% and those aged over 55 rose by 5.1%.

## By length of service

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

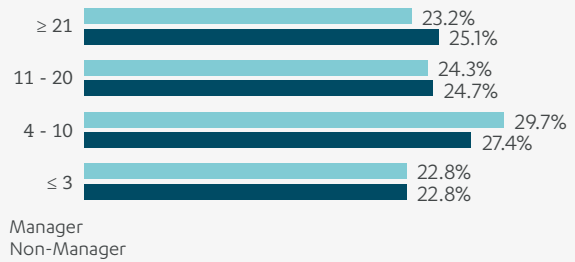
### Breakdown of permanent employees by length of service and by sex

In percentage



### Breakdown of permanent employees by length of service and by status

In percentage



## ORGANIZATION OF WORKING HOURS

### Hours worked

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

On average, a Group employee worked 1,698 hours in 2014.

### Overtime hours in France

For these indicators, the scope represents 100% of employees as of December 31, 2014.

In France, employees worked an average of 17 overtime hours. 39.8% of employees worked some overtime in 2014. In France, an average employee worked 1,484 hours in total.

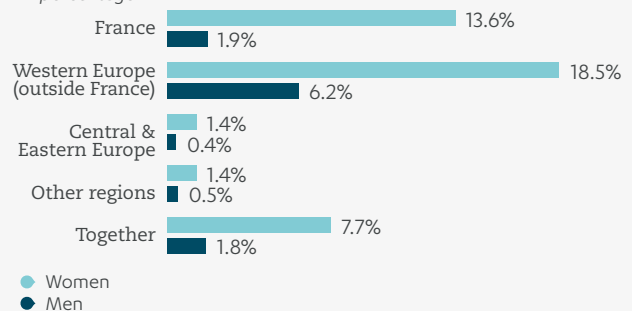
### Part-time work

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

Part-time work applied to 4.1% of the Group's permanent employees.

### Breakdown of part-time work by geographical zone and by sex

In percentage





More women than men worked part-time: 7.7% as opposed to 1.8% of permanent employees.

Part-time work is mostly chosen by employees to meet the balance between work and home life, a dimension to which the Group pays close attention.

### Shift work and night work in France

For these indicators, the scope represents 100% of employees as of December 31, 2014.

In France, 49.7% of employees work shifts. Night work affects 20.6% of employees and has remained stable compared to 2013.

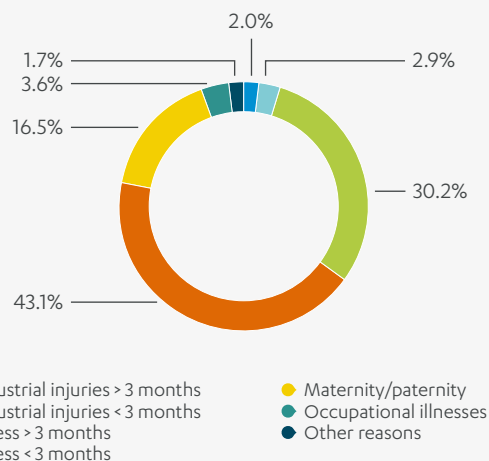
### Absence

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

On average, there are 16 calendar days of absence per employee and per year and on a like-for-like basis, these results are down 2.4% compared to 2013.

About three quarters of absences are due to illness including long-term afflictions.

Breakdown of reasons for absence



## EMPLOYMENT AND EMPLOYEES' PERSONAL DEVELOPMENT

### Training

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

The Group is attentive to its employees' employability and invests in high level training for the benefit of all staff.

Mention may be made, among other programs, of:

- Specific training for new manager-level entrants;
- The Bongrain Academy which offers industrial managers courses focusing on cheese and dairy know-how;
- Training sanctioned by diplomas such as France's *Certificats de Qualification Professionnelle*;
- Encouragement to engage in France's national program enabling competencies acquired via professional experience to be recognized by a diploma;
- Management Excellence seminars for executives.

In parallel, a range of courses available on an e-learning basis enrich our overall offering of training.

In 2014, training amounted to 216,541 hours and 1.55% of payroll. The 3,925 training sessions which took place were directed at 68.3%\* of the Group's employees.

\*Calculated on the basis of the number of employees receiving training during the course of the year compared with employees on payroll at the year-end.

