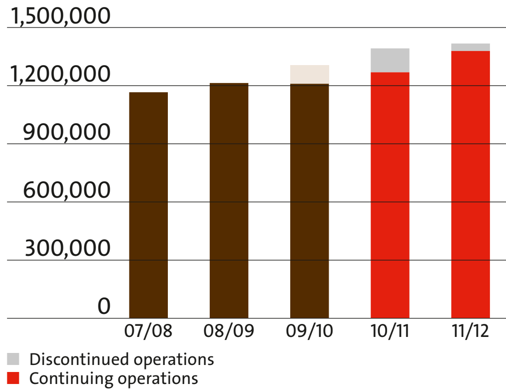
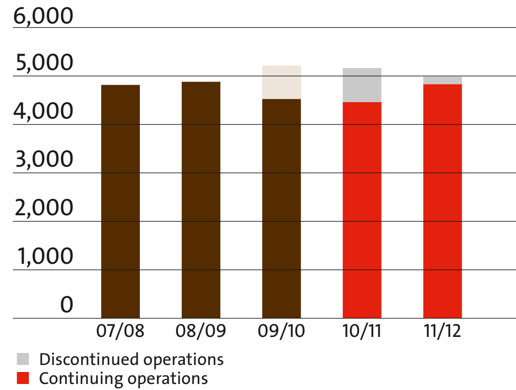
Annual Report 2011/12

BARRY CALLEBAUT

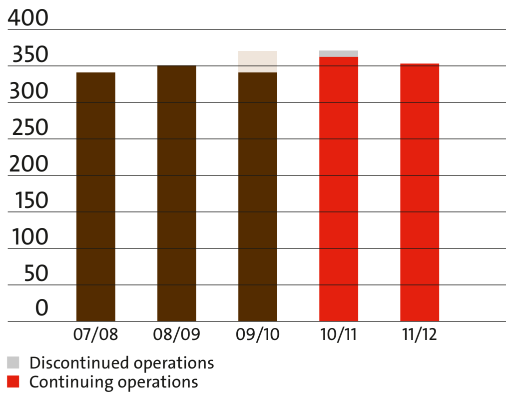
Sales volume
in tonnes



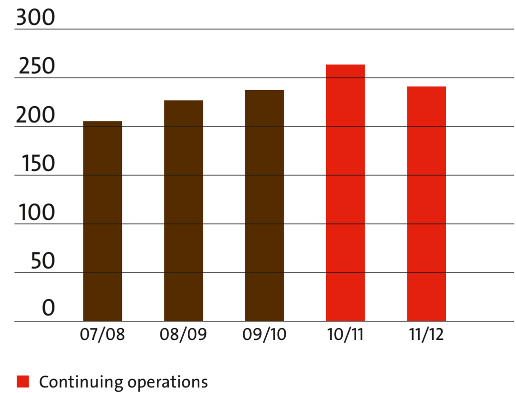
Sales revenue
in CHF million



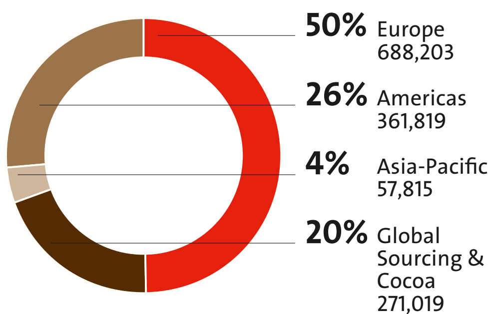
EBIT
in CHF million



Net profit
in CHF million

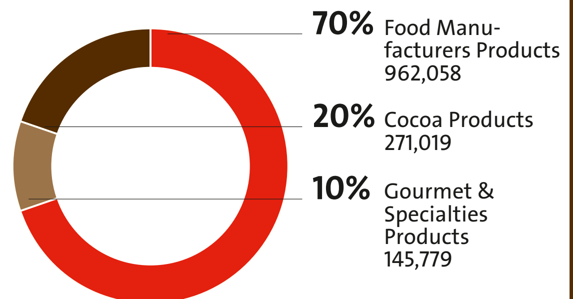


Sales volume by Region*
in tonnes



* Continuing operations

Sales volume by Product Group*
in tonnes



* Continuing operations

At a Glance

Barry Callebaut
Annual Report 2011/12

Our vision
We are the heart and engine of the chocolate industry.

Our activities
Barry Callebaut is the world's leading supplier of high-quality cocoa and chocolate products. In the industrial chocolate market, we have a 40% market share in the open market. That means we are present in every fifth chocolate product consumed around the world. We operate 46 cocoa and chocolate factories worldwide and are present in 30 countries. As a business-to-business company, we are serving the entire food industry, from industrial food manufacturers to professional or artisanal users of chocolate.

At a Glance

Barry Callebaut
Annual Report 2011/12

We apply an integrated business model for our most important raw material: cocoa. For the majority of our needs, we source cocoa directly and transform it together with other key ingredients into a broad offering of high-quality, innovative products. To accommodate price fluctuations, we apply for 80% of our business a cost-plus pricing system, passing on raw material costs directly to our customers.

Everything we do has deep and strong roots in our five core values – **customer focus, passion, entrepreneurship, team spirit and integrity**.

These are visible in every part of our chain of activity – from the sourcing of raw materials to the fulfillment of our responsibility towards all our stakeholders. Transparent teamwork characterizes our way of working throughout the organization. This includes employees, producers, suppliers, customers, consumers to the inhabitants of the communities where we operate and our shareholders.

Our values represent a mindset and way of doing business that is committed to the generation of sustainable earnings over time, to create long-term value for all our stakeholders.

Strategy

Barry Callebaut
Annual Report 2011/12

Barry Callebaut aims to outperform the global chocolate market. The ambitious growth strategy is based on four pillars:

Expansion

Barry Callebaut wants to strengthen its position in the main markets of Western Europe and North America. In emerging markets, the company aims to develop their full potential and will carefully evaluate how to enter other emerging markets. Implementing existing outsourcing volumes and strategic partnerships as well as securing further outsourcing deals with regional and local food manufacturers will remain an essential part of the business strategy. In parallel, Barry Callebaut intends to also accelerate the growth of its Gourmet business.

Innovation

Barry Callebaut is recognized as the reference for innovation in the chocolate industry. Dedicated R&D teams around the world focus on two different areas: fundamental research into preserving the health properties of the cocoa bean and proactive R&D leading to cutting-edge cocoa and chocolate products. The applied R&D teams, on the other hand, support customers to improve their products and recipes as well as their production processes on their own production lines. In total, Barry Callebaut manages about 2,000 R&D projects, runs over 9,100 trials and conducts more than 570 technical visits with its customers every year.

Cost Leadership

Cost Leadership is an important reason why for example international customers outsource their chocolate production to Barry Callebaut. The company is continuously improving its operational efficiency by upgrading the technology and achieving higher scale effects through better capacity utilization, by optimizing product flows, logistics and inventory management, as well as by reducing energy consumption and lowering fixed costs. In total, manufacturing costs per tonne in fiscal year 2011/12 were reduced by 3% on a like-for-like basis.

Sustainable Cocoa

Securing sufficient supplies of quality grade, responsibly grown cocoa to meet the specific requirements of its customers is a critical challenge for Barry Callebaut. Sustainable Cocoa stands for more volumes and better quality cocoa, aiming to secure the company's future growth ambitions and scaling up its certified cocoa volumes. Sustainable Cocoa consists mainly of three action areas: Improving Farmer Practices with so-called yield enhancement services, Farmer Education through an education curriculum for schools and Farmer Health. All this is aiming to improve the livelihood of farmer communities with which we work directly.

Five reasons to invest in Barry Callebaut

1.

World leader in high-quality cocoa and chocolate products with proven, focused and long-term oriented strategy

2.

Superior growth opportunities through strong positioning in outsourcing and long-term strategic partnerships with major food companies

3.

Leader in emerging markets with growing presence

4.

Recognized innovation leader

5.

Strong track record of sustainable and consistent earnings and cash flow generation

Barry Callebaut is the heart and engine of the chocolate industry. Our goal is to be Number 1 in all attractive customer segments and in all major world markets. Our knowledge of the chocolate business and our innovative power make us the partner of choice.

Key figures

Barry Callebaut
Annual Report 2011/12

Consolidated Income Statement

for the fiscal year ended August 31,		Change (%) in local currencies	Change (%) in reporting currency	2011/12[1]	2010/11[2]
Sales volume	Tonnes		8.7%	1,378,856	1,268,925
Sales revenue	CHF m	11.5%	8.3%	4,829.5	4,459.9
Gross profit	CHF m	5.3%	2.1%	672.6	659.0
EBITDA[3]	CHF m	4.4%	0.9%	434.3	430.3
Operating profit (EBIT)	CHF m	1.0%	(2.5%)	353.2	362.3
Net profit from continuing operations[4]	CHF m	(5.2%)	(8.5%)	241. 1	263.6
Net profit for the year	CHF m	(15.8%)	(19.3%)	142.6	176.8
Cash flow[5]	CHF m	1.2%	(2.3%)	440.2	450.7
EBIT per tonne[6]	CHF	(7.0)%	(10.3%)	256.2	285.5

Consolidated Balance Sheet

as of August 31,			2012[1]	2011
Total assets	CHF m	9.6%	3,576.6	3,263.1
Net working capital[7]	CHF m	17.0%	1,039.2	888.1
Non-current assets	CHF m	17.9%	1,424.8	1,208.4
Net debt	CHF m	19.4%	942.9	789.8
Shareholders' equity[8]	CHF m	11.5%	1,357.1	1,217.1

Ratios

for the fiscal year ended August 31,			2011/12[1]	2010/11[2]
Economic Value Added (EVA)	CHF m	(16.5%)	133.5	159.9
Return on invested capital (ROIC)[9]	%	(9.0%)	14.2%	15.6%
Return on equity (ROE)	%	(10.5%)	18.7%	20.9%
Debt to equity ratio	%	7.1%	69.5%	64.9%

Shares

for the fiscal year ended August 31,			2011/12[1]	2010/11[2]
Share price August 31,	CHF	18.1%	903.5	765.0
EBIT per share[10]	CHF	(2.5%)	68.4	70.1
Basic earnings per share[11]	CHF	(9.1%)	46.6	51.2
Cash earnings per share[12]	CHF	(2.4%)	85.2	87.3
Payout per share[13]	CHF	0%	15.5	15.5

Other

as of August 31,	2012[1]	2011
Employees	6,100	5,972

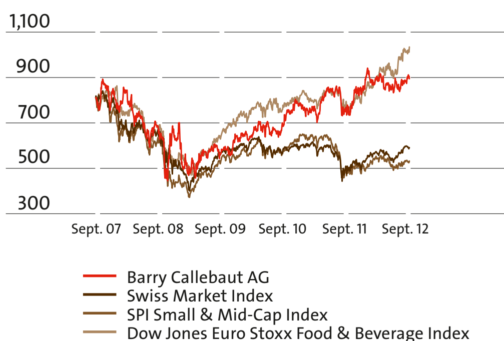
1 All key figures are based on the continuing operations except for net profit for the year, total assets and cash flow related key figures.
2 To conform with the current period's presentation, certain comparatives related to the Consolidated Income Statement have been restated. Restatements were mainly related to the discontinuation of the consumer activities. Balance Sheet and Cash Flow Statement related values and number of employees have not been restated.
3 EBIT + depreciation of property, plant and equipment + amortization of intangibles (all from continuing operations).
4 Net profit from continuing operations (incl. non-controlling interest).
5 Operating cash flow before working capital changes.
6 EBIT/sales volume (of the continuing operations).
7 Includes current assets, liabilities and provisions related to commercial activities.
8 Total equity attributable to the shareholders of the parent company.
9 EBIT x (1-effective tax rate)/average capital employed.
10 EBIT/basic shares outstanding.
11 Based on the net profit from continuing operations attributable to the shareholders of the parent company/basic shares outstanding.
12 Operating cash flow before working capital changes/basic shares outstanding.
13 2011/12 dividend partly out of paid-in capital reserves and partly a capital reduction through par value repayment as proposed by the Board of Directors to the Annual General Meeting. 2010/11 dividend out of paid-in capital reserves.

Barry Callebaut is organized into different regions: Region Europe (incl. Western and Eastern Europe), Region Americas and Region Asia-Pacific. The globally managed Global Sourcing & Cocoa business is reported as a separate segment like a Region. There are three different Product Groups: Cocoa Products, Food Manufacturers Products and Gourmet & Specialties Products.

	Europe	Americas	Asia-Pacific	Global Sourcing & Cocoa
	Food Manufacturers, Gourmet & Specialties	Food Manufacturers, Gourmet & Specialties	Food Manufacturers, Gourmet & Specialties	Cocoa
	50 % of consolidated sales volume	**26% of consolidated sales volume**	**4% of consolidated sales volume**	**20% of consolidated sales volume**
Volume growth vs. prior year	+6.9%	+15.3%	+10.3%	+4.7%
EBIT growth vs. prior year (in local currencies)	(1.7%)	25.4%	+20.9%	(8.9%)

Share price development Barry Callebaut vs. Indices

Rebased (in CHF)



Cocoa price

London Cocoa Terminal Market
in GBP/tonne

Number of employees

6,100

Number of factories

46

Number of R&D projects

2,131

Number of new recipes launched

972

Percentage of direct cocoa sourcing

69%

CO_2 reduction (since 2008/09)

19%

Barry Callebaut aims to significantly outperform the global chocolate market. Our ambitious growth strategy is based on four pillars: Expansion, Innovation, Cost Leadership, and Sustainable Cocoa.

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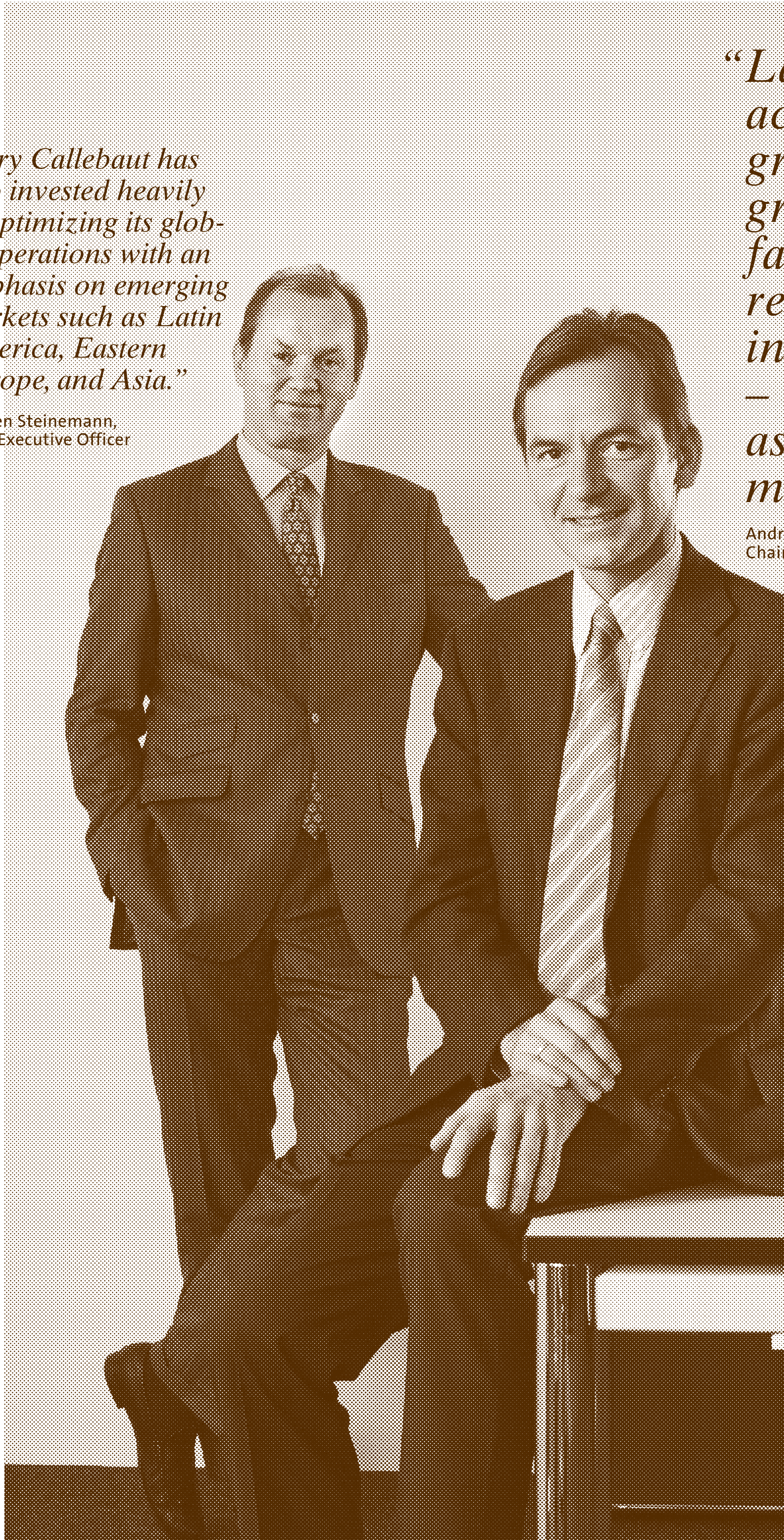
Accelerated sales, preparing for future growth

Barry Callebaut achieved strong volume growth above the market. Growth drivers were the Food Manufacturers Products business, emerging markets and strategic partnerships. This year, the company decided to significantly invest in structures, factory expansions, the acceleration of its Gourmet business, and the strategic pillar "Sustainable Cocoa" in order to support future growth both in developed and emerging markets. These investments as well as the ramp-up of various outsourcing agreements affected bottom-line results.

Once again, Barry Callebaut excelled in a global chocolate market environment that is currently growing at a lower pace. What is your recipe for success?

Andreas Jacobs, Chairman (AJ) I think the main reason for this is the consistent implementation of our growth strategy based on the four pillars of Expansion, Innovation, Cost Leadership, and Sustainable Cocoa over the past several years. Another reason is the daily efforts of our employees and their dedication to make success possible. Last year, we even accelerated our growth pace and grew significantly faster than the respective markets in all our Regions – both in developed as well as emerging markets. We were particularly pleased to have sustained our double-digit growth in the latter markets.

Juergen Steinemann, CEO (JBS) Barry Callebaut has also invested heavily in optimizing its global operations with an emphasis on emerging markets such as Latin America, Eastern Europe and Asia. These investments are already paying off: Today, almost a quarter of our total sales volume is generated in these regions, twice as much as five years ago.



"Barry Callebaut has also invested heavily in optimizing its global operations with an emphasis on emerging markets such as Latin America, Eastern Europe, and Asia."

Juergen Steinemann,
Chief Executive Officer

"Last year, we accelerated our growth pace and grew significantly faster than the respective markets in all our Regions – both in developed as well as emerging markets."

Andreas Jacobs,
Chairman of the Board of Directors

Recently, you have worked out dedicated growth strategies for Asia-Pacific and Eastern Europe. Can you give us an update?

JBS The aim of our new Asia strategy is to outperform the market while maintaining profitability. This year, we have already started to implement it. We defined six key priorities for the next five to seven years, such as doubling the size of our China business, gaining an industrial foothold in India, and further developing our Gourmet business as well as more partnership agreements.
AJ For Eastern Europe, we've developed an ambitious five-year growth plan. We are now finalizing country-specific plans, focusing on both organic market growth and outsourcing opportunities.

Your business model relies heavily on further outsourcing volume growth. How successful were you this year?

JBS Very successful. Barry Callebaut concluded three new agreements with major players: Unilever, Bimbo and Morinaga. These agreements demonstrate the viability of outsourcing – also in emerging markets – as well as our attractiveness as a global partner.
AJ Nearly 20% of our sales volume now comes from long-term agreements with strategic partners – up from 2% five years ago. I think this is strong proof of the success of our business model.

Barry Callebaut concluded three new agreements with major players: Unilever, Bimbo and Morinaga. These agreements demonstrate the viability of outsourcing – also in emerging markets – as well as our attractiveness as a global partner.

Juergen Steinemann, Chief Executive Officer

Your Gourmet business saw solid growth in all Regions – even in the difficult markets in Western Europe. What have you done to further accelerate your Gourmet business growth?

JBS We have acquired two companies offering complementary products to chocolate, Spanish la Morella nuts and the American decorations company Mona Lisa. Second, by shifting Callebaut® to sustainable cocoa and investing in a new look of our Belgian Gourmet brand, we sharpened its focus. And we have significantly increased the number of distribution points. All this will positively influence our future Gourmet growth.

Innovation is a key pillar for Barry Callebaut. You were the first company to receive a positive Scientific Opinion on a health claim on cocoa flavanols. What does this mean for Barry Callebaut?

JBS First of all, this is a reward for years of extensive research. It is also proof of our strengths in R&D. And, perhaps most significantly, this positive opinion from the European Food Safety Authority generated a lot of interest among current and potential customers. Also, I am very proud that we received awards for two of our recent innovations, our Terra Cacao™ chocolate and for the development of a special chocolate for a new Magnum® ice cream.