### Job training and apprenticeship

The Group believes that apprenticeship, which establishes a direct link between education and professional training, is an effective way of integrating future staff members. We develop an active policy in this regard.

In France, apprenticeship contracts apply to 1.6% of employees and other training contracts account for 1.2% of total numbers, a slight rise over 2013.

### INTERNAL MOBILITY

Bongrain encourages internal mobility both within and between its subsidiaries. An internal database enables employees to be aware of all job opportunities within the Group.

All subsidiaries perform annual career reviews focused on preparing future career movements for their staff whether between subsidiaries, functions or countries. The information provided to the Group can be used to facilitate the process.

## Personnel recruitment, moves and the current context

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

The hire rate for permanent employees amounted to 10.9% compared with 10.6% for departures (including intragroup transfers, in both case based on employees on payroll at the year-end). Departures motivated by the employer represented 3.2% of the total.

The Group continued to develop its policy of relationships with educational institutions to recruit the talents required to meet its ambitions.

## HEALTH AND SAFETY AT WORK

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

The "Safety is my business" project, deployed since 2009, is designed to enable progress at all our sites and has translated into a regular fall in workplace accidents.

It is defined, monitored and coordinated at Group level by a safety governance committee and a club of safety coordinators.

It is backed up by a safety framework of reference, shared tools, safety audits, safety management plans and Behavioral Safety Visits. Follow-up, accident analysis and regular reporting all contribute to achieve progress with the approach.

In 2014, a flash *Accident Groupe* information bulletin was launched for improved sharing of risks and the requisite prevention. A staff safety survey was also performed, which disclosed increasing maturity and involvement on the part of employees.

At the level of the Group, the accident frequency rate amounts to 11.0, 6% less than in 2013, and the severity rate to 0.5.

	2014	2013
Accident frequency rate	11.0	11.6
Accident severity rate*	0.5	0.5

\*With days' absence from work based on calendar days.

In France, 70 employees were affected by occupational illness in 2014. Similar data is not communicated for the rest of the world given the current heterogeneity of international definitions of occupational illness.

## DIVERSITY

The Group's Ethical Charter recalls that respect for persons, and equality of opportunity, are pillars of our corporate culture. Faithful to its humanistic values, the Group remains attached to giving every talent its chance, is attentive to the respect of individual opportunities and non-discrimination and has developed an executive training module in diversity.

### Older employees

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

The proportion of the Group's permanent employees aged 55 or more amounts to 13.9% and that of employees under 24, 4.5%. In France, the "generational contract" now complements and reinforces earlier measures in favor of older employees: mentoring, lifelong training, improved working conditions and prevention of job stress or duress. The measures supporting the integration of young employees have also been enriched: mentors, induction courses, etc.

### Women

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

#### Representation of women

The proportion of women employed was slightly higher (39.3%) compared with 2013. The proportion rises to 49.9% in headquarters and service companies.

The proportion of female managers amounts to 37.8%, stable compared to 2013. In France, the ratio was up 0.8% on a like-for-like basis.

#### Equal opportunities for men and women

The Group promotes equality of opportunity for all its employees, as well as non-discrimination in terms of recruitment, training or career progress.

A guide to best practices has been provided to recruitment firms, who are required to submit mixed lists of candidates. Over and above the applicable legal requirements, other best practices in favor of equal opportunity largely applied include:

- Equal access to professional training and encouragement of diversity;
- Consideration/correction of special factors contributing to pay or other gaps;
- In-house communication promoting diversity, including specific training;
- A comprehensive approach to taking account of periods of severe family constraints;
- Work arrangements aiming to reconcile professional and personal obligations.

## Measures in favor of the employment of people with disabilities

For these indicators, the scope represents 98.8% of employees as of December 31, 2014.

The Group invests in facilitating the access to and continuing employment of handicapped persons via initiatives such as:

- Appropriate recruitment processes;
- Adaptation of premises, workstations and working hours;
- Individualized welcome and integration;
- Support and training;
- Collaboration with sheltered workshops.

The Handicap Week provides the occasion for events and workshops designed to raise employees' awareness of people's perceptions of handicaps.

Certain subsidiaries have signed agreements to support their staff in the process of obtaining Recognition of Handicapped Worker Status.

In 2014, the Group employed 2.6% of handicapped persons. In France, the proportion amounted to 4.0%.

## SOCIAL AND SOCIETAL RESPONSIBILITY

### A responsible approach to restructuring and organizational change

The Group pays attention to adapting and developing its employees' skills so that they are able to respond to the ongoing changes in our organizations and jobs. We encourage training leading to diplomas that enhance staff employability. The Group's Ethical Charter recalls that "when restructuring is required, the Group undertakes never to leave an employee confront a problem of employment alone".

In conjunction with trade unions, the Group places the accent on training, mobility and career management. When it is found to be impossible to resolve an issue of employment by mobility, the Group implements a set of measures to help employees find work elsewhere: skills assessment, training courses, outplacement, help with business creation, etc. In such circumstances, employees are always supported on an individual basis.

### Compliance with International Labor Organization agreements and promotion thereof with subcontractors

#### The Group's commitment

Via its adherence to the UN's Global Compact since 2003, the Group is committed to complying with its ten principles governing human rights, working conditions, the environment and the fight against corruption.

The ten fundamental principles are recalled in the Group's Ethical Charter which states that each employee has a duty to alert: *"Whenever an employee believes that a violation of the Group's ethics is occurring, he or she has a duty to alert his or her immediate superior and if necessary, one of the Group's directors"*.

#### Promotion to subcontractors

The Group gives preference to suppliers who share its commitments and accept its principles in particular with regard to best business practices, working conditions, human rights compliance and protection of the environment.

The Group does not significantly subcontract production: subcontracted work is essentially related to services including cleaning and maintenance. Service-providers are informed on the hygiene and safety requirements in force at the sites where they work.

### Local social or environmental commitment

The Group encourages its entities and their staff to support local initiatives. Group subsidiaries are generally located in rural areas where they play an active role in providing jobs and in local economic and social development.

Numerous initiatives are conducted in cooperation with local and regional bodies, especially with regard to:

- 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, educational interventions in the framework of secondary school teaching;
- Providing work for people in difficulty: working with sheltered employment institutions and associations for disabled workers.

Subsidiaries provide local support to cultural or humanitarian associations, such as *Restos du Cœur* and food banks, and organize specific aid for the victims of natural catastrophes.

Since 2011, the Group has proposed that its French employees adhere to the *Arrondi Solidaire* program under which volunteers forfeit the centimes included in their net monthly pay, in return for which the employer also pays a contribution for the benefit of two associations providing micro-credit finance.



## REMUNERATION

Through its pay policy, Bongrain SA seeks to provide attractive job openings, retain and motivate talent and guarantee fairness.

In addition to a fixed salary, for some staff depending on their functions and level of responsibility the remuneration provided includes an individual part that varies according to the attainment of targets fixed at the annual development meetings, and may be complemented by profit-sharing.

Total payroll rose by 3.9% in 2014, reflecting both individual and general salary increases.

Over three years the Group has deployed a detailed annual pay summary of all the elements of direct and indirect remuneration of each employee. The deployment was completed in 2014, year in respect of which every manager-level employee received the summary which includes elements of individual simulation.

## EMPLOYEE SAVINGS IN FRANCE

In France, the special profit-sharing reserve for 2014 amounts to €7,575,740.

In 2008 the Group introduced a Group savings scheme allowing all employees in France 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 take a stake in the Group's development, and increase employee shareholdings, the Group tops up the Bongrain SA Mutual Fund with a supplement encouraging small investments.

## QUALITY OF STAFF RELATIONS

### Staff relations

Dialogue with staff is placed as close to the field as possible, to adapt to each of its businesses and organizations in accordance with the Group's principle of subsidiarity.

At all levels in its organization, the Group has bodies representing personnel: in subsidiaries with works committees, in France with the Group committee and in Europe with the European works committee.

Rules and procedures for consultation, the provision of information and negotiation are implemented to advance social dialogue.

### Collective bargaining agreements

In 2014, annual remuneration agreements were signed at 52% of our subsidiaries.

Our aim is to work towards a core set of harmonized collective bargaining agreements for all our entities in France. This resulted in 2014 in the signature of Group-wide agreements in respect of providence and supplementary healthcare insurance. The agreements are negotiated with our trade unions and piloted by joint Group employee/management commissions. In 2014, discussions took place to deploy, in 2015, a PERCO Group Retirement Savings Plan.