Last year, you made "Sustainable Cocoa" the fourth pillar of your growth strategy. What have you achieved in the meantime?

AJ We started the most comprehensive sustainability program in our history, called "Cocoa Horizons". Its aim is to boost farm productivity, increase quality through farmer education and improve family livelihoods in key cocoa producing countries. This year, Barry Callebaut has mainly invested in training cocoa farmers in Good Agricultural Practices as well as enabling them to become independently certified by certification schemes such as Rainforest Alliance or UTZ Certified. We also began to build a Center of Cocoa Excellence in Côte d'Ivoire, to be opened at the end of 2012. Besides that, we initiated the first multi-stakeholder "Chocovision" conference, which brought 200 leaders from all parts of the supply chain to Davos last June.

We started the most comprehensive sustainability program in our history, called "Cocoa Horizons". Its aim is to boost farm productivity, increase quality through farmer education and improve family livelihoods in key cocoa producing countries.

Andreas Jacobs, Chairman of the Board of Directors

What is "Chocovision"?

AJ The purpose of "Chocovision" is to bring senior global business leaders, governmental representatives, experts from consuming as well as cocoa origin countries, NGOs, and other key stakeholders of the cocoa supply chain together. We discuss topics ranging from growth opportunities in our industry to how to secure a sustainable cocoa supply. We will meet again in 2014 for the next conference.

Looking ahead to the coming year, what challenges do you see?

JBS Apart from gaining new outsourcing volume, we will work to further implement recently signed agreements supported by various additional capacities coming on stream next year. As with our Callebaut® brand, we will rejuvenate our Cacao Barry® brand, supporting the growth in our Gourmet area. We will continue to expand our presence in emerging markets and implement our dedicated growth strategies for Asia-Pacific and Eastern Europe in order to increase our business in these promising markets. Also, by further implementing our reengineering project "Spring" in Western Europe, we will be able to act faster within simpler structures after the divestiture of our consumer activities.

AJ To support our fast growth pace, we will continue to invest in the recruitment and retention of top people – they are the basis of our future success. As we expand and extend our business relationships with key customers, we will also focus on the further development of our quality assurance capacities and capabilities. Last but not least, we will work on the further implementation of "Cocoa Horizons" in order to position Barry Callebaut as the leader in sustainable cocoa.

What about your guidance?

JBS Based on our performance so far and also considering the currently challenging economic environment, we are issuing a renewed mid-term guidance on average 6–8% growth in volume and EBIT until 2014/15.[1]

1 Four-year growth targets for 2011/12–2014/15: On average 6–8% volume growth and average EBIT growth in local currencies at least in line with volume growth – barring any unforeseen events.

Barry Callebaut is the world's leading supplier of high-quality chocolate products, with a 40% market share in the open market. That means we are present in every fifth chocolate product consumed around the world.

Board of Directors

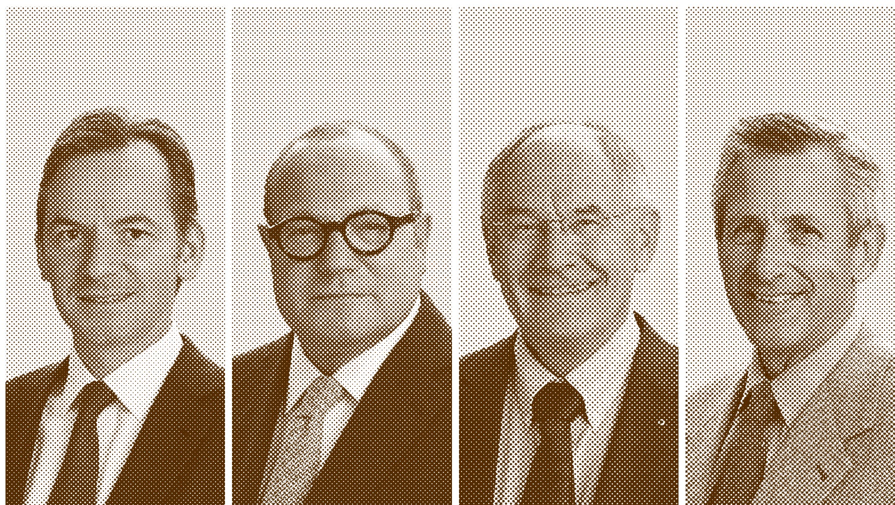
Andreas Jacobs
Chairman

Andreas Schmid
Vice Chairman

Jakob Baer

James L. Donald

Roland Maurhofer
General Counsel & Corporate Secretary



Markus Fiechter

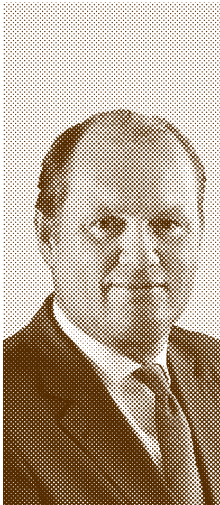
Stefan Pfander
(until December 5, 2012)

Ajai Puri

The Board of Directors proposes to the Annual General Meeting of Shareholders that Nicolas Jacobs be elected as new member of the Board of Directors.

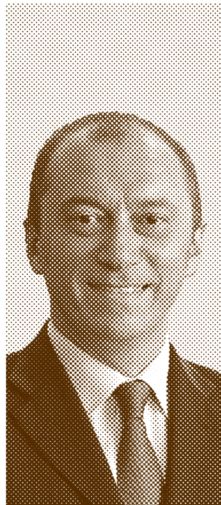
Executive Committee

Juergen Steinemann
Chief Executive Officer

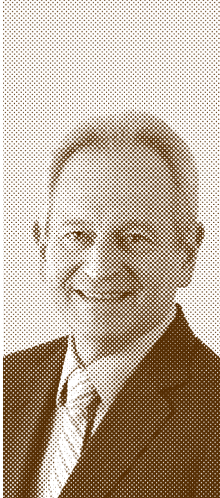


Victor Balli
Chief Financial Officer

Massimo Garavaglia
President Western Europe



David S. Johnson
CEO and President Americas

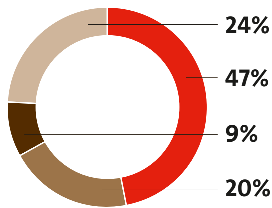


Dirk Poelman
Chief Operations Officer and Chief Innovation Officer ad interim (until December 2012)

Steven Retzlaff
President Global Sourcing & Cocoa

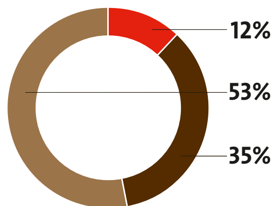
Additional information:
www.barry-callebaut.com/organization
www.barry-callebaut.com/board
www.barry-callebaut.com/executivecommittee

Employees per geographic region:



Europe	2,740
Americas	1,281
Asia-Pacific	560
Africa	1,519
Number of employees	**6,100**

Employees per function:
from continuing operations



Management	746
Office staff	2,137
Production	3,217

Who are Barry Callebaut's employees?

Barry Callebaut's growth and success is directly linked to the talent and expertise of each of our employees around the globe. Our company size allows our employees to grasp new opportunities, and recognize their personal contribution within the bigger picture.

Barry Callebaut's worldwide team comprises approximately 6,100 individuals in 30 countries. Among these, the majority (85% by FTE) are permanent employees. In the cocoa sourcing regions as well as in our cocoa processing and chocolate production plants around the globe, seasonal temporary employees are brought on during peak periods. About 20% of our employees work in origin countries.

Among our permanent employees, 96% are full-time, and 4% are part-time. The diversity of our employees is reflected across all levels of the organization; both in terms of gender and age.

Recruiting the best talent for our future

In a competitive market, we aim to attract the brightest new recruits to our team. One successful way we've done this is through tighter partnerships with higher education institutions. For example, our Graduate Trainee Program has successfully taken root. Six Graduate Trainees completed the program this year, and we have an additional 28 currently participating. More than half of all current participants are women with engineering backgrounds. This innovative, international program allows Barry Callebaut to mentor talented young professionals through exposure to working in a fast-paced, multinational business, and in turn, we gain the energy, know-how, skills and latest academic approaches.

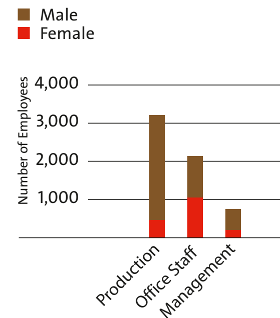
Promoting accountability and organizational excellence

All of our employees have at least one annual appraisal discussion with their direct line manager or supervisor. Employees in managerial or technical roles have these discussions based on our internal "Performance Management and Development Process" (PMDP), which includes target-setting and assessment, a bonus structure tied to individual and Group performance as well as career and personal development perspectives. This is aligned with expected actions and behavior associated with Barry Callebaut's corporate values.

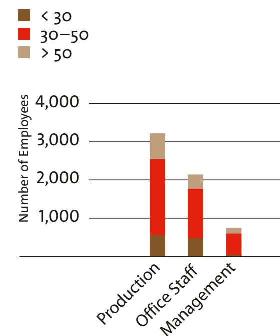
Approximately 17% (1,000) of our employees are included in these discussions, and for these, the performance review is conducted according to a consistent companywide process. For other employees, the PMDP process is optional or supplanted by local procedures that may be specified by collective bargaining agreements.

Through these discussions, we take a first step in identifying talented individuals with the goal to have strong successors ready to take over key positions in the future. In the past fiscal year, we took a number of important steps to move towards meeting the target of filling 70% of all key vacancies from within the organization.

Gender of employees:



Age of employees:



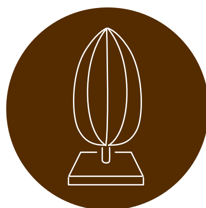
Average seniority
in years:

Europe	11.31
Americas	8.74
Asia-Pacific	5.06
Africa	9.05

Excellence Award 2012

Rewarding peak performance

The Excellence Award recognizes managers and their teams who are willing to go the extra mile, who are putting all their passion into their work and, thus, have made a positive impact on the company in the fiscal year. The eight Excellence Award 2011 winners were nominated by their Presidents.



For the first, time a "Team Excellence Award" was given to a successful team that worked across different functions and Regions, fostering cross-border thinking and collaboration. Honored were the key drivers for a cocoa powder project for one of our main outsourcing partners.

Gabi Kopp,
Senior Advisor R&D

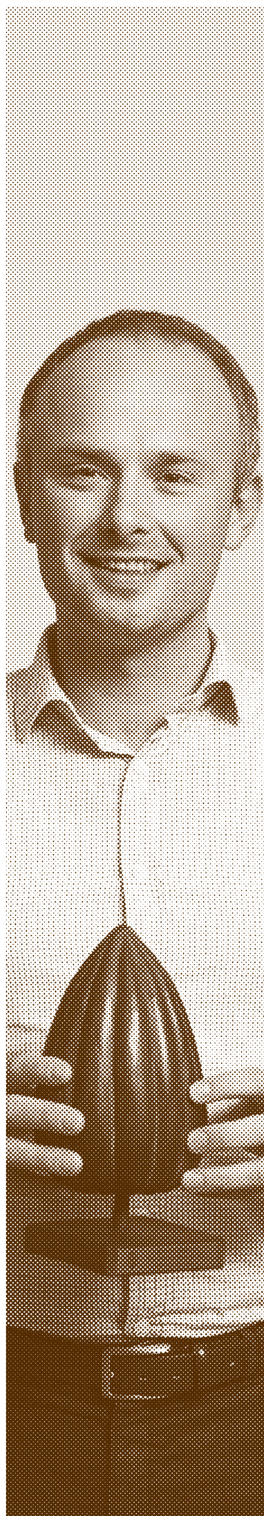
Marijke De Brouwer,
Innovation Manager Rebalanced Chocolate

Andreas Leopold,
Corporate Process Development Engineer

Sarah O'Neil,
Director of Sales & Marketing

Christophe Malaman,
Global Supply Chain Manager Cocoa

Hanspeter Häfliger,
Buyer Specialty Ingredients



Herwig Bernaert
Innovation Manager Cocoa Components & Health

For the positive scientific opinion by the European Food Safety Authority (EFSA) on a health claim on cocoa flavanols, which will give Barry Callebaut a competitive advantage.

Richard Fahey
Vice President Cocoa Asia

For facilitating the integration of KL-Kepong Cocoa Products Sdn Bhd into Barry Callebaut in Malaysia and laying the groundwork for our new factory in Makassar, Sulawesi.

Mark Freeman
Vice President Food Manufacturers Americas

For significantly increasing sales in a difficult environment among regional food manufacturing customers.

Bart Goetmaeckers
Manager Corporate Engineering

For implementing fantastic engineering work under great time pressure and with constantly changing requirements.

Christophe Malaman
Global Supply Chain Manager Cocoa

For being a great "Master of global cocoa supply chain planning", always very professional, solution-oriented and never losing his patience.

Jerzy Ostapczuk
Area Manager Russia

For his great performance during the past eight years, especially this past year when he and his team grew volumes and profits at a high double-digit rate.

Erich Steinegger
Head of Group Controlling & Accounting

For his great performance in Finance and meticulous attention to detail, his reliability and persistence.

Rogier Van Sligter
Sales Director Benelux & Scandinavia

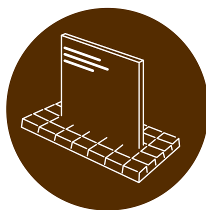
For delivering year after year in a difficult market, for achieving consistent top and bottom line growth and lining up an impressive pipeline of projects in Belgium, The Netherlands, and Scandinavia.

Chairman's Award 2012

The annual Chairman's Award recognizes employees who have been with Barry Callebaut for a number of years and have demonstrated outstanding performance at work, as well as a strong social commitment in their local communities. They are individuals who embody the Barry Callebaut values of customer focus, passion, entrepreneurship, team spirit and integrity.

The Chairman's Award was inaugurated in 1995 by late Klaus Jacobs, the former Chairman of Jacobs Holding AG and founder of Barry Callebaut. Since then, the Chairman's Award has been given to a selected number of employees each year.

In 2012, 13 Barry Callebaut employees from ten countries received the award and were invited together with their spouses or partners to come to Switzerland to be given the award by Chairman of the Board Andreas Jacobs and CEO Juergen Steinemann.



Customer focus. Passion. Entrepreneurship. Team spirit. Integrity.

Every Barry Callebaut employee is an ambassador of our company. The reputation of our company, as well as our success in achieving our strategic goals, depends on each one of us.

We expect all employees to show responsibility and good citizenship in business dealings, and to behave in ways that demonstrate our company values. These values and our belief that the best working environment is one built on mutual respect and trust are reflected in the Barry Callebaut Code of Conduct.

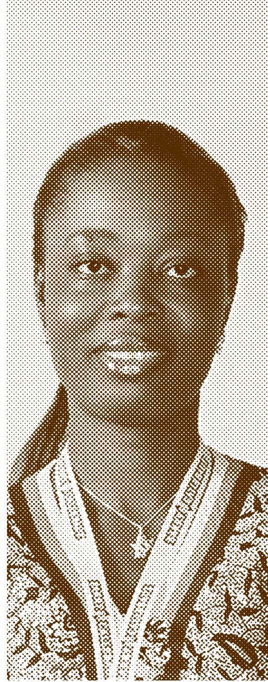
Joséphine Ahibé Ahiman

Pilar Bueno Colombo

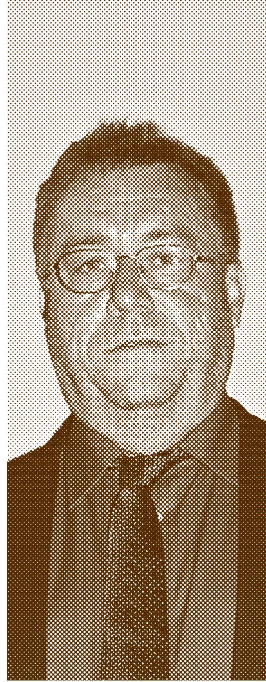
Elisabeth Poitrimoult

Laura Roth

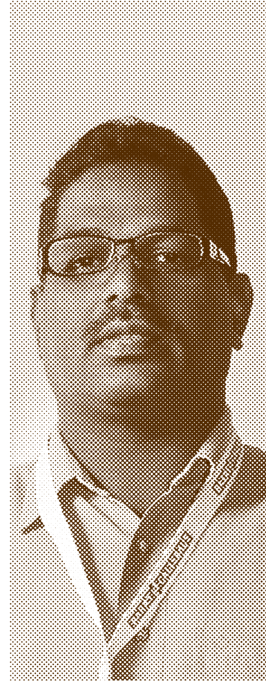
Ariana Guajardo



Joelle Hermance Kanto

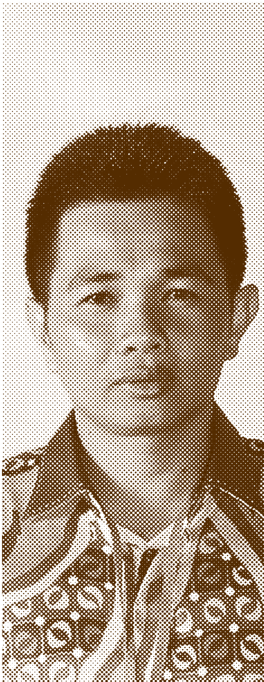


Karel Kinders



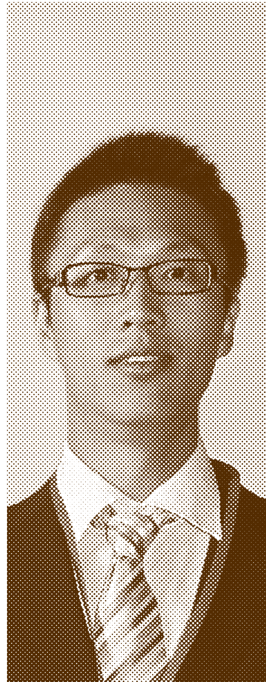
Siralan Nadeson

Pascale Perdaens



Awang Saharudin
B. Awang Kamarudin

Eric Schmoyer

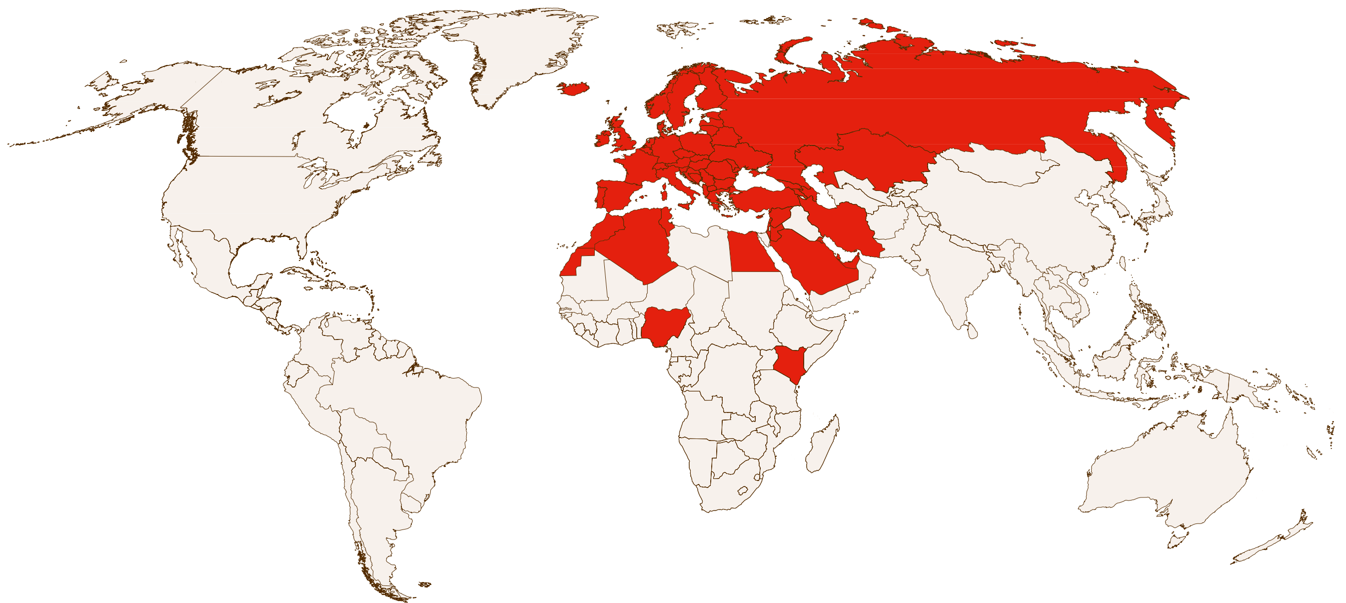


Xu Tao

Elena Vereschagina

Strong growth in partly difficult markets

Region Europe recorded strong volume growth despite the challenging market conditions, especially in Southern Europe. Ramp-up costs related to outsourcing, higher factory and supply chain costs, investments in adapting structures, and Gourmet impacted operating profit (EBIT).