## Staff welfare in France

In France, the staff welfare budget is mainly managed by each subsidiary's works committee.

Most companies subsidize, partly or totally, benefits such as supplementary healthcare insurance, transport, meal vouchers and holiday checks. Supplementary healthcare insurance is the welfare benefit most widely provided.

## In-house communication

The Group's internal communication is supported in all its subsidiaries by in-house magazines, general and specialized intranet portals, travelling exhibitions, etc. A Group magazine is available to all employees.

Bongrain SA's decentralized form of organization encourages all such initiatives, stimulates dialogue and contributes to staff development both within individual subsidiaries and in the Group as a whole.

## Listening to employees

"Great Place to Work" employee surveys are regularly performed at all subsidiaries, allowing all staff members to say what they think anonymously.

A questionnaire on topics related to the Group's culture – covering pride of belonging, management's credibility, respect, equity and conviviality – is also used as a means of measuring the social climate. Employees are informed of the results, which are used by each subsidiary to identify areas where progress is required and implement action plans.

This mechanism helps subsidiaries fine-tune their human resource practices and goals and contributes to our policy of continuous improvement involving both management and all employees.

Specific support now exists for the Group's employees in France in the form of on-site psychological help in the event of traumatic shock and, in certain companies, an anonymous 24/24 listening line available to employees or their families seeking psychological assistance.

# INTERNAL CONTROL AND RISK MANAGEMENT

## 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 provides a true and fair view of the financial performance and financial position of the companies comprising the Group. They are also intended to provide control over the operating processes deployed in the Group's various operating entities.

Internal controls are implemented by each Group entity and by Group general management, with support from the Board of Directors and its Audit and Risks Committee, as an integral part of their missions and with the purpose (in conjunction with the Group's risk mapping) of ensuring that:

- The laws and regulations applying in each of the countries in which the Group operates, and 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 complies 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 complete identification and control of all risks.

The Group's enterprise risk management at all levels of the Group, based on its risk mapping, aims to control the Group's operating, financial, strategic etc. risks whilst optimizing:

- Means of prevention;
- Means of reducing or covering risks (e.g. via insurance);
- The acceptance of certain risks.

## RISK MAPPING

The Group possesses a mapping of its risks prepared by its Risk Management Department in liaison with general management. This mapping is designed to identify the main risks to which the Group is exposed and to evaluate them in terms of their potential impact on the Group's financial position or image. Deployment of our enterprise risk management approach to the Group's main operating subsidiaries is in progress in order to improve the Group's knowledge of the risks with which it is confronted and control its exposure to the most significant risks identified.

## CONTROL PHILOSOPHY

The Group's internal control and enterprise risk management procedures reflect its policy of subsidiarity and operating autonomy of its various units, as well as the description of its risks. 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 the Group's levels of borrowing.

The Board of Directors' Audit and Risks Committee assesses the effectiveness of the controls in place based on the work performed by Internal Audit and by the Group's statutory auditors.

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 using for that purpose the framework of reference defined by the *Autorité des Marchés Financiers (AMF)*, France's financial markets oversight board. Its assignments contribute to identifying the major risks associated with each entity's operations, in conjunction with the Group's risk description prepared in the framework of the Group-wide enterprise risk management approach currently under deployment. 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 general manager responsible for each of the Group's businesses and monitored annually by the Internal Audit Department.

With regard to financial reporting, the 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.

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 and data used, 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 which are acted on in order regularly to improve our existing procedures.

## **WORK PERFORMED FOR THE PURPOSES OF PREPARATION OF THIS REPORT**

Preparation of this report has been based both on the internal control methods just described, on work performed by the Group's risk management functions at the request of Group Management and in particular, of the Chairman, and on the preparatory work performed by the Audit and Risks Committee which prepared a report on its activity in 2014 that was presented and discussed at the meeting of the Board of Directors held on February 26, 2015.

The same Committee met on February 24, 2015 to interview the persons responsible for preparing the Group's financial and accounting information. The results of those interviews were equally presented and discussed at the meeting of the Board of Directors held on February 26, 2015.



# CONSOLIDATED INCOME STATEMENT

<i>In thousands of euro</i>	12 months	2014	2013 restated <sup>(*)</sup>
<b>NET SALES</b>		<b>4,606,920</b>	<b>4,204,557</b>
Purchases adjusted for changes in inventories		-3,146,321	-2,763,342
Personnel costs		-779,342	-757,958
Depreciation, amortization, impairment and provisions		-112,559	-108,576
Other current operating expense		-459,310	-431,290
<b>CURRENT OPERATING PROFIT</b>		<b>109,388</b>	<b>143,391</b>
Other operating expense		-33,524	-33,342
Other operating income		21,239	12,734
<b>TOTAL OPERATING PROFIT</b>		<b>97,103</b>	<b>122,783</b>
Financial expense		-43,106	-38,370
Financial income		12,867	13,802
Group share of results of associates		3,751	8,005
<b>PROFIT BEFORE TAX</b>		<b>70,615</b>	<b>106,220</b>
Taxes on income		-25,808	-51,082
<b>Net income from continuing operations</b>		<b>44,807</b>	<b>55,138</b>
<b>Net income from operations discontinued or in process of sale</b>		<b>-127</b>	<b>96</b>
<b>NET INCOME FOR THE YEAR</b>		<b>44,680</b>	<b>55,234</b>
Attributable to equity holders of the parent company		39,068	48,893
Attributable to non-controlling interests		5,612	6,341
<b>EARNINGS PER SHARE (in euro)</b>			
<b>Attributable to equity holders of the parent company:</b>			
• basic		2.79	3.49
• diluted		2.71	3.38
<b>From continuing operations:</b>			
• basic		2.78	3.48
• diluted		2.71	3.37

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

<i>In thousands of euro</i>	12 months	2014	2013 restated <sup>(*)</sup>
<b>NET INCOME FOR THE YEAR</b>		<b>44,680</b>	<b>55,234</b>
<b>Other comprehensive income:</b>			
Foreign exchange differences		12,628	-33,344
Change in fair value of available-for-sale financial assets		317	45
Change in fair value of cash flow hedges <sup>(1)</sup>		-2,392	-2,512
Recyclable components attributable to associates and joint ventures		561	-679
<b>Total recyclable components of other comprehensive income</b>		<b>11,114</b>	<b>-36,490</b>
Actuarial gains and losses for post-employment benefit plans		-15,964	5,603
Non-recyclable components attributable to associates and joint ventures		-374	-307
Other movements <sup>(2)</sup>		-399	-1,717
<b>Total non-recyclable components of other comprehensive income</b>		<b>-16,737</b>	<b>3,579</b>
<b>Other comprehensive income net of tax</b>		<b>-5,623</b>	<b>-32,911</b>
<b>TOTAL COMPREHENSIVE INCOME NET OF TAX</b>		<b>39,057</b>	<b>22,323</b>
Attributable to equity holders of the parent company		34,467	16,963
Attributable to non-controlling interests		4,590	5,360

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

(2) Relating in 2014 and 2013 to adjustment of long-term employee benefits.

(\*) With effect from January 1, 2014 (and with retroactive effect from January 1, 2013) the Group has applied IFRS 11, *Joint Arrangements*. As a result, the financial statements for 2013 have been restated in accordance with the new standard.

# CONSOLIDATED BALANCE SHEET

## ASSETS

<i>In thousands of euro</i>	<b>31.12.2014</b>	<b>31.12.2013 restated<sup>(*)</sup></b>
Intangible assets	438,376	441,879
Property, plant and equipment	858,625	801,312
Other financial assets	33,644	35,279
Investments in associates	188,561	218,077
Non-current derivative financial instruments	2,398	1,691
Deferred tax assets	90,889	81,349
<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,612,493</b>	<b>1,579,587</b>
Inventories and work in progress	440,599	430,673
Trade and other receivables	813,822	804,089
Tax credits	25,754	16,103
Derivative financial instruments	4,320	4,937
Other current financial assets	16,357	94,546
Cash and cash equivalents	470,356	388,299
<b>TOTAL CURRENT ASSETS</b>	<b>1,771,208</b>	<b>1,738,647</b>
Assets relating to operations discontinued or in process of sale	1,961	1,066
<b>TOTAL ASSETS</b>	<b>3,385,662</b>	<b>3,319,300</b>