688,203	2,150.6	232.2
tonnes	CHF m	CHF m
Sales volume	**Sales revenue**	**EBIT**

Major chocolate confectionery markets in Western Europe experienced a slight contraction; we significantly outperformed the market.[1]

After a slow start, our Food Manufacturers Products business gradually increased sales volume growth and ended the year with an exceptionally strong fourth quarter. Overall, the business grew impressively, driven by outsourcing agreements as well as market share gains. The business even managed to grow in the Southern European countries, where chocolate consumption declined due to the difficult economic environment. Demand for specialties including certified products grew significantly and thus also contributed to growth.

The Gourmet business showed a very good performance in the light of the difficult markets in some of the key countries including Southern Europe. The biggest contribution came from our Belgian Gourmet brand Callebaut®. In May, it became the first professional chocolate brand to move completely to sustainable cocoa. Just months after the acquisition of la Morella nuts in Spain, we introduced various nut specialties for our Gourmet brands.

Sales volume of Barry Callebaut's Beverages division declined slightly due to weather conditions and customer destocking. In late 2011, we inaugurated the factory extension of our facility in Sweden. This not only increased our production capacity for spray-dried products by up to 50%. More importantly, this gave us state-of-the-art technology for powdered products used in capsules and pads, the fastest growing segment of the beverage market.

Last year, Barry Callebaut invested in the upgrade and expansion of existing facilities, particularly in France, Belgium and the U.K.

After the sale of the consumer activities, Barry Callebaut initiated a comprehensive reengineering project called "Spring", mainly focused on Western Europe. Over two years, we will spend approx. CHF 36 million on this project and expect annual recurring gains of at least CHF 12 million after implementation. With "Spring", we aim to improve customer service and increase speed to market, reduce internal complexities as well as increase overall efficiency and the range of services provided to other Regions.

1 Chocolate confectionery markets in Western Europe decreased by 0.6%. Source: Nielsen, September 2011–August 2012.

Additional information:
www.barry-callebaut.com/foodmanufacturers
www.barry-callebaut.com/gourmet
www.barry-callebaut.com/beverages
www.cacao-barry.com
www.callebaut.com
www.caprimo.com
www.vanhoutendrinks.com

Additional information:
www.barry-callebaut.com/foodmanufacturers
www.barry-callebaut.com/gourmet
www.barry-callebaut.com/quality

In Eastern Europe, the overall economic environment was still favorable although GDP growth rates were somewhat lower than in previous years. The regional chocolate markets continued to show attractive, above-average growth rates, driven by Russia, Turkey, and Poland. Market growth in the region in the last 12 months amounted to 5.2%.[2]

Both Food Manufacturers Products and the Gourmet & Specialties Products business maintained their double-digit growth. The biggest contributors to the significant volume increases were Russia and Poland.

In the Food Manufacturers Products business, the largest markets, Russia and Poland continued to grow at high double-digit rates; Turkey also reported above-average growth and still offers further potential. Growth was positively influenced by the sales of specialties such as certified products. Sustainability is a trend that is becoming increasingly relevant also in Eastern Europe, mainly driven by the global confectionery players. Growing demand for higher quality products in Russia enabled us to switch more customers from compounds to chocolate. We expect this trend to gain more momentum going forward.

In the Gourmet & Specialties Products business, Russia and the former Soviet countries (CIS) maintained their strong growth momentum, keeping their position as the main growth contributors.

This year, we worked out a dedicated growth strategy for Eastern Europe. Based on this in-depth review, we have developed an ambitious five-year growth plan that forms the basis for country-specific plans focusing on both organic growth and outsourcing opportunities. The outsourcing trend in Eastern Europe is still young but very promising: 85% of all chocolate confectionery is still produced in-house. As of the coming fiscal year, we will begin to implement our growth plans in Eastern Europe.

2 Source: Nielsen, September 2011–August 2012.

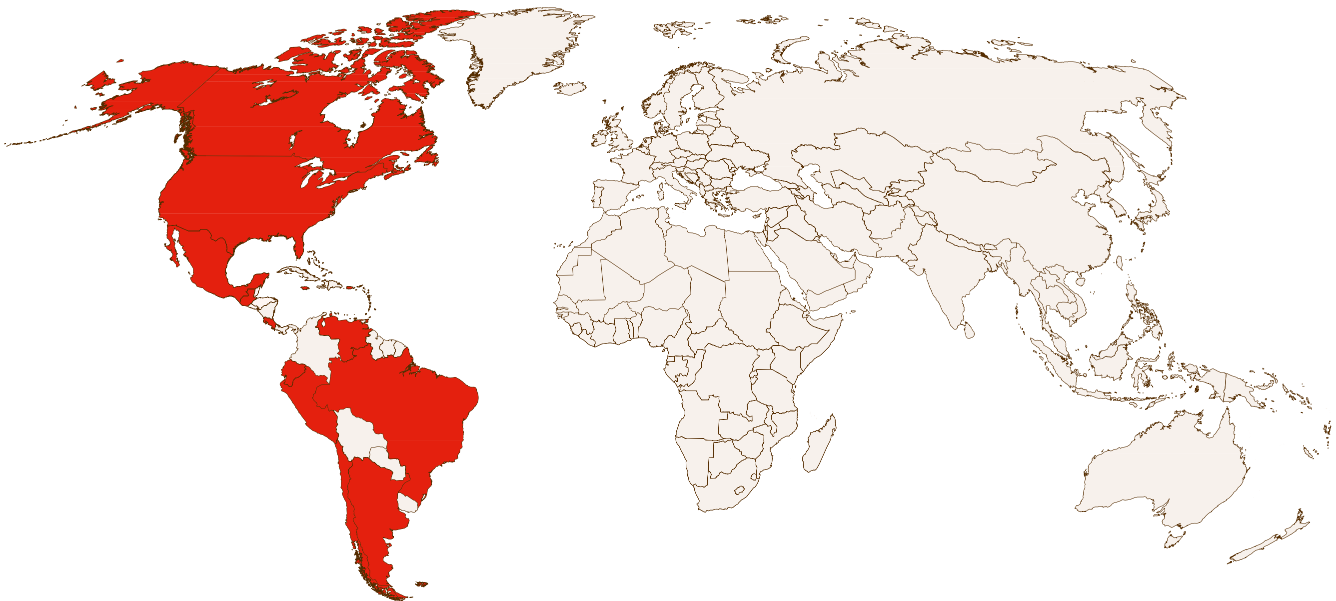
Key figures for Region Europe

		Change %		2011/12	2010/11*
		in local currencies	in reporting currency		
Sales volume	Tonnes		6.9%	688,203	643,943
Sales revenue	CHF m	5.1%	0.2%	2,150.6	2,147.1
EBITDA	CHF m	0.1%	(3.4%)	261.3	270.6
Operating profit (EBIT)	CHF m	(1.7%)	(5.1%)	232.2	244.7

* Due to the discontinuation of the consumer activities, certain comparatives have been restated to conform with the current period's presentation

Continued double-digit growth – top and bottom-line

Barry Callebaut significantly excelled the local chocolate market's growth rates in Region Americas. Operating profit (EBIT) outpaced volume growth thanks to positive mix effects – particularly supported by the strong performance of the Gourmet business – as well as an overall positive margin development and improved capacity utilization.



361,819	1,111.8	90.2
tonnes	CHF m	CHF m
SALES VOLUME	**SALES REVENUE**	**EBIT**

Additional information:
www.barry-callebaut.com/foodmanufacturers
www.barry-callebaut.com/gourmet
www.cacao-barry.com
www.callebaut.com
www.vanleerchocolate.com

The U.S. chocolate market decreased by 2.0%, and Brazil slowed down its growth pace to +4.7%.[1]

The Food Manufacturers Products business continued to grow strong at a double-digit pace. Growth was driven by new volumes from recently signed outsourcing agreements as well as local market share gains despite ongoing intense competition.

Our Gourmet & Specialties Products business reported double-digit growth, strongly outperforming the rather weak demand on the local markets. Both our leading imported brands, Callebaut® and Cacao Barry®, as well as our domestic brand Van Leer® contributed to the strong performance.

Barry Callebaut continued to expand its regional footprint: Besides capacity increases at existing factories in the North East of the U.S., we also purchased the assets of the Chatham facility from Batory Industries in Ontario (Canada). In the Gourmet area, we acquired chocolate decoration manufacturer Mona Lisa Food Products, Inc. in Hendersonville, North Carolina (U.S.). This new company strengthens our global market position for chocolate decorations and will serve as a dedicated center of competence for the U.S. market complementing the one in Zundert (the Netherlands).

Barry Callebaut became the long-term supplier of Grupo Bimbo, one of the largest food companies in Latin America, with the signing of a new, substantial supply agreement. Following the partnership with Chocolates Turín last year, we now have become the market leader in Mexico. Both agreements also confirm our strategic focus on growth via outsourcing in emerging markets.

1 Source: Nielsen, September 2011–August 2012.

Key figures for Region Americas

		Change %		2011/12	2010/11*
		in local currencies	in reporting currency		
Sales volume	Tonnes		15.3%	361,819	313,715
Sales revenue	CHF m	13.1%	13.5%	1,111.8	979.2
EBITDA	CHF m	25.7%	25.8%	107.3	85.3
Operating profit (EBIT)	CHF m	25.4%	25.6%	90.2	71.8

* Certain comparatives have been reclassified to conform with the current period’s presentation

High, profitable growth

Region Asia-Pacific continued its double-digit volume growth trajectory despite capacity constraints that limited growth opportunities early in the year. Operating profit (EBIT) even outpaced volume growth, partly as a result of increased capacity utilization and partly due to positive margin developments.

57,815	232.4	29.7
tonnes	CHF m	CHF m
Sales volume	**Sales revenue**	**EBIT**

Additional information:
www.barry-callebaut.com/foodmanufacturers
www.barry-callebaut.com/gourmet
www.cacao-barry.com
www.callebaut.com
www.van-houten-professional.com

Recently, Asian economies have started to show signs of a slight slowdown in the wake of the financial crisis in Europe. Chocolate markets in the region continued their solid growth pace, having grown by 5.5%.[1]

The Food Manufacturers Products business reported a double-digit sales volume growth, driven in particular by strategic partnerships. In June, Barry Callebaut extended its long-term strategic partnership signed in early 2008 with Morinaga, one of Japan's largest confectionery companies. Production of chocolate and compound will be relocated to a newly built factory in Takasaki, near Tokyo, which will also offer additional capacity for other customers. Operations at the old factory will cease in mid-2013.

In the Gourmet business, Barry Callebaut further strengthened its leadership with imported chocolates from Europe. Local Gourmet brands also performed strong, driven by significant sales increases in both emerging (India) and developed markets (Japan, Australia). The review of our regional distribution network and subsequent appointment of new partners positively influenced sales volume growth.

In line with the Asian growth strategy, Barry Callebaut increased chocolate and compound capacities both in Singapore and Malaysia. In November 2011, we entered into a joint venture with Indonesian P.T. Comextra Majora, a soft commodities trader and a leading exporter of cocoa. As part of this agreement, a new cocoa processing facility is currently being built in Sulawesi (Indonesia); it will come on stream in 2013.

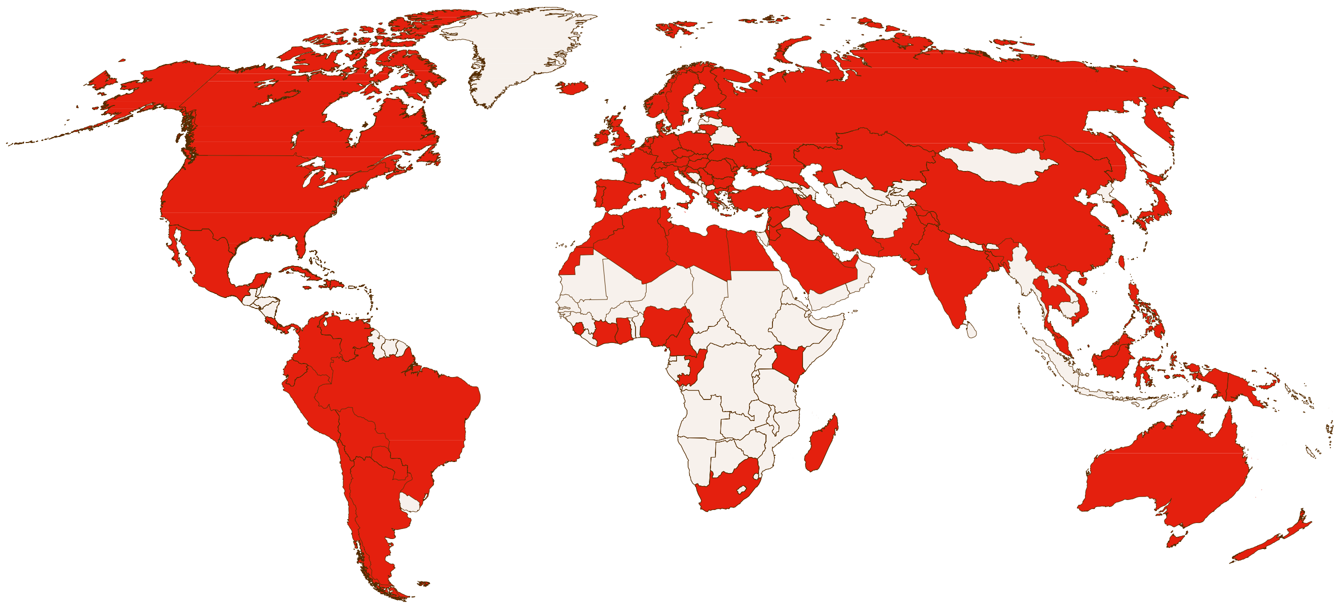
1 Source: Euromonitor International.

Key figures for Region Asia-Pacific

		Change %		2011/12	2010/11
		in local currencies	in reporting currency		
Sales volume	Tonnes		10.3%	57,815	52,397
Sales revenue	CHF m	4.1%	4.7%	232.4	221.9
EBITDA	CHF m	20.6%	19.8%	35.7	29.8
Operating profit (EBIT)	CHF m	20.9%	19.3%	29.7	24.9

Investments in future growth

Global Sourcing & Cocoa's sales volume picked up early 2012, driven by strategic partners. Volume gain was solid, on top of last year's extraordinary growth. Operating profit (EBIT) declined as volume growth couldn't fully offset ramp-up and supply chain costs.



271,019
tonnes
Sales volume

1,334.7
CHF m
Sales revenue

65.2
CHF m
EBIT

Additional information:
s.a. Cocoa chapter in CSR part, page 50
www.barry-callebaut.com/cocoa-to-chocolate
www.barry-callebaut.com/csr
www.qualitypartnerprogram.com

A market surplus, macroeconomic fears in connection with the European financial crisis and a generally well-stocked industry led cocoa prices steadily downwards until the end of 2011. Thereafter, prices stabilized within the range of GBP 1,400 to 1,600 per tonne, yet with considerable intra-day volatility. End of July 2012, cocoa prices started to slightly rise again due to exceptionally dry weather conditions in West Africa, uncertainties with respect to the next main crop as well as the implementation of a cocoa reform in Côte d'Ivoire.

After an initial downward correction, the combined cocoa ratio increased again later in the year; overall, it had a neutral effect on Barry Callebaut's profitability.

Early 2012, Côte d'Ivoire – the world's largest cocoa producing country – announced a reform of its cocoa sector. One of the aims is to safeguard farmer income by introducing a minimum guaranteed farmer price. To achieve this, the country started to forward sell export quotas for 70% of the 2012/13 harvest. Barry Callebaut is participating in this new auctioning system.

Combined cocoa ratio
Factor x terminal market price
6 months forward

Prices on the world sugar market significantly corrected downward due to record crops in the most important producing countries (Brazil, India, China, and Russia). Also in Europe, the supply was good. However, temporary measures taken by the EU Commission to compensate for the structural deficit in the regulated EU sugar market had little effect and prices stayed at historically high levels.

Favorable weather conditions pushed milk production worldwide. Hence, milk powder prices steadily declined. With the devastating drought in the U.S., milk production plunged as of summer 2012, leading to a strong surge in prices worldwide. By the end of the fiscal year, milk powder prices were at the same – rather high – level as at the beginning.

Cocoa price
London Terminal Market
6-month forward prices
in GBP/tonne

Key figures for Global Sourcing & Cocoa

		Change % in local currencies	Change % in reporting currency	2011/12	2010/11*
Sales volume	Tonnes		4.7%	271,019	258,870
Sales revenue	CHF m	23.8%	20.1%	1,334.7	1,111.7
EBITDA	CHF m	(1.2%)	(7.4%)	91.4	98.7
Operating profit (EBIT)	CHF m	(8.9%)	(15.7%)	65.2	77.3

* Certain comparatives have been reclassified to conform with the current period's presentation

Maintaining our cost leadership

Our strategic pillar Cost Leadership is key to our competitiveness. Operations & Supply Chain successfully managed to support our strong growth through capacity expansions, further implementing "One +" and a number of energy reduction and reengineering initiatives.

Additional information:
s.a. Environment chapter in CSR part, page 55

Overall manufacturing costs per tonne of activity decreased on a like-for-like basis by 3% (target: –2%). Strong volume growth supported by technology and process improvements increased capacity utilization for liquid chocolate at Group level to 91% (target: 82–85%). The average cocoa processing capacity utilization rate was 90% (target: 90–95%).

"Project Gold" in Region Europe and "Platinum" in Americas, two new initiatives designed to save costs throughout the value chain with a focus on yield and waste management as well as logistics, achieved savings of CHF 9.1 million.

Extensive efforts to reduce energy consumption and tight cost controls also contributed to lower costs during the year under review. All of the above enabled us to achieve our overall target.

This year, Barry Callebaut made significant investments in capacity expansions around the world in order to cope with future expected growth. We invested a total of CHF 178.2 million to extend and maintain our factory footprint. Eight factories were expanded and four new factories were added. These investments in our global footprint were made in both developed and emerging markets, in countries such as Poland, France, Malaysia, Singapore, Côte d'Ivoire, the U.S., and Mexico.

Barry Callebaut now operates 46 factories worldwide.

Barry Callebaut is also continuously improving its quality standards in order to meet the demands of its customers and to keep quality and food safety for end consumers at the highest possible levels. Today, all of our factories have achieved BRC (British Retail Consortium) certification.

Successful R&D activities generating new sales volume

Additional information:
www.barry-callebaut.com/innovation

The number of projects started in Research & Development (R&D) increased 11% versus prior year to 2,131. This increase was driven by customer requests for recipe optimizations as well as by projects for certified chocolate, which more than tripled in volume during the year.

The key performance indicator of our R&D efficiency, the project success rate, went up 8% to overall 58%. 72% of our sales were generated with products developed in the last 5 years. We hold some 40 patent families.

In early 2012, Barry Callebaut introduced the world's first real chocolate inclusions for ice cream. Unlike standard compound-based drops, our ChocMelts™ inclusions are made from 100% chocolate, offering the same flavor and texture of genuine chocolate even at low temperatures.

We won two prestigious awards at the Food Ingredients Europe (FiE) fair with the Terra Cacao™ chocolate based on our patented Controlled Fermentation technique. We also received first prize for the best innovation at Unilever's "Partner to Win" supplier event in recognition of a special chocolate we developed for a new Magnum® ice cream that was launched in summer 2012.

Barry Callebaut made considerable progress with its agronomy research program in Asia: By growing cocoa trees with other plants, we were able to increase the yield per hectare by 50%. Investigations to better understand the phenomenon of fat blooming and to identify new cocoa-based compositions with an improved heat resistance profile were also carried out. We continue to research the functional components of the cocoa bean in order to obtain further insights into the bean's chemical properties. To further these efforts, we signed a strategic partnership with the Jacobs University Bremen this year.

We were the first company in the EU to receive a positive Scientific Opinion on a health claim regarding cocoa flavanols from the European Food Safety Authority (EFSA). We were able to provide evidence that the intake of flavanols positively influence human blood circulation.

Corporate Social Responsibility and Sustainability

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55 Environment
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63 Looking ahead

"We have a tremendous opportunity to promote change for a better future."

Juergen Steinemann,
Chief Executive Officer

Statement by the CEO

At Barry Callebaut, our position as global leader in cocoa and chocolate products is a tribute to our values: customer focus, passion, entrepreneurship, team spirit, and integrity. Our sustainability vision that guides how we operate concentrates on three areas: Cocoa, Environment, and Employees, reflecting the established sustainability pillars: profit, planet, and people.

True leadership requires a long-term view, a culture of innovation, and close partnership with many stakeholders. Despite challenges in our supply chain, and demand for healthier food choices, our CSR strategy has brought about fundamental change.

Cocoa is at the heart of what we do. Without cocoa, there is no chocolate. Therefore, Barry Callebaut has committed itself to support sustainable cocoa production in origin countries, so that all actors in our supply chain, from farmer to customer, can benefit for many years to come. This year, we launched "Cocoa Horizons", an extensive and broadly based initiative that builds upon our achievements in sustainable sourcing in the past, in order to stabilize cocoa supply by improving farmers' access to knowledge about good agricultural practices, education, and improved health. Additionally, we strengthened our bond with customers through better service and more nutritious products.

We are very aware of the environmental impact our business has on the communities in which we operate. In 2008, we pledged to do our part to reduce energy consumption and carbon emissions as well as to increase the amount of "green" energy we use. We are well on our way to achieving the goals we set for ourselves. And since 2009, we reduced the carbon intensity of our operations by 19%.

Our employees are our most important resource, and we have committed to a program of recruiting, developing and retaining top talent across our company. Only with a motivated, dedicated work force will we be able to achieve our business goals and create a positive workplace environment. We encourage our employees to work to their full potential while supporting them with educational and training opportunities.

Moving forward, we will strengthen our long-term focus areas of Cocoa, Environment, and Employees. Our goals include expanding "Cocoa Horizons" in the next ten years and aligning suppliers with our new Supplier Code following the guidelines of our Code of Conduct. We will offer more consistent and diverse employee trainings and aim to include every manager in our performance management development process. Resource efficiency will continue as facilities enhance systems to track waste and water, and we will maintain our annual goal of 5% energy use reduction.

As a commitment to transparency, this is our first report written in accordance with the Global Reporting Initiative (GRI), the international framework for sustainability reporting.

In closing, I would like to express my gratitude to all of our stakeholders who are helping us implement our CSR goals today, and into the future.

Introduction

Corporate Social Responsibility (CSR) is central to our success at Barry Callebaut. As a leading player in the cocoa and chocolate industry, health and safety considerations are paramount, as is careful attention to the supply chain through which we source our ingredients. In addition, our growing workforce spans the globe in both developed and developing countries, necessitating careful oversight on matters of corruption and forced labor. Across our operations and in our decision-making processes, we strive to integrate sustainable business practices wherever feasible.

Management for our sustainable business

Our CSR strategy focuses on the people we work with and the resources we use. With a deep commitment to responsible leadership, we continually engage in conversations with direct stakeholders as well as competitors to understand the most pressing issues facing our industry. This allows us to concentrate our efforts on making the most positive impacts possible – for our employees, our environment and our business: cocoa and chocolate. We extend this commitment to improving the quality of life for cocoa farmers, their families, and their communities in origin countries.

Internally, we have established programs to support Barry Callebaut employees in growing professionally and fulfilling leadership roles that enhance our overall ability to conduct business with a focus on high quality and integrity. Within our operations, we seek out opportunities to reduce our energy consumption and greenhouse gas emissions. These initiatives help Barry Callebaut not only to uphold its reputation as a responsible business but also promotes our commercial success.

Values and responsible conduct

The foundation for our corporate responsibility initiatives is Barry Callebaut's Code of Conduct, which documents the values and mission of the company. As stated in the Code, "We expect all employees to show responsibility and good citizenship in business dealings, and to behave in ways that demonstrate our company values: customer focus, entrepreneurship, team spirit, passion, and integrity. The Barry Callebaut Code of Conduct reflects these values and our belief that the best working environment is one built on mutual respect and trust."

All employees confirm in writing that they have read the Code of Conduct and agree to uphold its provisions. Translated into 13 languages, the Code details our support of the Universal Declaration of Human Rights, condemning practices such as forced labor and child slavery in the cocoa industry, as well as the applicable ILO conventions. In addition to a new-hire orientation, which covers all aspects of the Code, managers may introduce additional training materials related to these issues at any time.

Ensuring compliance

To ensure that we are meeting the highest CSR standards companywide, we conduct comprehensive audits of all Barry Callebaut facilities every two to three years, checking for risks of corruption and other irregular practices. We are currently in the process of strengthening our Compliance Program through the use of an Internal Control System (ICS). New to the company as of November 2012, a third-party provider will operate a whistleblowing platform so that employees may completely anonymously report cases of suspected noncompliance without fear of repercussion. Recognizing that our influence and impacts extend across our supply chain, we also began to distribute a new Supplier Code in 2012, which requires the same expectations for responsible business practices from our suppliers as we hold for ourselves.

Markets

Barry Callebaut has two main customer groups: food manufacturers, and professional users of chocolate. Barry Callebaut serves the entire food industry focusing on industrial food manufacturers, artisans and professional users of chocolate (such as chocolatiers, pastry chefs or bakers), with its two global brands Callebaut® and Cacao Barry® as well as its regional brands and private labels. Barry Callebaut is the global leader in cocoa and chocolate innovations and provides a comprehensive range of services in the fields of product development, processing, training, and marketing.

Ensuring sustainable resources

We source our cocoa beans from suppliers across many countries in the equatorial belt, in an industry that is mainly built upon a smallholder farming system. We support farmers in their communities in origin countries where we have established programs with farmer organizations but do not own the farms or employ those who work the land. We believe it is in our mutual interest that farmers earn an equitable income, that they engage in responsible labor practices and safeguard the environment through Good Agricultural Practices (GAP) and modern farming techniques, and that they can provide for the basic health and education needs and general well-being of their families. This is our definition of sustainable cocoa production.

Supply and demand in the chocolate industry changes in a dynamic manner. On the supply front, there are indications of a shortfall in high-quality cocoa products in the mid- to long-term. Our work with farmers, as described in the "Cocoa" section in this chapter, provides not only benefits to local communities but also aims to strengthen the supply of high-quality raw material available to the company.

We work with our customers to meet their requirements and needs for cocoa and chocolate products including products from specific origin countries or with an independent certification such as Fairtrade, Fair for Life, Rainforest Alliance and UTZ Certified. Barry Callebaut has offered customers Fair Trade products since 1993 and Organic products since 1995. Among our customers, interest in certified products has continued to increase. Since 2001, we have been working with cooperatives and farmers interested in obtaining independent certifications by providing training in Good Agricultural Practices (GAP) and technical support to set up internal control systems, as required by the certification systems.

Barry Callebaut, which launched its own cocoa sustainability initiative, the "Quality Partner Program", in 2005, announced a new global sustainability initiative during fiscal 2011/12. "Cocoa Horizons" aims to achieve sustainable cocoa production and to inspire the next generation of modern cocoa farmers. Please see the "Cocoa" section for more information on these programs.

We actively support sustainable cocoa initiatives worldwide through our international industry partnerships, including as member of the World Cocoa Foundation (WCF), the Cocoa Livelihoods Program (CLP) and African Cocoa Initiative.

Additional information:
www.worldcocoafoundation.org

Evolving demand, competitive markets

The highest proportion of our sales is in Region Europe, followed by the Regions Americas and Asia-Pacific (see the chapters on page 28, 31 and 33*). Overall, we perceive an increasing shift of demands toward emerging markets, while growth in developed markets will be at a lower rate. We are also seeing a consolidation in the food manufacturing industry, which includes our top customers. This is an important area where Barry Callebaut can benefit from the outsourcing trend.

The globalization of the food supply chain and the shift from captive or integrated to more open and competitive markets in the chocolate industry means that customers are comparing the offerings of different suppliers more closely. An open and competitive market is an advantage to Barry Callebaut, which is uniquely positioned with its global footprint, innovative power and cost leadership position. We place high value on open and fair competition.

Future fair labor expectations

As a means of imparting our expectations to our suppliers regarding general labor standards, Barry Callebaut's Quality Assurance team requests that suppliers complete an Ethical Audit Questionnaire based on the Social Accountability International's auditable social certification standard for decent workplaces, SA8000. We have developed a Supplier Code that outlines the minimum requirements expected from our suppliers. These include compliance with all laws and regulations, compliance with international labor standards, notification of incidents, background checks and drug-free workplaces, no engagement in corrupt practices, and monitoring of compliance.

* All page numbers in this document refer to pages of the Annual Report 2011/12

Outsourcing: a prevailing trend

Similar to other industries where leading companies outsource extensive parts of the supply chain in order to optimally leverage the expertise of their suppliers, the chocolate industry has seen an increasing trend toward outsourcing in recent years. Barry Callebaut has a number of major outsourcing partnerships and long-term partnership agreements where customers have entrusted essential production steps to us.

No compromises on food safety

Barry Callebaut sees product quality as an absolute priority, and has put great emphasis on establishing quality assurance programs that cover all customer relationships. All of our products are systematically assessed for quality and food safety. Our quality systems span all stages from raw materials procurement, research and development, product development, manufacturing, storage, distribution and supply. Also, all of our factories work according to the British Retail Consortium (BRC) food safety and quality standard and are audited by independent certification organizations. Application of Good Manufacturing Practice and the Hazard Analysis Critical Control Points (HACCP) program are central to our approach to delivering consistent and reliable performance in quality.

To meet consumers' increasing demand to be informed about food additives, and to be alerted to potential allergens including nuts, soy or wheat, we work with our customers to provide comprehensive information on all our products. Our efforts in this regard have, however, fallen short in a small number of cases regarding "may contain" labeling requirements in the U.S., where we have received one corresponding penalty and recorded five minor instances of noncompliance with voluntary codes. To avoid similar cases in the future, we now have a centrally managed SAP monitoring system to more accurately identify risks and ensure close-out of open action items, and we actively work to minimize allergen cross contact in our plants.

Rebalancing products for health

Chocolate, enjoyed in moderation, is a part of a healthy and balanced diet. Particularly against the background of increased obesity in parts of the world, all food producers including the chocolate industry are making efforts to offer alternative products with reduced calories and/or sugar content. As part of our engagement in this regard, we are developing recipes with lower trans fats, producing chocolate with higher levels of antioxidants, and reducing calories through the use of sugar alternatives such as Stevia. As our customers see growing demand for chocolate products with health benefits, these efforts contribute both to our corporate responsibility and help us to serve our customers better.

Barry Callebaut is engaged in research regarding innovative sweet solutions for chocolate and chocolate applications. To this end, we work with our customers to develop "rebalanced" products fulfilling their needs to partially or totally replace sugar. In addition, 95% of all fats used in our products are free of trans-fatty acids. As our key goal is to help our customers fulfill their needs, similar to certified sourcing, we do not set numeric targets on the share of such rebalanced products in our sales. Rather, we strive to have innovative and attractive solutions available for our customers to choose from as they respond to market demand for more balanced chocolate products with health benefits.

Enhancing benefits

Going beyond mitigation of potential health impacts, chocolate products can also provide specific health benefits. Barry Callebaut conducts research on fiber, vitamin, protein, and mineral fortification of chocolate products to meet the demands of specific target markets. But health benefits of chocolate products don't always have to be engineered – more important are benefits that are naturally present. Barry Callebaut is at the forefront of research regarding the health benefits of cocoa. Flavanols naturally present in cocoa are particularly important in this regard. Please see the "Innovation" chapter on page 38 to learn more about our projects in this area, including a positive opinion from the European Food Safety Authority (EFSA) for a health claim linking cocoa to improved blood flow. Preserving such natural health benefits of cocoa with special processing is an area of high attention for us.

Dialogues with customers

To make sure that improved health attributes of chocolate products are optimally put to use, food producers and end customers need current and accurate information. To this end, we share our knowledge on rebalanced solutions with our partners at trade shows, at customer visits, and via scientific publications. In addition, we hold periodic innovation days for customers, so that they can learn all about the latest trends in chocolate.

To strengthen the close contact with our customers, we also conducted customer satisfaction surveys in Europe during this fiscal year. To make sure we follow up on feedback from our customers, we established an internal program aimed at supporting customer relations by ensuring fast and efficient response to customers across all departments.

Cocoa

Key challenges
- Aging farmers and aging farms
- Low yields
- Geopolitical and economic uncertainties
- Climat change

The cultivation of cocoa beans is restricted to countries with certain climatic conditions ideal for growing the sensitive plant. These conditions are typically found within the "cocoa belt": a narrow region 20 degrees north and south of the equator. About 70% of the world's cocoa supply comes from Africa, with the rest stemming from South America and Asia. Where possible, we strive to source directly from cooperatives or farmer organizations. Approximately 69% of our cocoa is sourced from cooperatives, farmer organizations, local cocoa supply chain intermediaries and national cocoa marketing bodies.

Last year, Barry Callebaut named "Sustainable Cocoa" as the fourth pillar in our overall corporate strategy, joining the existing pillars of Expansion, Cost Leadership and Innovation. We see significant challenges ahead in securing sufficient supplies of high quality, responsibly grown cocoa to meet future chocolate demand. With this strategic pillar, Barry Callebaut aims to intensify its efforts in direct cooperation with the farmer communities to increase cocoa yields and the respective quality our customers require.

Supporting local economies

In Côte d'Ivoire and Ghana, we work diligently to support the farmer cooperatives with which we have cooperation agreements. We work with cooperatives when possible because, when well-run and managed, they offer cost-effective and efficient access to beans of the quality grade required for Barry Callebaut's customers, and they help support smallholder farmers. We have been a key player in a number of industry partnerships to bolster local economies in cocoa producing regions. Our corporate initiatives cover three areas: Farmer Practices, Farmer Education and Farmer Health. We work closely with local cocoa farming organizations and communities to understand their needs. These assessments have been instrumental in allowing Barry Callebaut to successfully implement effective programs.

Our signature, long-term sustainable cocoa program, called "Quality Partner Program" (QPP), was established in 2005 and is rooted in improving the quality of cocoa farms through farmer training, the quality of cocoa beans through improved production practices, and the quality of life for cocoa farmers and their families. In fiscal year 2011/12, 82 farmer cooperatives representing 31,806 farmers throughout Côte d'Ivoire participated in the program. Demonstrating the success of the program, the volume of quality grade cocoa increased from 23% in 2005/06 to 47% in 2011/12. In 2010, Barry Callebaut expanded the program to reach farmers in Cameroon.

Additional information:
www.qualitypartnerprogram.com

Barry Callebaut has also established additional programs in other cocoa-producing countries.

- **Biolands – Tanzania.** Approximately 20,000 farmers participate in this farmer-centric cocoa sourcing enterprise, producing certified cocoa (Organic, Fair-for-Life, Rainforest Alliance). Biolands offers vocational training in organic cocoa cultivation, seedlings, and equipment to farmers, and is founded on principles of mutual trust and fairness.
- **Bio United – Sierra Leone.** This enterprise, replicating the Biolands model in Tanzania, was founded in 2008 and attained UTZ Certified certification in 2011. The program offers agricultural skills training and job opportunities to previously unemployed adults and out-of-school youth who missed years of schooling when the education system collapsed during a decade-long civil war.
- **Biopartenaire – Côte d'Ivoire.** This enterprise, also replicating the Biolands model in Tanzania, was founded in 2008. Biopartenaire attained UTZ certification in 2011.
- **Organic Cocoa Project – Brazil.** We established this program with cocoa farmers in 2001 to help rejuvenate farms devastated by the Witches' Broom fungus. We offer training and advice on organic cocoa cultivation to approximately 70 participating farmers producing organic certified cocoa on approximately 4,800 hectares.

Meeting industry challenges

In March 2012, Barry Callebaut launched its CHF 40 million sustainability initiative, "Cocoa Horizons", to boost farm productivity, increase quality and improve family livelihoods in key cocoa-producing countries in West and Central Africa, Indonesia, and Brazil over the next ten years. The initiative is comprised of three pillars: Farmer Practices (agricultural training and yield enhancement techniques), Farmer Education (improving access to education and developing the next generation of cocoa farmers) and Farmer Health (improving access to clean water and basic health care). Barry Callebaut expects to reach 50,000 additional smallholder farmers through training activities. "Cocoa Horizons" builds on QPP for cocoa farmer cooperatives. We define cocoa production as "sustainable" when farmers earn equitable income, engage in responsible labor practices, safeguard the environment through sound agricultural practices and can provide for the basic health and education needs and general well-being of their families.

Some of the challenges the cocoa and chocolate industry faces are: aging farms and aging farmers, the shift to less labor-intensive and more profitable crops and younger people rejecting cocoa farming as a viable future. Many older farms are in a poor ecological state due to years of monoculture farming, and poor farm management practices, resulting in declining yields. Farmers often lack knowledge of Good Agricultural Practices (GAP) and post-harvest management practices that would help them revitalize their land and produce better quality beans. The intention of the "Cocoa Horizons" initiative is to address these issues by training farmers in advanced agricultural practices to create more productive farms and ultimately benefit from a more secure livelihood.

Agricultural training offers a pathway for interested farmers and farmer organizations to work towards compliance with certification standards including UTZ Certified, Rainforest Alliance, Fairtrade, Organic and others. Barry Callebaut began offering certification training to farmers in 2001. In 2011/12, we conducted more than 500 Farmer Field Schools and worked with more than 50 cooperatives, representing 12,408 farmers in Côte d'Ivoire alone to help enable farmers to work towards their goals for independent certification.

Strengthening cocoa farming communities

The cocoa we buy typically comes from regions with limited educational opportunities and inadequate social and health services. In 2009, we funded the construction of a secondary school and community learning center in Côte d'Ivoire. Our partners in this project included the Jacobs Foundation and the World Cocoa Foundation's ECHOES alliance. Since 2011, we have funded construction of five rural primary schools in Côte d'Ivoire. These structures utilize solar power and provide water wells for community use. These facilities are designed to evolve into community learning centers or hubs.

Partnerships for progress

Every fiscal year, our employees participate in the internal "Winning Together" initiative. This year's program – the sixth in this series – is called the "Cameroon Cocoa Connection" and involves working with members of Barry Callebaut's "Quality Partner Program" on education projects in cocoa farming communities in Cameroon. In the past, the "Winning Together" initiative has supported a number of projects in Ghana and Côte d'Ivoire. Last year's initiative funded three-year scholarships for 30 mothers with small businesses and 60 school children.

We work hard to understand the needs of the communities in which we do business. Through the "Quality Partner Program" in Côte d'Ivoire, we support selected cooperatives in their efforts to meet the needs of their farmer members. This has included infrastructure projects, such as a schools, or improved access to basic health care through the provision of mosquito nets, medical kits, or vaccination programs.

Of course, no individual institution can do it alone. Therefore, we are engaged in industry-wide and multi-stakeholder dialogues, organizations and projects. We cooperate with local authorities, NGOs and other partners in civil society in the countries in which we operate. We are members of the World Cocoa Foundation, and help fund the Cocoa Livelihoods Program, the Africa Cocoa Initiative and the International Cocoa Initiative (ICI).

Far-reaching impacts

In assessing the success of our projects in cocoa-growing regions, we firmly believe that our efforts have made significant impact. In particular, benefits have been realized through working with farmers and cooperatives in our "Quality Partner Program" to improve farm productivity and cocoa bean quality, improving access to education, and providing better access to health care for farmer families. Our efforts to increase farm productivity through training in Good Agricultural Practices (GAP) and post-harvest management has the potential to lead to higher incomes for farmers. We believe that our message of sustainable agriculture can transcend the local communities where we operate and also influence nearby communities by example.

Combating child labor, supporting education

Child labor is an issue in cocoa farming communities and of concern to all industry members. While it is not unusual for all members of a family, including children, to help on a family-run cocoa farm, Barry Callebaut strongly condemns slavery, forced labor and any practices that exploit, endanger, or harm children. According to the International Labour Organization (ILO), among the most pressing industry-specific child labor concerns are related to potentially hazardous conditions children may be exposed to in the cocoa fields and the limited access to education.

For more than a decade, Barry Callebaut has worked with other companies in the cocoa and chocolate sector, along with government agencies and NGOs, to eradicate the worst forms of child labor from farms in the cocoa-growing regions in Western Africa. In our "Quality Partner Program", we have made child labor sensitization part of our curriculum during farmer training programs. In addition, we have built a number of schools in regions where we do business. In April 2012, a project proposed by Barry Callebaut was recognized by the Child Labor Cocoa Coordinating Group (CLCCG) as contributing to the Framework of Action to Support Implementation of the Harkin-Engel Protocol and to the eradication of the worst forms of child labor in the cocoa sector in Côte d'Ivoire. CLCCG members include representatives from the U.S. Department of Labor, the offices of U.S. Senator Tom Harkin and U.S. Congressman Eliot Engel, as well as the governments of Côte d'Ivoire and Ghana. The project proposal included the construction of rural schools and community learning centers in two cocoa-growing regions with accompanying training to equip women with the agricultural and business skills to supply and manage a school food program, and to establish child labor awareness programs for community members.

Environment

As an integrated chocolate company with suppliers, operations, and customers around the globe, we are very conscious of the environmental impacts of our value chain and are making our best efforts to reduce these impacts within our power. Our work encompasses a range of activities, from sourcing cocoa in ecologically sensitive regions, to energy use in processing and distribution of chocolate products. Our Global Environmental Policy, developed in 2009, defines our priorities for reducing environmental impacts throughout our production facilities and transportation network.