## EQUITY AND LIABILITIES

<i>In thousands of euro</i>	<b>31.12.2014</b>	<b>31.12.2013 restated<sup>(*)</sup></b>
<b>Paid-in capital</b>	<b>94,714</b>	<b>94,100</b>
Reserves	-44,573	-40,292
Retained earnings	1,068,583	1,048,507
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>	<b>1,118,724</b>	<b>1,102,315</b>
Equity attributable to non-controlling interests	101,109	102,969
<b>TOTAL EQUITY</b>	<b>1,219,833</b>	<b>1,205,284</b>
Provisions	122,371	92,306
Non-current borrowings	308,379	328,988
Other non-current liabilities	57,100	45,405
Non-current derivative financial instruments	8,033	11,445
Deferred tax liabilities	116,921	118,155
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>612,804</b>	<b>596,299</b>
Trade and other payables	892,313	908,293
Taxes on income payable	7,459	9,905
Derivative financial instruments	4,226	1,760
Bank borrowings	648,790	597,506
<b>TOTAL CURRENT LIABILITIES</b>	<b>1,552,788</b>	<b>1,517,464</b>
Liabilities relating to operations discontinued or in process of sale	236	253
<b>TOTAL LIABILITIES</b>	<b>2,165,828</b>	<b>2,114,016</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,385,662</b>	<b>3,319,300</b>

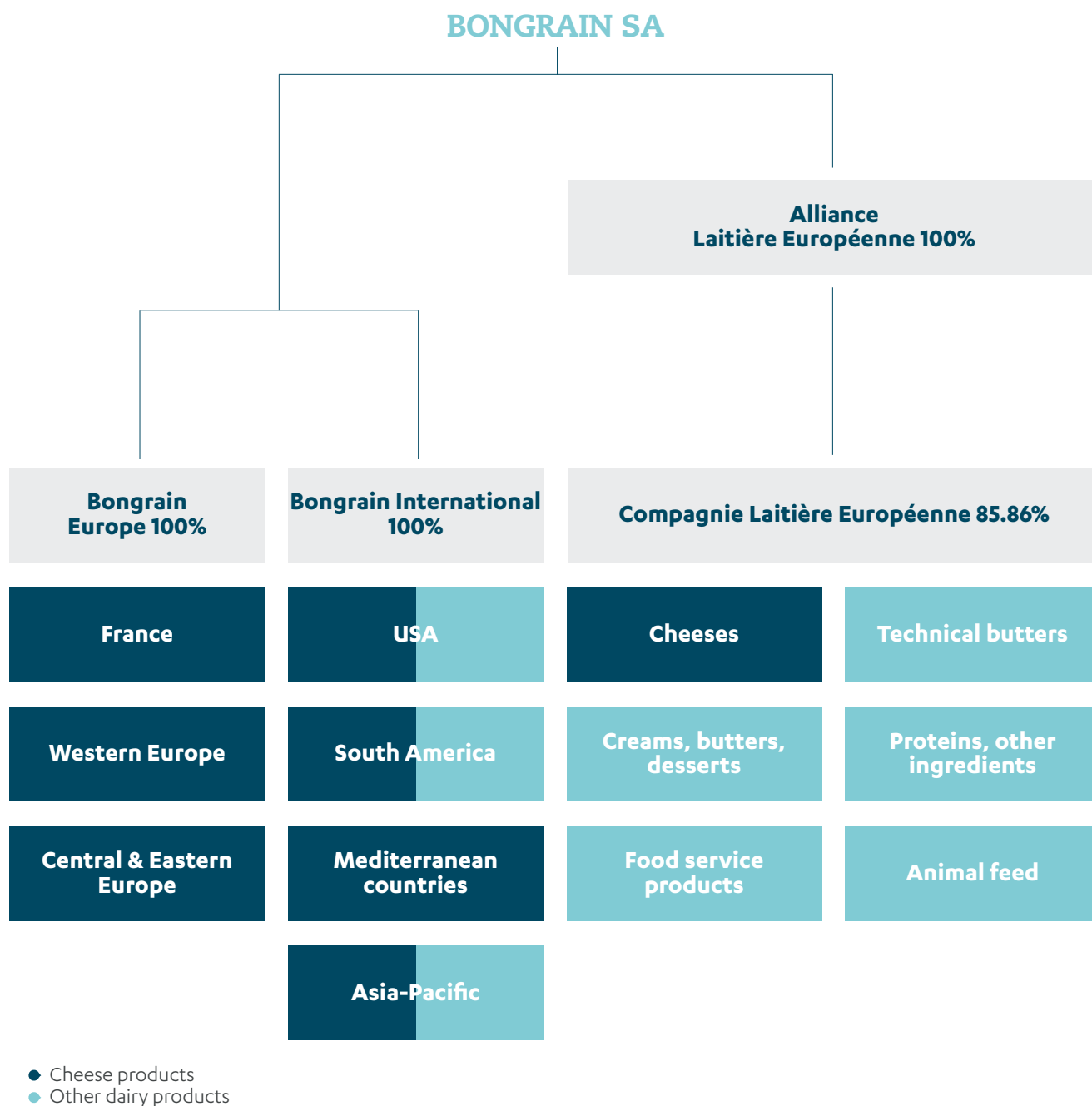
(\*)With effect from January 1, 2014 (and with retroactive effect from January 1, 2013) the Group has applied IFRS 11, Joint Arrangements. As a result, the financial statements for 2013 have been restated in accordance with the new standard .