Key challenges

- Efficiency increases
- Rising energy prices
- Reducing carbon footprint and energy consumption

Environmental impacts and initiatives across the Barry Callebaut value chain

Area	Risks & Impacts	Initiatives
Production	Energy and material-intensive manufacturing. Waste from by-products.	Goals and action plans for energy use, renewable energy, and carbon emissions reduction. Waste minimization practices.
Transportation	Energy and carbon emissions from fleet and outsourced transport and packaging.	Initiatives to reduce miles, increase load per shipment, defensive driving and reduce packaging.
Customers	Demand for sustainable products, from ingredient sourcing to lighter and more transparent product "footprint."	Participation in industry sustainability initiatives (i.e. World Cocoa Foundation). Ability to meet third-party sustainability standards such as the Rainforest Alliance and FLO (see "Markets" section).

Responsibility for meeting these objectives is managed at all levels of the organization: outreach to suppliers and customers, training of individual staff, facility-level reporting and action plans, regional coordination, and final responsibility at the level of the Executive Committee (ExCo). To date, we are well on track to meet and in some cases exceed our ambitious goals for addressing key issues: carbon and energy reduction, as well as better management of materials, water, and waste.

Progress against environmental sustainability goals through fiscal year 2011/12

Goals	Progress
20% energy use reduction from 2008/09 levels by 2013/14*	Achieved – 2010/11, plus an additional 5%
20% reduction in CO_2 from 2008/09 levels by 2013/14*	On target (19%)
20% of energy from renewable sources	On target (16%)
20% reduction in water use from 2010/11 levels (goal set in 2011)*	Started measurement and reduction planning

*Goals set on a "per tonne of activity" basis

At the moment, the company is monitoring technological advances in the production of green energy and is in the process of evaluating how we ourselves can produce such green energy efficiently and cost-effectively.

Protecting resources, minimizing waste

Most of our products rely on pure raw materials extracted from renewable natural resources through agriculture. These materials include cocoa, sugar, dairy products and fats and oils. As our main business is cocoa, we focus our activities on protecting the cocoa trees through programs that train suppliers in sustainable farming techniques, in order to grow a resilient and higher-yielding crop. More information on this can be found in the "Cocoa" section of this chapter.

In our factories, we minimize waste through efficient production and continuous improvement. For example, in some of our cocoa processing plants, discarded cocoa bean shells are burned as fuel, and projects are executed to reduce chocolate waste. As issues surrounding water scarcity become more urgent, we have set a goal of reducing water use 5% per tonne of activity per year across all our plants for this year. Our objectives for the future also include implementing more robust data systems in order to better monitor and minimize waste.

Mitigating climate risks

Climate change is a global challenge, and also holds particular risks for Barry Callebaut, as an energy-intensive and agriculturally dependent company. We have identified risks such as more stringent regulatory reporting, rising operational costs from energy use, and physical risks to our supply chain. Since cocoa is grown in tropical regions, changes in temperature and precipitation could impact crop yields through increased disease, drier soils, and other harmful effects.

To play a role in the protection of our climate, we carefully monitor and, where possible, reduce our carbon emissions in our internal value chain. Our carbon footprint is, we consider, primarily the result of energy use in our manufacturing processes. This includes "direct" energy use, such as natural gas consumption for production, as well as more minor diesel fuel use for back-up generators and heating applications. To reduce fossil fuel use, we also burn cocoa shells to generate energy for bean roasting: this fiscal year, approximately 10% of cocoa shells from production were burned at facilities in cocoa origin countries, fulfilling 90–100% of steam requirements for roasting at those sites. Our "indirect" energy consumption, in the form of electricity, is primarily for liquid chocolate production. Among all energy consumed at Barry Callebaut, we have estimated the overall percentage of energy generated from renewable sources as 16%.

Energy action plans

We have instituted energy-saving plans at all of our plants, and appointed a member of staff to oversee energy and greenhouse gas reduction efforts. Managers are expected to report key performance indicators (such as energy consumed, water consumed, renewable energy produced, waste produced), and are given bonuses for good performance. As a result, we are on target to meet our goals and have begun to see energy conservation efforts pay off. These initiatives include:

- An energy-monitoring system to track usage in production
- Identifying areas where energy load can be reduced during periods of inactivity
- Facility and process improvements
- Operational best practices and awareness training
- Pilot projects to test biogas production from fermented cocoa shells and waste, and solar energy for electricity and water heating.

Optimizing transportation

We take a project-based approach to improve our environmental impacts from transportation. This includes centralizing distribution centers, consolidating and maximizing load per shipment, and optimizing direct routing to reduce miles and packaging. Also, we select the most efficient, least emissions-intensive transit modes and intermodal transport whenever possible. We train our staff on fuel-efficient, defensive driving techniques, such as reducing speed, leading to a fuel use reduction of 2.5% in Europe during the fiscal year.

A good example of this project approach is in our North America operations where a centralized, energy-efficient warehouse was built to replace six external warehouses, leading to transportation cost savings of USD 500,000 per year. Extending to our logistics providers, all carriers in this region must also be certified under the SmartWay program of the U.S. Environmental Protection Agency.

Environmental performance overview

Our mission is to produce high-quality cocoa and chocolate products for customers in the food manufacturing industry in an environmentally sensitive manner. The following tables illustrate our environmental performance. By optimizing environmental management along our value chain, cascading benefits are extended to our customers, helping them achieve their goals for efficiency and sustainability.

Carbon Footprint (in units of $MTCO_2e$)*

Emission source	2011/12	2010/11	2009/10	2008/09 (base year)
Scope 1 Emissions				
Natural gas	59,000	63,471	60,029**	53,423**
Heating oil	3,409	1,593		
Biomass: cocoa bean shell	4,025	3,500	2,940	Not available
Scope 2 Emissions				
Imported electricity	155,916	145,665	168,219	138,527
Total Scope 1 & 2 (excluding biomass)	**218,325**	**210,729**	**228,248**	**191,950**

* GHG emissions were calculated for operations under our operational control, using "The Greenhouse Gas Protocol: A Corporate Accounting and Reporting Standard", and covering greenhouse gas emissions using global warming potentials from IPCC Fourth Assessment Report (AR4 – 100 year). Electricity emissions are based on IEA average emission factor. We have excluded scope 1 and 2 from sales offices, head office, and outbound transport. Emissions from biomass (cocoa shell burning) are also excluded due to insufficient data availability.

** Only total scope 1 data available up to 2009/10

Energy use (in units of GJ)

Energy source	2011/12	2010/11
Direct energy (GJ)		
Natural gas	1,131,643	1,233,244
Diesel	45,464	21,247
Biomass: cocoa bean shells	64,451	65,045
Indirect energy (GJ)		
Electricity	1,762,190	1,691,751
Energy savings*	**159,512**	**589,248**

* Energy savings per tonne of activity multiplied by total activity

Employees

Additional information about careers at Barry Callebaut:
www.barry-callebaut.com/careers

As set forth in our Code of Conduct, we are committed to provide employees with the opportunity to realize their full potential, and we support them at every stage of their career through services, programs and benefits based on local needs and conditions. From our new employer branding to recruitment, including a long-standing Graduate Trainee Program, formalized professional development and assessment procedures, talent management and succession planning: we have developed our human resources management model immensely and are continuing to further shape it for future success.

Building a career at Barry Callebaut

Across the organization, we offer a wealth of training programs for employees, including local training courses focused on maintaining our standards for quality, health, and safety, as well as career growth through technical and on-the-job skills development. Managers and white collar staff are offered a selection of 19 in-house "business school" trainings, our so-called "Marbach Development Programs" as well as support for advanced degrees to encourage leadership and growth. To reinforce our values in an integrated manner, we are rolling out a global training plan for our Supply Chain & Operations colleagues, including topics related to human resources, good management practices, environmental health and safety, and quality.

As a company with operations in both developing and developed economies, we also understand the importance of assisting our employees locally based on their specific needs. In the cocoa growing regions, our assistance programs cover a broad range of services including medical care, HIV/AIDS education and support, transportation, housing and education (see "Employee support services in cocoa-growing countries" on page 62).

Doing well by doing good

On a broader level, we also encourage healthy habits among employees by promoting internal and external sporting events. A key program which engages employees is our global "Winning Together" initiative, which allows them to support programs in annually altering partner cocoa communities in origin countries. Employees participate in locally organized sporting events and organizers of these events are eligible for a work-study visit to the country and communities designated to profit from the program at the end of the year.

Labor conditions: fair and safe

Across our organization, we support freedom of association in line with local laws and regulations, and 67% of our permanent contract employees participate in collective bargaining agreements. To promote a culture of safety, we have appointed health and safety liaisons at each plant that coordinate safety meetings, training of new hires and annual refreshers, and handling of concerns. Since all facilities with collective bargaining agreements require formal health and safety committees, approximately 67% of the total workforce is represented in these discussions. As a testament to the safety-mindedness of our team, in 2012, our rates of injury, occupational disease, lost days, and absenteeism were very low: In fiscal year 2011/12, the frequency rate of accidents remained stable compared to a year earlier, and the seriousness rate dropped by 30%. We strive to continue reducing recordable injury and lost-time accidents in every plant.

Retiring from Barry Callebaut

To aid employees nearing the end of their careers, our Human Resources staff around the world offer one-on-one support for preretirement planning. Approximately 25% of active employees participate in one of our company pension plan programs. In those countries where local benefit plans provide for retirement income, these plans are partly defined contribution and partly defined benefit plans. Coverage of defined benefit pension obligations varies between legal entities. The coverage meets the minimum legal funding requirements in each country, and overall average coverage stands at 56%.

Our success, and our future, depends on an engaged, motivated and loyal workforce. Through our various support programs, we hope to empower each and every Barry Callebaut employee to contribute to our mission, our corporate culture and our core values of customer focus, passion, entrepreneurship, team spirit and integrity.

Employee support services in cocoa-growing countries

	Côte d'Ivoire Abidjan	Côte d'Ivoire San Pedro	Côte d'Ivoire Sinfra	Ghana Tema	Cameroon Douala	Brazil Extrema	Brazil Ilhéus	Mexico Monterrey	Malaysia Port Klang
Start year of operations	1964 (Cacao Barry)	1995	2000	2001	1952 (Cacao Barry)	2010	1999	2009	2008
Facilities [1]	SACO Vridi bean cleaning facility SACO Zone 4 Factory	Bean cleaning facility Factory	Bean cleaning facility	Factory	Factory	Factory (chocolate)	Factory	Factory (chocolate)	Factory
Employees as of August 31, 2012 [2]	323	231	12	97	119	71	248	232	283
Doctor/nurse on site	Yes	Yes	–	Yes	Yes	Yes	Yes	Yes	–
Medical exams	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes [3]
Vaccinations	Yes	Yes	Yes	Yes [4]	Yes	Yes	Yes	–	Yes
HIV/AIDS education and support	Yes	Yes	Yes	Yes [5]	Yes	Yes [6]	Yes [6]	–	–
Health insurance or other medical care support	Yes	Yes	Yes	Yes [7]	Yes	Yes	Yes	Yes	Yes
Warm meals on factory premises	Yes	Yes	–	Yes	Yes	Yes	Yes	–	Yes
Housing/home ownership opportunity	"Cité Saco I" – 102 homes (1998) "Cité Saco II" – 90 homes (2007)	"Cité Saco San Pedro" – 51 homes (2007)	–	Barry Village – 54 homes (2005)	–	–	–	–	Yes
Transportation to/from work site	Yes	Yes	–	Yes	–	Yes	Yes	–	Yes
Education support/school fees	Yes	Yes	Yes	Yes [8]	Yes	Yes	Yes	–	Yes
Sports activities	Yes	Yes	–	Yes	Yes	–	Yes	Yes	Yes

1 Extrema and Monterrey sites are chocolate factories; all other factories produce semi-finished products (cocoa liquor, butter, powder).
2 Additional part-time and seasonal workers hired as warranted by production demands.
3 Malaysia – Pre-employment medical exam.
4 Ghana – Hepatitis screening and vaccination.
5 Ghana – HIV awareness program and free condom distribution as part of HIV prevention activities.
6 Brazil – Annual HIV training session.
7 Ghana – Payment of medical bills for employees, their spouses and children up to 18 years of age.
8 Ghana – Full coverage of examination and textbook fees upon successful completion of approved courses; educational subsidies for children of employees aged 5–18.

Looking ahead

Barry Callebaut strives to be the heart and engine of the chocolate industry, and as a leader in its field it is also up to us to take our responsibility to society and the environment seriously – further empowering farmers in origin countries. With our fourth strategic pillar "Sustainable Cocoa", the company is actively working on solutions to challenges in our supply chain, as well as the long-term sustainability of farming communities and our industry as a whole. Aging farms and aging farmers, climate changes and poor agricultural practices are only a few of the issues the cocoa industry faces today. In its first year, our new cocoa sustainability initiative "Cocoa Horizons" has already celebrated a number of successes, and we are looking forward to many more in the coming decade.

We also strive to further increase energy efficiency and minimize waste through continuous improvement at all of our locations, and continue to support our employees to become the experts and specialists we need them to be.

In the next fiscal year, we will continue our dialogue with all key stakeholders important to our company and our industry, and will also begin planning the second "Chocovision" conference, currently scheduled for mid-2014. "Chocovision" is a neutral platform for senior business leaders, government officials, NGOs and other stakeholders in cocoa, chocolate and retail to gather and discuss issues facing the cocoa and chocolate industry going forward, as well as accomplishments made so far.

At Barry Callebaut, we consider ourselves thought leaders in working on the challenges facing the industry today and into the future. But even a leader cannot solve all of these problems alone. It is in our own interest as well as the interest of the industry as a whole to collaborate on a global scale. "Chocovision" is just one platform where we can engage our colleagues, our customers and all other relevant stakeholders in order to find long-term solutions for strategy, sustainability and success.

Additional information:
www.chocovision.ch

Statement
GRI Application Level Check

GRI hereby states that **Barry Callebaut AG** has presented its report "Annual Report 2011/12" to GRI's Report Services which have concluded that the report fulfills the requirement of Application Level C.

GRI Application Levels communicate the extent to which the content of the G3 Guidelines has been used in the submitted sustainability reporting. The Check confirms that the required set and number of disclosures for that Application Level have been addressed in the reporting and that the GRI Content Index demonstrates a valid representation of the required disclosures, as described in the GRI G3 Guidelines.

Application Levels do not provide an opinion on the sustainability performance of the reporter nor the quality of the information in the report.

Amsterdam, 24 October 2012

Nelmara Arbex
Deputy Chief Executive
Global Reporting Initiative

The Global Reporting Initiative (GRI) is a network-based organization that has pioneered the development of the world's most widely used sustainability reporting framework and is committed to its continuous improvement and application worldwide. The GRI Guidelines set out the principles and indicators that organizations can use to measure and report their economic, environmental, and social performance. www.globalreporting.org

***Disclaimer:** Where the relevant sustainability reporting includes external links, including to audio visual material, this statement only concerns material submitted to GRI at the time of the Check on 18 October 2012. GRI explicitly excludes the statement being applied to any later changes to such material.*

Our values

Customer focus
Passion
Entrepreneurship
Team spirit
Integrity

Financial Review

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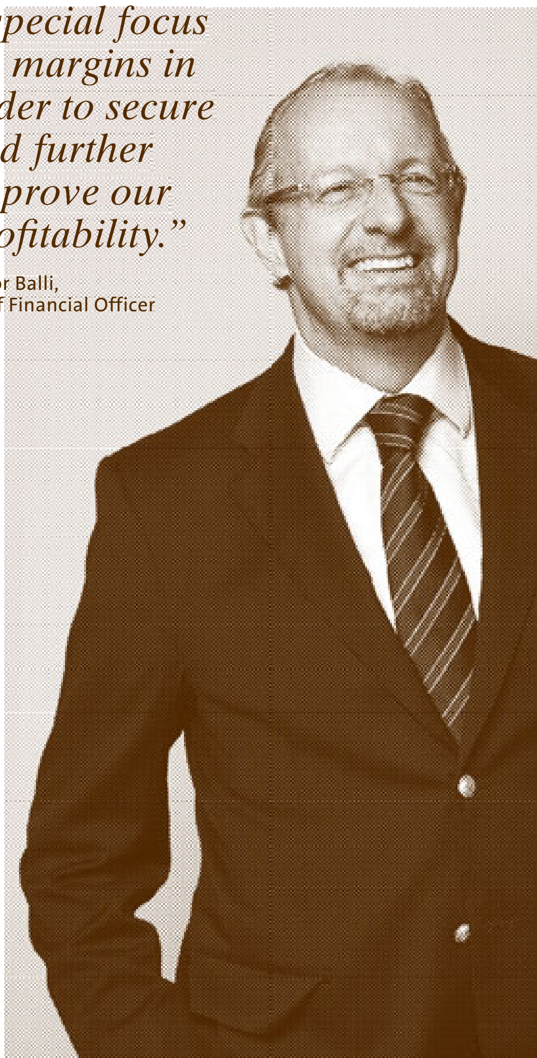
"It will be key for us to have a special focus on margins in order to secure and further improve our profitability."

Victor Balli,
Chief Financial Officer



The CFO's view

Why is there such a large gap between volume growth and profitability performance in fiscal year 2011/12?

Victor Balli, Chief Financial Officer (VB) Our company has been growing at a very fast pace over the past couple of years. It is therefore important to also build up the structures and expand the resources in order to cope with current and future growth and avoid any significant mistakes. During the past year, we simultaneously expanded several of our factories around the world. We also invested into quality-enhancing initiatives and hired more sales people, we acquired various companies and invested in Gourmet structures and expanded our sustainability initiatives. A big focus for us this year was the ramp-up of significant additional volumes originating from our recently signed outsourcing agreements. Therefore, this year's operating result was temporarily affected.

What exactly are "ramp-up costs" and what proportion of that are one-off costs, and how much of it is recurrent?

VB Ramp-up costs are related to getting the organization ready to deal with long-term strategic partnerships and significant additional volume in the future. It includes efforts in matching recipes, adapting the factories to specific customer requirements, building new production lines and preparing the infrastructure to deal with highly professional and demanding clients. Some of these costs can be classified as "one-offs", whilst other costs are variable in nature and will recur once the volumes pick up.

How are you prepared to deal with the financial crisis in Western Europe?

VB On the financing side, we are very well positioned. We have secured long-term financing from various world-class global financial institutions. At the same time, we have reduced the exposure to banks and tapped into the capital market. Within my Risk Management Department, we have developed different scenarios and implemented some measurements in case of a potential break-up of the Eurozone, in order to react quickly. I also like to mention that although we are investing in new, fast-growing markets, Western Europe is still core to our business, and we have had a successful year despite the economic difficulties.

A large write-off of CHF 98.5 million was announced in connection with the consumer divestiture this year, on top of the charge you already took last year. Can you explain why this was necessary and what it included?

VB First of all, I would like to say that I am pleased that during the past five years, we have diligently executed our strategic decision to exit the consumer business. Dijon was the last factory left in this segment. As for the write-off, yes, it is a significant amount but it is a one-time effect. The CHF 98.5 million loss this year included final price adjustments and costs related to the Stollwerck sale of CHF 31.7 million. The remainder is related to Dijon and includes asset write-off, transaction-related costs, currency losses and a cash contribution to support the success of the new owner.

Should we expect a further significant write-off in the coming fiscal year?

VB With this step, we would conclude the divestiture of all our consumer-related activities. In the next fiscal year, we might have a minor adjustment after the closing of Dijon, but we are not expecting another significant write-off.

CAPEX this year is higher than historic average. What can we expect in terms of CAPEX for next year?

VB Indeed, Capital Expenditure this year was above prior year and above our plan. However, top-line growth was also higher than expected. These investments into our factories, warehouses and IT systems are crucial to maintain our growth momentum and to support the recently signed strategic partnerships. We also think now is the time to further invest in fast-growing emerging countries. For the fiscal year 2012/13, we estimate a CAPEX of close to CHF 200 million.

What can you say about this year's combined ratio, and what is the outlook for next year?

VB This year, the combined cocoa ratio was rather volatile. Initially, the ratio was positively driven by the high powder prices, which came down later on. Butter ratios started the year at a historical low level, but rose at the end, based on lower bean prices and long forward coverage of the industry. Overall impact for the past year was neutral. We expect next fiscal year to start difficult, as demand, mainly in Western Europe, seems rather depressed still. We are, however, more positive for the second half of fiscal year 2012/13.

What were the key priorities of the Finance team during the past year?

VB The Finance team focused on improving their support to the Regional business this year; in the role of co-pilot, we supported key decisions from the Regions and helped to prioritize investments, acquisitions, divestitures and keep costs and working capital under control. For the coming year, a special focus will be given to make margins transparent in order to secure and further improve our profitability, transaction by transaction.

What is your outlook for the next fiscal year?

VB I still see a very challenging economic environment particularly in Western Europe, also a rather fragile economy in the U.S. and a slowdown in emerging markets, still with positive growth though. However, as a result of our focus and long-term strategy, I expect our overall volume growth to continue through the strengthening and expansion of strategic partnerships, emerging markets and Gourmet. At the same time, a focus on profitability will be key.

Consolidated Income Statement

Explanatory comments to the Consolidated Financial Statement:

The Group announced in September 2012 that it intends to sell its factory and the related business in Dijon (France), concluding with this the final step to dispose of the consumer activities – following the disposal of the Stollwerck business completed earlier in 2011/12.

The results of this business are therefore no longer included in the Group's financial performance figures for the continuing business, but reported separately in the Consolidated Income Statement under the line "Net result from discontinued operations, net of tax" for both fiscal years 2010/11 and 2011/12. In accordance with IFRS 5, the related assets and liabilities in the Consolidated Balance Sheet as of August 31, 2012 have been reported as "Assets held for sale" and "Liabilities directly associated with assets held for sale". The Consolidated Cash Flow Statement includes the cash flows from discontinued operations in both years. Additional details related to the Income Statement, Balance Sheet and Cash Flow Statement of the discontinued operations can be found in note 2 to the Consolidated Financial Statements.

Sales volume grew strongly by 8.7% from 1,268,925 tonnes to 1,378,856 tonnes. All Regions and Product Groups contributed to this growth.

Revenue from sales and services grew by 8.3% from CHF 4,459.9 million to CHF 4,829.5 million. Adjusted for currency translation effects, revenues from sales and services grew by 11.5%, driven by the volume increase as pointed out above, and partly by higher raw material prices largely passed on to customers.

Gross profit grew by 2.1% to CHF 672.6 million from CHF 659.0 million in prior year. Gross profit was adversely influenced by translation effects excluding which gross profit grew by 5.3%. Gross profit in relation to revenue from sales and services decreased to 13.9% from 14.8% and gross profit per tonne to CHF 487.8 from CHF 519.3 in the prior year. This is amongst other the result of the above-mentioned translation effects, and the additional efforts related to factory expansions and ramp-up costs related to outsourcing agreements.

Marketing and sales expenses increased by 8.4% to CHF 94.5 million compared to CHF 87.2 million last year. The additional costs are partly the result of the Group's growth and partly due to acquisitions as well as investments into the distribution footprint and the further expansion of the sales force particularly in the Gourmet business. The Group is holding on to its path to further strengthen its relationship with customers.

General and administration expenses amount to CHF 231.6 million, up 6.8% compared to CHF 216.8 million in prior year. The effects from growth, acquisitions as well as investments in structure and processes were partly offset by positive currency translation effects.

Other income of CHF 13.8 million was recorded compared to CHF 17.8 million in the prior year. In both years, this position included operating but non-sales-related income items, such as income generated by the Group's Training Center, Schloss Marbach, claims related to insurance companies and suppliers, sales of waste products, income from the reversal of unused accruals and provisions and gains on disposals of assets.

Other expenses amounted to CHF 7.1 million compared to CHF 10.5 million in the prior year. This position comprises restructuring and severance costs, litigation, claims, impairment charges and losses on sales of property, plant and equipment as well as some other non-recurring items.

Operating profit (EBIT) decreased by 2.5% to CHF 353.2 million, compared to CHF 362.3 million in the prior year. Excluding the impact from foreign currency translation, EBIT grew by 1.0%. All Regions and Product Groups contributed positively to EBIT. This is also valid for the EBIT growth except for Region Western Europe and Global Sourcing & Cocoa, where the effect of the volume growth could not fully offset investments in enhanced structures and processes as well as increased costs from the ramp-up of strategic partnership agreements. The biggest absolute contribution to EBIT came from Region Europe in terms of geography and from Food Manufacturers Products in terms of Product Groups. The biggest contribution to EBIT growth came from Region Americas. EBIT per tonne receded to CHF 256.2 from CHF 285.5, partly due to currency translation effects.

Financial income amounted to CHF 6.0 million, up from CHF 1.4 million in the preceding year mainly as a result of higher foreign exchange gains.

Financial expenses increased to CHF 80.8 million compared to CHF 72.8 million in the prior year. This is mainly due to higher interest expenses resulting from the refinancing of bank debts by the EUR 250 million 10-year bond issued in June 2011.

Result from investment in associates and joint ventures amounted to CHF 0.0 million compared to CHF 1.2 million in the year before and contains the Group's share in equity movements of equity accounted investees, i.e. participations in companies over which the Group has significant influence but not control.

Income taxes increased from CHF 28.4 million in prior year to CHF 37.2 million, despite a lower profit before income taxes. This is the result of a less favorable tax mix leading to an increase of the effective tax rate to 13.4% compared to 9.7% in the prior year which had additionally benefitted from positive non-recurring impacts.

Net profit for the year from continuing operations amounted to CHF 241.1 million, a decrease of 8.5% compared to CHF 263.6 million in prior year. In local currencies, it declined by 5.2%, as a result of the lower EBIT in combination with higher financial and income tax expenses.

Net result from discontinued operations amounted to CHF -98.5 million. On the one hand, this amount includes the loss of CHF -31.7 million incurred in relation with the closing of the disposal of the Stollwerck business. These costs are largely due to the loss on disposal of the assets and negative translation effects accumulated in equity since acquisition. On the other hand, it includes a loss of CHF -66.8 million related to the intended discontinuation of the factory and related business in Dijon, France, which was announced in September 2012, and is the last step in the Group's strategy to discontinue its consumer activities. These costs include the operating loss (EBIT) of the business, losses from the write-down of assets, additional funding to be injected before closing, financial expenses and taxes, as well as transaction and separation costs including the cumulative negative translation effects on assets written down, which were accumulated in equity since acquisition. The prior year net loss from discontinued operations amounted to CHF -86.9 million.

Net profit for the year (including discontinued operations) amounted to CHF 142.6 million, compared to CHF 176.8 million in prior year. Net profit for the year attributable to the shareholders of the parent company amounted to CHF 142.1 million, compared to CHF 177.6 million in the preceding year.

Basic earnings per share (from continuing operations) decreased by 9.1% to CHF 46.57, compared to CHF 51.21 last year. **Cash earnings per share,** defined as operating cash flow before working capital changes divided by basic shares outstanding, declined to CHF 85.19 from CHF 87.25 the year before.

Consolidated Balance Sheet and financing structure

Total assets at the end of August 2012 increased by 9.6% to CHF 3,576.6 million, compared to CHF 3,263.1 million at the end of last year. This is mainly the result of the impact from foreign currency translation particularly due to the strengthening of the USD and EUR closing rates versus CHF, higher derivative financial assets and to some extent also a result of the Group's volume growth.

Net working capital increased by CHF 151.1 million or 17.0% to CHF 1,039.2 million at the end of August 2012 compared to CHF 888.1 million at the end of the prior year, mainly due to the aforementioned foreign currency translation effect. Adjusted for this, net working capital grew by 6.8%, at a slightly lower rate than the Group's volume growth.

Net debt at August 31, 2012 amounted to CHF 942.9 million, an increase of CHF 153.1 million versus CHF 789.8 million in prior year. This is partly the result of currency translation effects mainly due to the strengthening of the euro versus the Swiss franc, and partly due to higher financing needs for the increased working capital resulting from the Group's growth. The weighted average maturity of the Group's total debt portfolio including undrawn committed facilities decreased from 7 to 6 years.

Equity – including equity attributable to the shareholders of the parent company and non-controlling interests – amounted to CHF 1,361.7 million. This represents an increase of CHF 144.9 million or 11.9% compared to the CHF 1,216.8 million at the end of August 2011. Equity attributable to the shareholders of the parent company amounted to CHF 1,357.1 million compared to last year's CHF 1,217.1 million. The increase is due to the net profit and positive currency translation effects partly offset by the distribution of a dividend paid out of reserves from capital contributions.

Despite the aforementioned overall increase of equity, the debt-to-equity ratio deteriorated from 64.9% to 69.5% due to higher financing requirements in light of the Group's growth. The solvency ratio improved from 37.3% to 37.9%. The return on invested capital (ROIC) from continuing operations decreased to 14.2% from 15.5% in the prior year.

Consolidated Cash Flow Statement

Operating cash flow before working capital changes slightly declined to CHF 440.2 million from CHF 450.7 million in the prior year due to translation effects. Excluding translation effects, it would have increased by 1.2%. Cash outflow for working capital changes amounted to CHF -128.3 million, compared to CHF -179.8 million in prior year. The effect of higher working capital requirements resulting from the business growth were partly offset by currency translation and raw material price impacts as well as the effects from the continuously strict working capital management. Cash outflow for interest was higher as a result of the bond issued in June 2011, and taxes were significantly higher due to non-recurring payments resulting mainly from business transfers within the Group. Overall, this resulted in a moderate decline in the **Net cash flow from operating activities** to CHF 164.5 million compared to CHF 172.8 million the year before.

Net cash flow from investing activities amounted to CHF -100.5 million, compared to CHF -182.8 million in the preceding year. This year's amount included the cash inflow of CHF 132.2 million in relation to the discontinuation of the consumer activities. On the other hand, the Group made significant investments in property, plant and equipment and intangible assets in the amount of CHF -217.8. This represents a significantly higher level than usual as it includes significant investments namely for the ramp-up of outsourcing agreements next to the usual level of capital expenditures for operations such as capacity expansions, replacements, modernizations and information technology investments. Acquisitions of businesses, net of cash amounts to CHF -18.8 million and includes the acquisitions of a nut business in Spain and a Gourmet decorations business in the U.S. The position also includes proceeds from the sale of assets (CHF 2.9 million in the current and CHF 4.9 million in the prior year) as well as some other minor items.

Net cash flow from financing activities amounted to CHF -70.2 million compared to CHF 33.2 million in prior year. This position mainly includes the dividend payment of CHF -80.1 million (in prior year, there was a repayment of share capital of CHF -72.3 million) whereas the net proceeds from the issue of new debt amounts to CHF 11.1 million (in prior year CHF 114.7 million). The cash outflow for the purchase of treasury shares amounted to CHF -3.8 million (prior year CHF -9.0 million). Finally, the position includes the contribution of CHF 2.8 million by the non-controlling shareholder into the newly founded subsidiary, P.T. Barry Callebaut Comextra Indonesia.

Consolidated Income Statement

for the fiscal year ended August 31,		2011/12	2010/11
in thousands of CHF	Notes		restated[1]
Revenue from sales and services		**4,829,520**	**4,459,908**
Cost of goods sold		(4,156,943)	(3,800,918)
Gross profit		**672,577**	**658,990**
Marketing and sales expenses		(94,537)	(87,173)
General and administration expenses		(231,561)	(216,794)
Other income	6	13,826	17,750
Other expenses	7	(7,131)	(10,454)
Operating profit (EBIT)		**353,174**	**362,319**
Financial income	8	5,985	1,359
Financial expenses	9	(80,843)	(72,834)
Result from investment in associates and joint ventures	17	21	1,168
Profit before income taxes		**278,337**	**292,012**
Income taxes expenses	10	(37,229)	(28,386)
Net profit from continuing operations		**241,108**	**263,626**
Net loss from discontinued operations, net of tax	2	(98,528)	(86,876)
Net profit for the year		**142,580**	**176,750**
of which attributable to:			
– shareholders of the parent company		142,103	177,606
– non-controlling interest[2]		477	(856)
Earnings per share from continuing and discontinued operations			
Basic earnings per share (CHF/share)		27.50	34.39
Diluted earnings per share (CHF/share)		27.38	34.23
Earnings per share from continuing operations[3]	11		
Basic earnings per share (CHF/share)		46.57	51.21
Diluted earnings per share (CHF/share)		46.36	50.98

1 Due to the discontinuation of the consumer activities, certain comparatives have been restated to conform with the current period's presentation. See note 2 Discontinued operations and disposals.
2 None of the results from discontinued operations is related to non-controlling interest.
3 Based on net profit for the year attributable to the shareholders of the parent company excluding the net result from discontinued operations.

Consolidated Statement of Comprehensive Income

for the fiscal year ended August 31,		2011/12	2010/11
in thousands of CHF	Notes		
Net profit for the year		**142,580**	**176,750**
Cash flow hedges	14	(11,723)	13,869
Tax effect on cash flow hedges		4,035	(4,739)
Currency translation differences		81,896	(199,114)
thereof recycled into profit and loss related to discontinued operations		(9,878)	(12,010)
Other comprehensive income/(loss) for the year, net of tax		**74,208**	**(189,984)**
Total comprehensive income/(loss) for the year		**216,788**	**(13,234)**
of which attributable to:			
– shareholders of the parent company		215,871	(12,182)
– non-controlling interest		917	(1,052)

Consolidated Balance Sheet

Assets

as of August 31,		2012	2011
in thousands of CHF	Notes		
Current assets			
Cash and cash equivalents		53,898	41,977
Short-term deposits		659	433
Trade receivables and other current assets	12	570,167	462,787
Inventories	13	1,108,171	1,065,653
Current income tax assets		4,737	2,099
Derivative financial assets	14	414,183	245,924
Current assets without assets held for sale		**2,151,815**	**1,818,873**
Assets held for sale	2	–	235,841
Total current assets		**2,151,815**	**2,054,714**
Non-current assets			
Property, plant and equipment	15	799,758	655,846
Investments in associates and joint ventures	17	4,573	4,041
Intangible assets	18	526,525	465,905
Deferred income tax assets	19	87,093	76,724
Other non-current assets		6,864	5,901
Total non-current assets		**1,424,813**	**1,208,417**
Total assets		**3,576,628**	**3,263,131**

Liabilities and equity

as of August 31,		2012	2011
in thousands of CHF	Notes		
Current liabilities			
Bank overdrafts	20	34,287	17,327
Short-term debt	20	117,277	129,970
Trade payables and other current liabilities	21	657,605	657,167
Current income tax liabilities		38,282	70,165
Derivative financial liabilities	14	362,359	143,536
Provisions	22	12,216	7,450
Current liabilities without liabilities directly associated with assets held for sale		**1,222,026**	**1,025,615**
Liabilities directly associated with assets held for sale	2	25,292	222,509
Total current liabilities		**1,247,318**	**1,248,124**
Non-current liabilities			
Long-term debt	23	845,904	684,960
Employee benefit obligations	24	47,526	47,874
Provisions	22	2,565	5,398
Deferred income tax liabilities	19	53,976	50,105
Other non-current liabilities		17,590	9,827
Total non-current liabilities		**967,561**	**798,164**
Total liabilities		**2,214,879**	**2,046,288**
Equity			
Share capital	25	125,114	125,114
Retained earnings and other reserves		1,231,973	1,092,004
Total equity attributable to the shareholders of the parent company		**1,357,087**	**1,217,118**
Non-controlling interest	25	4,662	(275)
Total equity		**1,361,749**	**1,216,843**
Total liabilities and equity		**3,576,628**	**3,263,131**

Consolidated Cash Flow Statement

Cash flows from operating activities[1]

for the fiscal year ended August 31,		2011/12	2010/11
in thousands of CHF	Notes		
Profit before income taxes from continuing operations		278,337	292,012[2]
(Loss)/Profit before income taxes from discontinued operations	2	(97,403)	(79,947)[2]
Adjustments for:			
Depreciation of property, plant and equipment	15	65,580	70,045
Amortization of intangible assets	18	19,302	22,009
Impairment of property, plant & equipment	15	40,656	1,973
Impairment of intangible assets	18	2,263	59,041
Loss/(Gain) on sale of property, plant and equipment, net		275	445
Loss/(Gain) on sale of subsidiary		31,014	–
Foreign exchange (gain)/loss		(29,030)	8,670
Fair value (gain)/loss on derivative financial instruments		15,457	(13,751)
Write-down of inventories		16,805	11,043
Increase (decrease) of bad debt allowance		(12,968)	(1,139)
Increase (decrease) of provisions		3,218	1,619
Accrued expenses related to the disposal of the discontinued operations	2	25,292	–
Increase (decrease) of employee benefit obligations		(772)	(822)
Equity-settled share-based payments	4, 24	8,046	8,380
Result from investments in associates and joint ventures	17	(21)	(1,168)
(Interest income)	8	(1,503)	(1,275)
Interest expenses		75,642	73,533
Operating cash flow before working capital changes		**440,190**	**450,668**
(Increase) decrease in trade receivables and other current assets		(156,327)	(63,436)
(Increase) decrease in inventories		68,048	(191,059)
Increase (decrease) in trade payables and other current liabilities		(36,874)	82,423
Use of provisions		(3,164)	(7,732)
Cash generated from operations		**311,873**	**270,864**
(Interest paid)		(67,102)	(57,079)
(Income taxes paid)		(80,296)	(41,030)
Net cash flow from operating activities		**164,475**	**172,755**

1 The Cash Flow Statement includes the cash flow from discontinued operations.
2 Due to the discontinuation of the consumer activities, certain comparatives have been restated to conform with the current period's presentation. See note 2 Discontinued operations and disposals.

Consolidated Cash Flow Statement

Cash flows from investing activities[1]

for the fiscal year ended August 31,		2011/12	2010/11
in thousands of CHF	Notes		
Purchase of property, plant and equipment	15	(178,222)	(113,311)
Proceeds from sale of property, plant and equipment		2,434	4,406
Purchase of intangible assets	18	(39,592)	(60,502)
Proceeds from sale of intangible assets		468	480
Acquisition of subsidiaries/businesses net of cash acquired	1	(18,764)	(16,073)
Proceeds from disposal of subsidiaries		132,205	–
Proceeds from disposal of financial assets		–	8
Purchase of short-term deposits		(181)	–
Proceeds from sale of short-term deposits		–	193
Sale/(Purchase) of other non-current assets		(489)	625
Interest received		1,548	1,273
Dividends received		64	83
Net cash flow from investing activities		**(100,529)**	**(182,818)**

Cash flows from financing activities[1]

for the fiscal year ended August 31,		2011/12	2010/11
in thousands of CHF	Notes		
Proceeds from the issue of short-term debt		1,325	122,462
Repayment of short-term debt		(125,352)	(81,005)
Proceeds from the issue of long-term debt		135,884	312,215
Repayment of long-term debt		(735)	(239,022)
Dividend payment/capital reduction and repayment		(80,135)	(72,317)
Purchase of treasury shares	25	(3,813)	(9,044)
Dividends paid to non-controlling interests	25	(164)	(105)
Effects of changes in non-controlling interest	25	2,785	–
Net cash flow from financing activities		**(70,205)**	**33,184**
Effect of exchange rate changes on cash and cash equivalents		1,220	(2,365)
Net increase (decrease) in cash and cash equivalents		**(5,039)**	**20,756**
Cash and cash equivalents at beginning of year		24,650	3,894
Cash and cash equivalents at end of year		19,611	24,650
Net increase (decrease) in cash and cash equivalents		**(5,039)**	**20,756**
Cash and cash equivalents		53,898	41,977
Bank overdrafts		(34,287)	(17,327)
Cash and cash equivalents as defined for the cash flow statement		**19,611**	**24,650**

1 The Cash Flow Statement includes the cash flow from discontinued operations.

Consolidated Statement of Changes in Equity

Attributable to the shareholders of the parent company	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustments	Total	Non-controlling interest	Total equity
in thousands of CHF								
As of September 1, 2010	**197,494**	**(3,191)**	**1,378,913**	**(6,987)**	**(263,948)**	**1,302,281**	**882**	**1,303,163**
Currency translation adjustments					(198,918)	(198,918)	(196)	(199,114)
Effect of cash flow hedges (note 14)				13,869		13,869		13,869
Taxes recognized in equity (note 19)				(4,739)		(4,739)		(4,739)
Other comprehensive income, net of tax				**9,130**	**(198,918)**	**(189,788)**	**(196)**	**(189,984)**
Net profit for the year			177,606			177,606	(856)	176,750
Total comprehensive income for the year			**177,606**	**9,130**	**(198,918)**	**(12,182)**	**(1,052)**	**(13,234)**
Capital reduction (note 25)	(72,380)		63			(72,317)		(72,317)
Movements of non-controlling interest (note 25)						–	(105)	(105)
Purchase of treasury shares		(9,044)				(9,044)		(9,044)
Sale of treasury shares		–	–			–		–
Equity-settled share-based payments		4,697	3,683			8,380		8,380
As of August 31, 2011	**125,114**	**(7,538)**	**1,560,265**	**2,143**	**(462,866)**	**1,217,118**	**(275)**	**1,216,843**
Currency translation adjustments					81,456	81,456	440	81,896
Effect of cash flow hedges (note 14)				(11,723)		(11,723)		(11,723)
Taxes recognized in equity (note 19)				4,035		4,035		4,035
Other comprehensive income, net of tax				**(7,688)**	**81,456**	**73,768**	**440**	**74,208**
Net profit for the year			142,103			142,103	477	142,580
Total comprehensive income for the year			**142,103**	**(7,688)**	**81,456**	**215,871**	**917**	**216,788**
Dividend payment			(80,135)			(80,135)	(164)	(80,299)
Movements of non-controlling interest (note 25)						–	4,184	4,184
Purchase of treasury shares		(3,813)				(3,813)		(3,813)
Sale of treasury shares		–	–			–		–
Equity-settled share-based payments		8,578	(532)			8,046		8,046
As of August 31, 2012	**125,114**	**(2,773)**	**1,621,701**	**(5,545)**	**(381,410)**	**1,357,087**	**4,662**	**1,361,749**

Summary of Accounting Policies

Organization and business activity

Barry Callebaut AG ("The Company") was incorporated on November 24, 1994 under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2012, Barry Callebaut's market capitalization based on issued shares was CHF 4,671 million (August 31, 2011: CHF 3,955 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.11% of the shares issued (August 31, 2011: 50.11%).