# CONSOLIDATED STATEMENT OF CASH FLOWS

<i>In thousands of euro</i>	12 months	2014	2013 restated <sup>(*)</sup>
<b>Net income from operations discontinued or in process of sale</b>		<b>-127</b>	<b>96</b>
<b>Net income from continuing operations</b>		<b>44,807</b>	<b>55,138</b>
Taxes on income		25,808	51,082
Depreciation, amortization, impairment and provisions		112,559	108,576
Gains and losses on disposal of assets		-20,343	169
Group share of results of associates		-3,751	-8,005
Net financial expense		17,210	15,907
Other non-cash income and expense		32,480	9,760
<b>Gross operating margin</b>		<b>208,770</b>	<b>232,627</b>
Interest paid		-28,555	-26,430
Interest received		10,505	10,594
Taxes on income paid		-41,569	-45,440
Change in working capital		-30,850	-69,581
<b>Net cash from continuing operations</b>		<b>118,301</b>	<b>101,770</b>
<b>Net cash for operations discontinued or in process of sale</b>		<b>-33</b>	<b>-42</b>
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>118,268</b>	<b>101,728</b>
Acquisition of subsidiaries, operating units and non-controlling interests		-8,455	-74,351
Disposal of businesses net of the cash transferred		28,231	4,706
Purchase of tangible and intangible non-current assets		-164,438	-174,623
Proceeds from disposal of assets		5,580	4,195
Acquisition/disposal of financial assets and changes in other current financial assets		80,282	-25,936
Merger adjustments		23	-3,000
Dividends received from associates		2,557	1,569
<b>Net investment associated with continuing operations</b>		<b>-56,220</b>	<b>-267,440</b>
<b>Net investment associated with operations discontinued or in process of sale</b>		<b>-</b>	<b>-</b>
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>-56,220</b>	<b>-267,440</b>
<b>Cash from financing activities</b>		<b>-</b>	<b>-</b>
Proceeds from exercise of share purchase options		-	-
Net purchase of treasury shares		94	1,156
Change in the parent company's share capital		-	-1,399
Subscription to the share capital of an associate		-	-2,158
Proceeds from borrowings		143,228	211,156
Repayment of borrowings		-146,867	-92,499
Dividends paid		-17,861	-22,700
<b>Net financing associated with continuing operations</b>		<b>-21,406</b>	<b>93,556</b>
<b>Net financing associated with operations discontinued or in process of sale</b>		<b>-</b>	<b>-</b>
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>-21,406</b>	<b>93,556</b>
Impact of foreign exchange differences		20,365	501
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>61,007</b>	<b>-71,655</b>
<b>Reclassification of cash and cash equivalents associated with operations discontinued or in process of sale</b>		<b>-</b>	<b>8</b>
<b>OPENING CASH AND CASH EQUIVALENTS</b>		<b>267,174</b>	<b>338,821</b>
<b>CLOSING CASH AND CASH EQUIVALENTS</b>		<b>328,182</b>	<b>267,174</b>

(\*)With effect from January 1, 2014 (and with retroactive effect from January 1, 2013) the Group has applied IFRS 11, Joint Arrangements. As a result, the financial statements for 2013 have been restated in accordance with the new standard.