Barry Callebaut AG and its subsidiaries ("The Group") is one of the world's leading cocoa and chocolate companies, serving the food industry, from food manufacturers to artisans and professional users of chocolate such as chocolatiers, pastry chefs or bakers, and products for vending machines. The Group offers a broad and expanding range of chocolate and other cocoa-based products with numerous recipes. It also provides a comprehensive range of services in the fields of product development, processing, training and marketing. The Group is fully vertically integrated along the entire value chain: from sourcing of raw materials to the production of the finest chocolate products.

The principal brands under which the Group operates are Barry Callebaut, Callebaut, Cacao Barry, Carma, Van Leer and Van Houten for chocolate products; Barry Callebaut, Bensdorp, Van Houten and Chadler for cocoa powder and Bensdorp, Van Houten, Caprimo, Le Royal and Ögonblink for vending mixes.

The principal countries, in which the Group operates, include Belgium, Brazil, Cameroon, Canada, China, Côte d'Ivoire, France, Germany, Ghana, Italy, Japan, Malaysia, Mexico, the Netherlands, Poland, Russia, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the U.S.

Basis of presentation

The Consolidated Financial Statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

For consolidation purposes, Barry Callebaut AG and its subsidiaries prepare financial statements using the historical cost basis as disclosed in the accounting policies below, except for the measurement at fair value of derivative financial instruments, for related hedged items and for defined benefit obligation that is accounted for according to the projected unit credit method.

Management assumptions and significant estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised, and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following table:

Note 1	Acquisitions – Fair value measurement
Note 2	Discontinued operations and disposals – Assessment of the accrued costs of disposal
Note 18	Goodwill – Measurement of the recoverable amounts of cash-generating units
Note 19	Deferred tax assets and liabilities – Utilization of tax losses
Note 24	Employee benefit obligation – Measurement of defined benefit obligations

Scope of consolidation/subsidiaries

The Consolidated Financial Statements of the Group include all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies which it controls. Control is presumed to exist when a company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or otherwise has the power to exercise control over the financial and operating policies of a subsidiary so as to obtain the benefits from its activities. Non-controlling interests are shown as a component of equity in the balance sheet and the share of the net profit attributable to non-controlling interest is shown as a component of the net profit for the period in the Consolidated Income Statement. Newly acquired companies are consolidated from the date control is transferred (the effective date of acquisition), using the acquisition method. Subsidiaries disposed of are included up to the effective date of disposal.

All intragroup balances and unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Purchases and disposals of non-controlling interest in subsidiaries

The Group applies the policy of treating transactions with non-controlling interest equal to transactions with equity owners of the Group. For purchases from non-controlling interest, the difference between consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interest are also recorded in equity.

Investments in associates and joint ventures

Associates are those companies in which the Group has significant influence but not control. This is normally presumed when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity-accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any impairment losses. The Consolidated Financial Statements include the Group's share of the income and expenses and equity movements of equity-accounted investees from the date that significant influence or joint control commences until the date significant influence or joint control ceases.

Foreign currency transactions

The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective functional currencies at the exchange rate prevailing at the year-end date. Any resulting exchange gains and losses are taken to the income statement. If related to commercial transactions or to the measurement of financial instruments in coverage of commercial transactions, such foreign currency gains and losses are classified as cost of goods sold. Otherwise, foreign currency gains and losses are classified as financial income and financial expense.

Foreign currency translation

For consolidation purposes, assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses are translated at the average rates of exchange for the year. Differences arising from the translation of financial statements using the above method are recorded as cumulative translation adjustments in equity. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve is reclassified to the Consolidated Income Statement as part of the gain or loss on disposal.

Major foreign exchange rates

	2011/12		2010/11	
	Closing rate	Average rate	Closing rate	Average rate
EUR	1.2007	1.2115	1.1576	1.2682
GBP	1.5173	1.4601	1.3074	1.4643
USD	0.9608	0.9276	0.8037	0.9128

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, checks, bank balances and unrestricted bank deposit balances with an original maturity of 90 days or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

Trade receivables and other current assets

Trade receivables are stated at amortized cost, less anticipated impairment losses. mpairment allowances for receivables represent the Group's estimates of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are assessed on an individual basis, taking into account the ageing of customers' balances, specific credit circumstances and the Group's historical default experience. If the Group is satisfied that no recovery of the amount owing is possible, the receivable is written off and the allowances related to it is reversed.

The Group maintains an asset-backed securitization program for trade receivables, transferring the contractual rights to the cash flows of third-party trade receivables at their nominal value minus a discount. These receivables are derecognized from the balance sheet. The net amount reported under "Other current assets" or "Other current liabilities" is the amount of the discount minus the receivables already collected at the balance sheet date but not yet remitted to the asset-purchasing company (see note 12).

Derivative financial instruments and hedging activities

The Group's purchasing and sourcing center frequently buys and sells cocoa beans for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. The practice of net cash settlement of cocoa purchase and sale contracts results in these contracts qualifying as derivative financial instruments.

The Group is exposed to the cocoa price risk resulting from its cocoa bean stocks and semi-finished cocoa products (both included in inventory), forecasted cocoa purchases and cocoa forward contracts. In accordance with its risk management policies, the Group therefore hedges its exposure to the cocoa price risk applying fair value hedge accounting.

Furthermore, the Group hedges its exposure to foreign exchange risk and interest rate risk arising from operational, financing and investment transaction.

Derivative financial instruments are accounted for at fair value with fair value changes recognized in the Consolidated Income Statement.

Hedge accounting

The operating companies require cocoa beans and semi-finished cocoa products for manufacturing and selling of their products. Thus, the Group is exposed to the cocoa price risk on the purchase side due to increasing cocoa prices, on the sales side and inventory held to decreasing cocoa prices. The Group therefore applies hedge accounting to hedge its fair value risk on inventory and uses commodity futures and forward contracts to manage cocoa price risks (Contract Business – see risk management note 26).

The Group and its subsidiaries enter into sales and purchasing contracts denominated in various currencies and consequently are exposed to foreign currency risks, which are hedged by the Group's treasury department or – in case of legal restrictions – with local banks. The Group's interest rate risk is managed with interest rate derivatives.

Hedge accounting is applied to derivatives that are effective in offsetting the changes in fair value or cash flows of the hedged items. The hedge relation is documented and the effectiveness of such hedges is tested at regular intervals, at least on a semi-annual basis.

Fair value hedging – for commodity price risks and foreign currency exchange risks related to the Contract Business

Generally, fair value hedge accounting is applied to hedge the Group's exposure to changes in fair value of a recognized asset or liability or an identified portion of such an asset or liability, that is attributable to a particular risk, e.g. commodity price risks, and that could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative (hedging instrument) is remeasured at fair value, and gains and losses from both are taken to the Consolidated Income Statement.

For cocoa inventory which is in excess of the cocoa component within sales contracts, a fair value hedge relationship is established. In this hedge relationship, the cocoa inventory is designated as hedged item and the short future contracts are designated as hedging instruments. When cocoa inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the cocoa inventory attributable to the hedged risk is adjusting the carrying amount of the hedged item (change of inventory cost value) with a corresponding gain or loss in the income statement. The hedging instrument is recorded at fair value under "Derivative financial assets" or "Derivative financial liabilities", and the changes in the fair value of the hedging instrument are also recognized in the Consolidated Income Statement.

For foreign currency exchange risks related to the firm sales commitments of industrial chocolate (Contract Business), fair value hedge accounting is applied. The hedge relationship is between the unrecognized firm sales commitment (hedged item) and the foreign currency forward sales contract (hedging instrument). The changes in fair value of the hedging instrument are recognized in the income statement. The cumulative change in the fair value of the firm sales commitment attributable to the foreign currency risk is recognized as an asset or liability with a corresponding gain or loss in the Consolidated Income Statement.

Cash flow hedging – for interest rate risks

In general, Barry Callebaut applies cash flow hedge accounting for interest rate derivatives, converting a portion of floating rate borrowings to fixed-rate borrowings.

Interest rate derivatives hedging exposures to variability in cash flows of highly probable forecasted transactions are classified as cash flow hedges. For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. Gains or losses that are recognized in equity are transferred to the income statement in the same period in which the hedged exposure affects the Consolidated Income Statement. The ineffective part of any gain or loss is recognized immediately in the Consolidated Income Statement at the time hedge effectiveness is tested.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is immediately transferred to the Consolidated Income Statement.

No hedge accounting designation

The Group's purchasing and sourcing center and the In-house Bank of the Group fair value their derivative financial instruments without applying hedge accounting.

Price List Business commodity risk hedging is based on forecasted sales volume and excluded from hedge accounting, as no derivatives can be clearly designated to the forecasted price list sales. Therefore, these derivatives are carried at fair value with fair value changes recognized in the income statement.

In respect of the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied. Any gain or loss on the financial derivative used to economically hedge this risk is recognized in the income statement thus compensating the gains and losses that arise from the revaluation of the underlying asset or liability.

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises the costs of materials, direct production costs including labor costs, and an appropriate proportion of production overheads and factory depreciation. For movements in inventories, the average cost method is applied. Net realizable value is defined as the estimated selling price less costs of completion, and direct selling and distribution expenses.

Assets held for sale and liabilities directly associated with assets held for sale

Short-term and long-term assets and related liabilities are classified as held for sale and shown on the balance sheet in a separate line as "Assets held for sale" and "Liabilities directly associated with assets held for sale" if the carrying amount is to be realized by selling, rather than using, the assets. This is conditional upon the sale being highly probable to occur and the assets being ready for immediate sale. For a sale to be classified as highly probable, the following criteria must be met: Management is committed to a plan to sell the asset, the asset is marketed for sale at a price that is reasonable in relation with its current fair value and the completion of the sale is expected to occur within 12 months.

Assets held for sale are measured at the lower of their carrying amount or the fair value less costs to sell. From the time they are classified as "held for sale", depreciable assets are no longer depreciated or amortized.

Financial assets

Financial assets are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Accordingly, financial assets are classified into the following categories: at fair value through profit or loss, loans and receivables and available-for-sale. Financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as at fair value through profit or loss. All other financial assets, excluding loans and receivables, are classified as available-for-sale.

All purchases and sales of financial assets are recognized on the trade date. Financial assets are recognized when the Group becomes a party to the contractual provisions and are initially measured at fair value, which is the consideration given for them, plus transaction costs in the case of financial assets and liabilities not at fair value through profit or loss. Available-for-sale and fair value through profit or loss investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that the Group may incur on their sale or other disposal.

Gains or losses on measurement to fair value of available-for-sale investments are included directly in equity until the financial asset is sold, disposed of or impaired, at which time the gains or losses are recognized in net profit or loss for the period.

Financial assets are derecognized, using the weighted average method, when the Group loses control of the contractual rights to the cash flows of the assets or when the Group sells, or otherwise disposes of, the contractual rights to the cash flows, including situations where the Group retains the contractual rights but assumes a contractual obligation to pay the cash flows that comprise the financial asset to a third party. Such control is lost when the rights and benefits specified in the contract are realized, expired, or are surrendered.

Intangible assets

Goodwill

Goodwill on acquisitions is the excess of acquisition-date fair value of total consideration transferred plus the recognized amount of any non-controlling interest in the acquiree and the acquisition-date fair value of assets acquired, liabilities and contingent liabilities assumed. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill is recognized directly in the income statement. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Research and development costs

Research costs are expensed as incurred, whereas product development costs are only expensed as incurred when it is considered impossible to quantify the existence of a market or future cash flows for the related products or processes with reasonable assurance.

Development costs for projects relate to software, recipes and innovation and are capitalized as an intangible asset if it can be demonstrated that the project is expected to generate future economic benefits. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized on a straight-line basis over the period of their expected useful life. The amortization periods adopted do not exceed eight years.

Other intangible assets

Other acquired intangible assets include patents, trademarks, brand names and licenses. Patents and licenses are amortized over their period of validity. All other intangible assets are amortized on a straight-line basis over their anticipated useful life not exceeding 20 years.

Property, plant and equipment

Property, plant and equipment are measured at the acquisition or construction cost less accumulated depreciation and accumulated impairment losses. A straight-line method of depreciation is applied through the estimated useful life. Estimated useful lives of major classes of depreciable assets are:

Buildings (including warehouses and installations)	20 to 50 years
Plant and machinery	10 to 20 years
Office equipment, furniture and motor vehicles	3 to 10 years

Maintenance and repair expenditures are charged to the income statement as incurred.

The carrying amounts of property, plant and equipment are reviewed at least at each balance sheet date to assess whether they are recoverable in the form of future economic benefits. If the recoverable amount of an asset has declined below its carrying amount, an impairment loss is recognized to reduce the value of the assets to its recoverable amount. In determining the recoverable amount of the assets, expected cash flows are discounted to their present value.

Borrowing costs

Borrowing costs related to the acquisition, construction, or production of a qualifying asset are capitalized in accordance with IAS 23. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period. Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under an operating lease are charged to the income statement on a straight-line basis over the term of the lease.

Financial liabilities

Financial liabilities are initially recognized at fair value, net of transaction costs, when the Group becomes a party to the contractual provisions. They are subsequently carried at amortized cost using the effective interest rate method. A financial liability is removed from the balance sheet when the obligation is discharged, cancelled, or expires.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate thereof can be made. Provisions are recorded for identifiable claims and restructuring costs. Restructuring provisions mainly comprise employee termination payments. Specific provisions for restructuring costs are recorded at such time as the management approves the decision to restructure and a formal plan for restructuring is communicated.

Employee benefit obligations/post-employment benefits

The liabilities of the Group arising from defined benefit obligations and the related current service costs are determined on an actuarial basis using the projected unit credit method.

Actuarial gains and losses are recognized in the income statement over the remaining working lives of the employees to the extent that their cumulative amount exceeds 10% of the greater of the present value of the obligation and of the fair value of plan assets.

For defined benefit plans, the actuarial costs charged to the income statement consist of current service cost, interest cost, expected return on plan assets, and past service cost, gains or losses related to curtailments or early settlements as well as actuarial gains or losses to the extent they are recognized. The past service cost for the enhancement of pension benefits is accounted for over the period that such benefits vest.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the Consolidated Income Statement as incurred.

Post-retirement benefits other than pensions

Certain subsidiaries provide healthcare and insurance benefits for a portion of their retired employees and their eligible dependents. The cost of these benefits is actuarially determined and included in the related function expenses over the employees' working lives. The related liability is also included in the position "Employee benefit obligations".

Employee stock ownership program
For the employee stock ownership program, treasury shares are used. In accordance with IFRS 2, the compensation costs in relation with shares granted under the employee stock ownership program are recognized in the income statement over the vesting period at their fair value as of the grant date.

Other long-term employee benefits
Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations. Benefit cost is recognized on an actuarial basis in the income statement. The related liability is included in other long-term liabilities.

Share capital/purchase of treasury shares
Where the Company or its subsidiaries purchase the Company's shares, the consideration paid including any attributable transaction costs is deducted from equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

Dividends
Dividends on ordinary shares are recognized as a liability when they are approved by the shareholders.

Taxes
Current income taxes are recognized based on taxable income, whereas other taxes such as non-recoverable taxes withheld on dividends, management fees and royalties received or paid are reported under "Other expenses". Non-recoverable withholding taxes are only accrued if distribution by subsidiary companies is foreseen.

Income taxes are calculated in accordance with the tax regulations in effect in each country.

The Group recognizes deferred income taxes using the balance sheet liability method. Deferred income tax is recognized on all temporary differences arising between the tax values of assets and liabilities and their values in the Consolidated Financial Statements. Deferred income tax assets are recognized to the extent it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Revenue recognition
Revenues from sales and services consist of the net sales turnover of semi-processed and processed goods and services related to food processing.

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is mainly upon shipment. Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the cost of returns. Additionally, gains and losses related to derivative financial instruments used for hedging purposes are recognized in revenues in accordance with the policies set out in this section.

Revenues and costs related to trading of raw materials, which are fair valued, are netted. Interest income is recognized as it accrues on an effective yield basis, when it is determined that such income will flow to the Group. Dividends are recognized when the right to receive payment is established.

Government grants

Provided there is reasonable assurance that they will be irrevocably received, grants relating to capital expenditure are deducted from the cost of property, plant and equipment and thus recognized in the income statement on a straight-line basis over the useful life of the asset.

Other grants that compensate the Group for expenses incurred are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee.

Discontinued operations

Discontinued operations are separately disclosed, if a component of an entity either has been disposed of, or is classified as, held for sale. A component of an entity represents a major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale. A component of an entity can be clearly distinguished operationally and for financial reporting purposes, from the rest of the entity. Discontinued operations are separately disclosed from the continued operations in the consolidated income statement. Prior-year financial figures related to the income statement are adjusted accordingly (as if the operation had been discontinued as from the start of the comparative year) and also separately disclosed. Related assets are presented on the balance sheet under "Assets held for sale" and related liabilities under "Liabilities directly associated with assets held for sale", whereas in accordance with IFRS 5, no prior-year restatement has been made for these positions. Cash flow information related to discontinued operations are disclosed separately in the notes.

Amended International Financial Reporting Standards and Interpretations which became effective for this financial year

Amendments to IAS 24 – Related Party Disclosures (effective January 1, 2011)

The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. A reporting entity might be exempted from the general disclosure requirements set out in IAS 24 in relation to related party transactions and outstanding balances, if certain requirements are met. The amendment includes new related party relationships such as associates of the controlling shareholder, entities managed by their key management personnel who has control or joint control over the reporting entity, entities jointly controlled by an individual investor (or the individual investor's close family member) having joint control or significant influence over the reporting entity, and entities being controlled or jointly controlled by an individual investor having significant influence over the reporting entity.

Amendments to IFRS 7 – Financial Instruments: Disclosures – Transfer of Financial Assets (effective July 1, 2011)

The IASB introduced enhanced disclosure requirements to IFRS 7 Financial Instruments as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example securitizations), including the possible effects of any risks that remain with the entity that transfers the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment impacted the Group on the disclosures.

Improvements to IFRS (effective January 1, 2011)

Several standards have been modified on miscellaneous points. No material impacts on the Group's Consolidated Financial Statements were identified.

Amended International Financial Reporting Standards and Interpretations, not yet effective for the Group and not early adopted

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after September 1, 2012, but the Group has not early adopted them.

Amendments to IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective for periods beginning on or after July 1, 2012)

The IASB introduced changes to the presentation of items of other comprehensive income. The amendments require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met. The amendments change the title of the statement of comprehensive income to the Consolidated Income Statement and other comprehensive income. However, the entity is still allowed to use other titles. Potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IAS 19 – Employee Benefits (effective for periods beginning on or after January 1, 2013)

The Group has not opted for an earlier application in the fiscal year 2011/2012 of the revised version of IAS 19 "Employee Benefits" which enters into force latest for annual periods beginning on or after January 1, 2013.

The revised IAS 19 standard eliminates the corridor method that is currently applied by the Group. In the future, all changes in the present value of the defined benefit obligation and in the fair value of the plan assets will be recognized in the financial statements immediately in the period they occur. Any movements in actuarial gains and losses will be recognized through other comprehensive income. The Group will apply this change in accounting policy retrospectively in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors", affecting both the net defined benefit liability in the Consolidated Balance Sheet and the amounts recognized in the Consolidated Income Statement.

On August 31, 2012, the unrecognized actuarial losses of the Group amounted to CHF 69.0 million. Upon adoption of IAS 19 revised, this amount would be recognized in equity.

In addition, the revised standard specifies the presentation of the changes in the net defined benefit liability. Service costs and net interest on the net defined benefit liability are recognized in the Consolidated Income Statement, whereas the remeasurement of the net defined benefit liability is recognized in other comprehensive income. Currently, all recognizable changes, including the recognized part of the actuarial gains and losses under the corridor method, are recognized in the Consolidated Income Statement.

Under the revised version of IAS 19, the defined benefit expenses recognized in the Consolidated Income Statement will consist of the service costs and the net interest cost based on the net defined benefit liabilities. The net interest costs will be based on the discount rate used to discount the obligation.

Had IAS 19 revised been applied for fiscal year 2011/12, total defined benefits expenses would amount to CHF 12.6 million, consisting of service costs of CHF 7.0 million and net interest costs of CHF 5.6 million. The net interest costs consist of interest cost on the obligation of CHF 10.5 million and interest income on plan assets of CHF 4.9 million, both calculated based on the discount rate used to discount the employee benefit obligations.