# SIMPLIFIED GROUP STRUCTURE





# GRI TABLE OF EQUIVALENCE

The Global Reporting Initiative (GRI), initiated by the Coalition for Environmentally Responsible Economies (CERES) in association with the UN's environmental program, provides companies that so desire with frameworks for their reporting on environmental and social performance. The table

below matches the French Grenelle 2 indicators with the corresponding GRI indicators and provides references to the corresponding pages of this annual report.

NRE		Annual Report
<b>SOCIAL PERFORMANCE INDICATORS</b>		<b>pp. 60-65</b>
NRS 1a	Total employees	p. 60
	Hires under fixed and indefinite term contracts	p. 63
	Dismissals and reasons	p. 63
	Overtime	p. 61
	Outside labor	p. 64
NRS 1b	Planned redundancies and safeguarding of jobs, efforts to reclassify and reemploy, associated measures	p. 64
NRS 2	Working hours	pp. 61, 62
	Absenteeism and reasons	p. 62
NRS 3	Remuneration, social contributions, profit-sharing	p. 65
	Equality of men and women	p. 63
NRS 4	Labor relations/collective bargaining agreements	p. 65
NRS 5	Hygiene and safety	p. 63
NRS 6	Training	p. 62
NRS 7	Insertion of disabled workers	p. 64
NRS 8	Social benefits	p. 65
NRS 9	Subcontracting and vendor relationships	p. 59
NRS 10a	Manner in which the enterprise promotes ILO standards with vendors and ensures their respect by subsidiaries	p. 64
NRS 10b	Manner in which the enterprise measures the impact of its operations on regional employment and development	p. 64
	Relationships of the enterprise with interested parties (associations promoting social insertion, institutes of learning, environmental defense associations, consumers, local residents)	p. 64
<b>ENVIRONMENTAL PERFORMANCE INDICATORS</b>		<b>pp. 52-59</b>
NRE 1	Water consumption	p. 54
	Energy consumption	pp. 55, 56
	Raw material consumption	p. 54
	Measures taken to improve the use of energy and recourse to renewable energy	pp. 55, 56
	Measures taken to improve land use	p. 56
	Measures taken to reduce air, water and ground pollution	pp. 56, 57
	Measures taken to reduce noise and smells	pp. 57, 59
	Measures taken to reduce waste	p. 57
NRE 2	Limiting damage to biological equilibrium, natural habitats, protected animal and vegetable species	p. 58
NRE 3	The entity's approach to environmental evaluation or certification	pp. 52, 53
NRE 4	Ensuring compliance of the enterprise's operations with the applicable legal and regulatory requirements	pp. 52, 53
NRE 5	Expenditure on the prevention of consequences of the company's activity on the environment	–
NRE 6	Existence of environmental management functions within the enterprise	pp. 52, 53
	Environmental training and information of employees	p. 53
	Organization in place to deal with accidental pollution extending beyond the enterprise's own boundaries	p. 53
	Resources employed in mitigating risks	pp. 52, 53
NRE 7	Amount of environmental provisions recognized and guarantees provided	NA
NRE 8	Amount of environmental compensation paid and actions brought for repair of environmental damage	NA
NRE 9	Objectives assigned to the enterprise's foreign subsidiaries	p. 52

Document designed and produced by the Corporate Communication Department  
Savencia SA, a joint-stock company with share capital of €14,032,930 – Versailles company registry No. 847 120 185

Editorial and graphic conception: W

**Photo credits:** Savencia SA, Thierry Arensma, Armor, Gaël Arnaud, Ana Blazic Pavlovic, BG, Markus Brüggem, Frank Castel, CF&R, Corman, Magali Courgeon, Enactus, Elvir, Fiala & Šebek, Jacques Gavard, Getty Images, Robert Jones, Michel Labelle, Fromageries des Chaumes, Fromageries Lescure, Patricia Kettenhofen, Paulo Lavizzari, Polenghi, Emilie Pradier, Matthieu Raffard, Javier Rodriguez, Dieter Roosen, Wolfgang Schardt, Pierre-Louis Viel.



*This publication was printed by an Imprim'Vert certified printer using vegetable-based ink and paper from sustainably managed forests 100% PEFC certified.*



**Savencia SA**

L'Alliance – 42, rue Rieussec  
78220 Viroflay – France  
Tel.: 00 33 (0)1 34 58 63 00