IAS 27 – Consolidated and Separate Financial Statements (effective for periods beginning on or after January 1, 2013)

This standard has been amended due to the release of IFRS 10 – Consolidated Financial Statements. IAS 27 carries forward the existing accounting for separate financial statements, with some minor clarifications. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IAS 28 – Investments in Associates (effective for periods beginning on or after January 1, 2013)

This standard has been amended due to the release of IFRS 11 – Joint Arrangements. Some minor clarifications have been added. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2014)

These amendments clarify when an entity currently has a legally enforceable right to set off financial assets and financial liabilities, and also clarifies the circumstances when gross settlement is equivalent to net settlement. The amendments are to be applied retrospectively. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2013)

These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are offset in the balance sheet, and are subject to enforceable master netting agreements or similar agreements. The amendments are to be applied retrospectively. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IFRS 9 – Financial Instruments and related amendments to IFRS 7 regarding transition (effective for periods beginning on or after January 1, 2015)
This standard introduces new requirements for the classification and measurement of financial assets. All recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value. The standard gives guidance on how to apply the measurement principles. A fair value option is available as an alternative to amortized cost measurement. All equity investments within the scope of IFRS 9 are to be measured on the consolidated balance sheet at fair value with the default recognition of gains and losses in profit or loss. Only if the equity instrument is not held for trading can an irrevocable election be made at initial recognition to measure it at fair value through other comprehensive income with only dividend income recognized in profit or loss. All derivatives within the scope of IFRS 9 are required to be measured at fair value. This includes derivatives that are settled by the delivery of unquoted equity instruments; however, in limited circumstances cost may be an appropriate estimate of fair value.

For a financial liability designated as at fair value through profit or loss using the fair value option, the charge in the liability's fair value attributable to charges in the liability's credit risk is recognized directly in other comprehensive income, unless it creates or increases an accounting mismatch.

The Group has not yet decided whether it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IFRS 10 – Consolidated Financial Statements (effective for periods beginning on or after January 1, 2013)
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are in the scope of SIC-12. The consolidation procedures are carried forward from IAS 27. The Group has not yet decided whether it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IFRS 11 – Joint Arrangements (effective for periods beginning on or after January 1, 2013)
This standard establishes principles for financial reporting by parties to a joint arrangement. This standard principally addresses two aspects: first, that the structure of the arrangement was the only determinant of the accounting and, second, that an entity had a choice of accounting treatment for interests in jointly controlled entities. IFRS 11 improves on IAS 31 by establishing principles that are applicable to the accounting for all joint arrangements. The Group has not yet decided whether it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IFRS 12 – Disclosure of Interests in Other Entities (effective for periods beginning on or after January 1, 2013)
This standard addresses the need for improved disclosure of a reporting entity's interests in other entities when the reporting entity has a special relationship with those other entities. The standard integrates and makes consistent the disclosure requirements for subsidiaries, joint arrangements, associates and unconsolidated structured entities and presents those requirements in a single IFRS as it was observed that the disclosure requirements of IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates, and IAS 31 Interests in Joint Ventures overlapped in many areas. The Group has not yet decided whether it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

IFRS 13 – Fair Value Measurement (effective for periods beginning on or after January 1, 2013)
This standard defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

Interpretations and amendments to existing standards, not yet effective and not relevant for the Group's operations
IAS 12 – Income taxes – Deferred Tax: Recovery of Underlying Assets (effective January 1, 2012)
The amendments provide an exception to the general principle in IAS 12 that the measurement of the deferred tax asset and deferred tax liabilities should reflect the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset. The changes mainly refer to investment properties measured at fair value with no impact on the Group's Consolidated Financial Statements as the Group does not have investment properties measured at fair value.

Improvements to IFRSs (May 2012)
The improvements to IFRSs (May 2012) comprise 7 amendments to 5 standards (IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34) and consequential amendments to other pronouncements. The amendments are effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted, however the Group did not opt for this.

Notes to the Consolidated Financial Statements

1 Acquisitions

Acquisitions in 2011/12

On January 10, 2012, the Group obtained control of la Morella nuts S.A., a Spanish company active in manufacturing nut-based products, by acquiring 100% of the shares and voting interests.

To further strengthen its share in the fast-growing decoration business, Barry Callebaut signed an agreement to aquire 100% of the shares and gained control over Mona Lisa Food Products, Inc., a company based in the U.S., with effect of March 1, 2012. The company has meanwhile been merged into Barry Callebaut USA LLC.

The following summarizes the major classes of consideration transferred in combination of the acquisitions mentioned above:

in millions of CHF	2011/12
Consideration	
Cash paid	18.8
Consideration deferred	7.2
Total consideration transferred	**26.0**

The deferred payments are contractually due at the first, second and third anniversary of the closing date and do not qualify as contingent consideration with the seller nor are there other arrangements for contingent consideration.

The Group expensed acquisition-related costs, such as fees for due diligence work, lawyers and valuation services, of CHF 0.6 million over the course of the projects immediately in the Consolidated Income Statement (included in "General and administration expenses"), all recognized in the current fiscal period.

in millions of CHF	2011/12
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	15.6
Non-current assets	10.1
Current liabilities	13.7
Non-current liabilities	5.2
Total identifiable net assets	**6.8**
Goodwill	19.2
Total consideration at fair value	**26.0**

The goodwill of CHF 19.2 million arising from the acquisitions is attributable to the skills and technical talents of the work force, synergies expected to be achieved from integrating the companies into the Group's existing business and economies of scale expected from combining the operations, sales and sourcing channels of the companies and the Group. None of the goodwill recognized is expected to be deductible for income tax purposes. CHF 11.6 million of the goodwill is allocated to Region Europe, whereas CHF 7.6 million is allocated to Region Americas.

The revenue included in the Consolidated Income Statement since the acquisition dates, contributed by the companies, was CHF 29.4 million. The companies have also contributed a profit of CHF 1.7 million since acquisition.

Had the companies been consolidated from September 1, 2011, they would have contributed revenue of CHF 47.0 million and net profit for the fiscal year of CHF 2.9 million to the Consolidated Income Statement.

Acquisitions in 2010/11

On June 24, 2011, the Group entered into a long-term Chocolate and Compound Manufacturing and Supply Agreement with the Mexican chocolate and compound food service distributor Turín and purchased the necessary properties, equipment and inventories for the production. In addition, the staff necessary to meet the contractual obligations was also taken over by the Group. Based on IFRS 3 Business Combinations, this transaction qualifies as a business combination.

At the same time, the Group entered into a distribution agreement with Turín whereby Turín became the exclusive distributor of the gourmet products of the Group in the Mexican market. With this agreement, the Group intends to increase its share in the growing Mexican chocolate market.

The consideration was fully paid in cash in June and July 2011. The agreements did not contain any elements of a contingent consideration.

The Group expensed acquisition-related costs, such as fees for valuation and lawyers, of CHF 0.2 million over the course of the project immediately in the Consolidated Income Statement (included in "General and administration expenses"), all recognized in the fiscal year of the acquisition.

in thousands of CHF	2010/11
Recognized amounts of identifiable assets acquired	
Property, plant and equipment	11,343
Deferred income tax assets	616
Total identifiable net assets	**11,959**
Goodwill	4,114
Total consideration at fair value	**16,073**

The goodwill of CHF 4.1 million arising from the acquisition is attributable to the skills and technical talents of the work force taken over, synergies expected to be achieved from integrating the business and the acquired site into the Group's existing business and footprint.

It also reflects economies of scale expected from combining the operations of the Group and the new business, and the expected mutual good business relationship with Turín, one of the leading chocolate and compound food service distributor in the Mexican market.

None of the goodwill recognized is expected to be deductible for income tax purposes. The goodwill is allocated to Region Americas.

The acquisition of the business impacted the Group's Consolidated Income Statement since June 24, 2011, with CHF 2.0 million on revenue level and CHF 0.0 million on net profit level.

Had the Turín Business been part of the Group since September 1, 2010, it would have contributed revenue of CHF 28.9 million and net profit for the year of CHF 1.0 million to the Consolidated Income Statement.

2 Discontinued operations and disposals

Discontinuation of the Dijon operations

The Group announced in September 2012 that it intends to sell its factory and the related business in Dijon (France) to "Chocolaterie de Bourgogne" concluding with this the final step to dispose of all its consumer activities – following the disposal of the Stollwerck business completed earlier in fiscal year 2011/12. The transaction will be executed upon completion of the information and consultation process with the works council.

The results of this business are therefore no longer included in the Group's financial performance figures for the continuing business, but are reported separately in the Consolidated Income Statement under the line "Net result from discontinued operations, net of tax" for both fiscal year 2010/11 and 2011/12. The comparatives in the Consolidated Income Statement are restated accordingly.

Disposal of the European Consumer Products business

On July 8, 2011, the Group had signed an agreement with the Belgian based Baronie Group on the sale of its European Consumer Products business. The Group completed the sale (transfer of ownership and control) with closing date on September 30, 2011. The figures reported under discontinued operations for both years include the results of this operation until closing of the transaction as well as costs in connection with its discontinuation comprising impairments and transaction costs.

In accordance with IFRS 5, the assets and liabilities in the Balance Sheet as of August 31, 2012 related to the discontinuation of the Dijon business and as of August 31, 2011 related to the Stollwerck business have been revalued at fair value less costs of disposal and reported as "Assets held for sale" and "Liabilities directly associated with assets held for sale". The Consolidated Cash Flow Statement includes the cash flows from discontinued operations in both years. Additional details related to the Income Statement, Balance Sheet, and Cash Flow Statement of the discontinued operations can be found in the tables below.

Result and cash flow of the discontinued operations and disposals

in millions of CHF	2011/12	2010/11
Revenue from sales and services	**151,461**	**736,482**
Operating expenses[1]	(155,624)	(727,943)
Operating (loss)/profit before impairment on assets and other disposal costs	**(4,163)**	**8,539**
Impairment on net assets[2]	(22,867)	(59,161)
Transaction and separation costs[3]	(65,570)	(16,776)
Operating loss (EBIT)	**(92,600)**	**(67,398)**
Financial items	(4,803)	(12,549)
Income taxes	(1,125)	(6,929)
Net loss from discontinued operations[4]	**(98,528)**	**(86,876)**
Earnings per share from discontinued operations		
Basic earnings per share (CHF/share)	(19.07)	(16.82)
Diluted earnings per share (CHF/share)	(18.98)	(16.75)
Cash flows from discontinued operations	**(4,183)**	**3,630**
Net cash flow from operating activities	(5,566)	22,684
Net cash flow from investing activities	(3,005)	(14,034)
Net cash flow from financing activities	4,388	(5,020)

1 Includes depreciation and amortization of CHF 3.7 million (2010/11: CHF 24.1 million).

2 Impairment of assets in fiscal year 2011/12 relates to the write-down of the disposal group related to the Dijon operations. This includes the write-down of the property, plant and equipment of CHF 40.2 million and the other assets of the disposal group.
Impairment of assets in fiscal year 2010/11 related to the write-down of goodwill (incl. CHF 12.0 million translation effects accumulated since acquisition) as a result of the impairment test, as well as some other impairments recorded as a consequence of the sale and purchase agreement signed for the discontinued European Consumer Products business.

3 Transaction and separation costs in fiscal year 2011/12 included the loss on disposal of net assets of the Stollwerck business including final transaction adjustments and translation effects in the amount of approximately CHF 30.0 million. The position also includes expenses and accruals for the intended disposal of Dijon in the amount of CHF 35.6 million. This amount includes additional funding to be provided before closing as well as negative effects accumulated in equity since acquisition and other costs incurred and accrued for the transaction.

4 The overall net loss from discontinued operations consists of the loss incurred related to the Stollwerck disposal of CHF 31.7 million and the loss related to the intended discontinuation of the Dijon consumer activities.

Assets and liabilities held for sale related to discontinued operations and disposals

in millions of CHF	2011/12	2010/11
Total current assets	–	120,577
Property, plant and equipment	–	101,551
Intangible assets	–	6,297
Other non-current assets	–	7,416
Total non-current assets	–	115,264
Total assets held for sale	–	235,841
Short-term debt	–	98,366
Other current liabilities	21,953	76,839
Total current liabilities	21,953	175,205
Employee benefit obligations	–	45,231
Other non-current liabilities	3,339	2,073
Total non-current liabilities	3,339	47,304
Total liabilities associated with assets held for sale	**25,292**	**222,509**

As of August 31, 2011, receivables in the net amount of CHF 18.0 million related to the discontinued operations were sold under the Group's asset-backed securitization program.

3 Segment information

External segment reporting is based on the internal organizational and management structure, as well as on the internal information reviewed regularly by the Chief Operating Decision Maker. Barry Callebaut's Chief Operating Decision Maker has been identified as the Executive Committee, consisting of the Group Chief Executive Officer, the Chief Financial Officer and the Presidents of the Regions Europe, Americas and Global Sourcing & Cocoa as well as the Chief Operating Officer and the Chief Innovation Officer.

Financial information by reportable segments

in thousands of CHF	Europe[1]		Americas[1]		Asia-Pacific[1]	
	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11
Revenues from external customers	2,150,618	2,147,031	1,111,822	979,241	232,426	221,912
Revenues from transactions with other operating segments of the Group	66,362	136,433	7	–	–	–
Net revenue	**2,216,980**	**2,283,464**	**1,111,829**	**979,241**	**232,426**	**221,912**
Operating profit (EBIT)	**232,176**	**244,742**	**90,174**	**71,803**	**29,705**	**24,937**
Depreciation and amortization	(29,173)	(25,885)	(17,089)	(13,471)	(5,983)	(4,846)
Impairment losses	(104)	(113)	–	–	–	–
Total assets [2]	**1,056,094**	**1,045,202**	**664,102**	**508,766**	**126,013**	**98,796**
Additions to property, plant, equipment and intangible assets	(71,882)	(48,480)	(54,519)	(46,796)	(4,849)	(2,516)

1 Certain comparatives have been restated to conform with the current period's presentation – see note 2 Discontinued operations and disposals
2 Excluding assets held for sale

The Executive Committee considers the business from a geographic view. Hence, Presidents were appointed for each region. Since the Group's sourcing and cocoa activities operate independently of the Regions, the Global Sourcing & Cocoa business is reviewed by the Chief Operating Decision Maker as an own segment in addition to the geographical Regions Western Europe, Eastern Europe, Americas and Asia-Pacific. For the purpose of the consolidated financial statements, the Regions Western Europe and Eastern Europe were aggregated since the businesses are similar and meet the criteria for aggregation. Furthermore, the Executive Committee also views the Corporate function independently. The function "Corporate" consists mainly of headquarters services (incl. the treasury and in-house banking function) to other segments. Thus, the Group reports Corporate separately.

The segment Global Sourcing & Cocoa is responsible for the procurement of ingredients for chocolate production (mainly cocoa; sugar, dairy and nuts are also common ingredients) and the Group's cocoa-processing business. Most of the revenues of Global Sourcing & Cocoa are generated with the other segments of the Group. The business conducted in the regions consists of chocolate production related to the Product Groups "Food Manufacturers Products" focusing on industrial customers and "Gourmet & Specialties Products" focusing on products for artisans and professional users of chocolate such as chocolatiers, pastry chefs or bakers as well as products for vending machines.

The revenues generated by Global Sourcing & Cocoa with other segments are conducted on an arm's length basis, and some of its operational profits are consequently allocated to the Regions which act as major customers of Global Sourcing & Cocoa.

Segment revenue, segment results (operating profit EBIT) and segment assets correspond to the Group's Consolidated Financial Statements. Financial income and expense, the Group's interest in the profit of associates and joint ventures accounted by the equity method

Global Sourcing & Cocoa[1]		Total Segments		Corporate		Eliminations		Group	
2011/12	2010/11	2011/12	2010/11[1]	2011/12	2010/11	2011/12	2010/11	2011/12	2010/11[1]
1,334,654	1,111,724	4,829,520	4,459,908	–	–	–	–	4,829,520	4,459,908
1,623,143	2,013,253	1,689,512	2,149,686	–	–	(1,689,512)	(2,149,686)	–	–
2,957,797	**3,124,977**	**6,519,032**	**6,609,594**	**–**	**–**	**(1,689,512)**	**(2,149,686)**	**4,829,520**	**4,459,908**
65,215	**77,243**	**417,270**	**418,725**	**(64,096)**	**(56,406)**	**–**	**–**	**353,174**	**362,319**
(26,200)	(21,429)	(78,445)	(65,631)	(2,670)	(2,287)	–	–	(81,115)	(67,918)
(475)	(1,431)	(579)	(1,544)	–	–	–	–	(579)	(1,544)
1,764,344	**1,370,024**	**3,610,553**	**3,022,788**	**595,542**	**674,705**	**(629,467)**	**(670,203)**	**3,576,628**	**3,027,290**
(89,716)	(57,136)	(220,966)	(154,928)	(26,453)	(26,477)	–	–	(247,419)	(181,405)

and income taxes are not allocated to the respective segment for internal management purposes. These items can be found below in the reconciliation of the EBIT to the net profit for the year.

The segment reporting no longer includes the result related to the discontinued consumer activities.

The following table shows the reconciliation of EBIT to net income for the year as reported in the Consolidated Income Statement:

Reconciliation of EBIT to net profit for the year

in thousands of CHF	2011/12	2010/11[1]
Operating profit	**353,174**	**362,319**
Financial income	5,985	1,359
Financial expense	(80,843)	(72,834)
Result from investments in associates and joint ventures	21	1,168
Profit before income taxes	**278,337**	**292,012**
Income tax expenses	(37,229)	(28,386)
Net profit from continuing operations	**241,108**	**263,626**
Net result from discontinued operations, net of tax	(98,528)	(86,876)
Net profit for the year	**142,580**	**176,750**

1 Certain comparatives have been restated to conform with the current period's presentation – see note 2 Discontinued operations and disposals.

Additional entity-wide disclosures

Information on geographical regions

The entity is domiciled in Switzerland; however, its major revenues are generated in other countries. The following table shows revenues and non-current assets excluding investments in associates, deferred tax assets and pension assets allocated to the entity's country of domicile and the major countries where the Group is generating revenues and/or to those countries where the non-current assets as defined above are material.

	2011/12	2010/11[1]	2011/12	2010/11[1]
in thousands of CHF	Revenues		Non-current assets[2]	
Switzerland	71,851	58,470	64,610	43,598
United States	894,686	779,257	231,595	158,814
France	422,703	418,954	62,154	96,723
United Kingdom	387,179	396,227	36,892	26,634
Belgium	453,417	312,677	268,077	259,038
Italy	276,565	304,194	25,338	22,127
Germany	383,328	297,702	6,200	4,924
Other	1,939,791	1,892,427	631,417	509,893
Total	**4,829,520**	**4,459,908**	**1,326,283**	**1,121,751**

1 Certain comparatives have been restated to conform with the current period's presentation – see note 2 Discontinued operations and disposals.
2 Property, plant and equipment + intangible assets.

Information on Product Groups

The Group has numerous products that are sold to external customers. Therefore, for internal review by the Chief Operating Decision Maker, information on products is aggregated on a Product Group level. The following table breaks down external revenues into Product Groups:

Segment information by product group

in thousands of CHF	2011/12	2010/11[1]
Cocoa Products	1,334,654	1,111,724
Food Manufacturers Products	2,774,040	2,635,712
Gourmet & Specialties Products	720,826	712,472
Revenues from external customers	**4,829,520**	**4,459,908**

1 Certain comparatives have been restated to conform with the current period's presentation – see note 2 Discontinued operations and disposals.

In fiscal year 2011/12, the biggest single customer contributed CHF 730.8 million (2010/11: CHF 663.5 million) of total revenues (reported across various regions). No other single customer contributed more than 10% of total consolidated revenues.

4 Personnel expenses

in thousands of CHF	2011/12	2010/11
Wages and salaries	(289,130)	(262,025)
Compulsory social security contributions	(58,595)	(61,300)
Equity-settled share-based payments	(8,046)	(8,380)
Expenses related to defined benefit plans	(12,132)	(11,156)
Contributions to defined contribution plans	(1,509)	(1,353)
Increase in liability for long service leave	(105)	(70)
Cash-settled share-based payment	(411)	–
Total personnel expenses	**(369,928)**	**(344,284)**

5 Research and development expenses

in thousands of CHF	2011/12	2010/11
Total research and development expenses	**(17,858)**	**(19,868)**

Research and development costs not qualifying for capitalization are directly charged to the Consolidated Income Statement and are reported under "Marketing and sales expenses" and "General and administration expenses". The part qualifying for capitalization is reported as addition under development costs in note 18 – Intangible assets.

6 Other income

in thousands of CHF	2011/12	2010/11
Gain on disposal of property, plant and equipment	31	358
Group training centers, museums, outlets and rental income	4,662	2,689
Sale of shells of cocoa beans and waste	2,237	1,300
Litigations, claims and insurance	4,627	6,535
Release of unused provisions and accruals	315	5,318
Other	1,954	1,550
Total other income	**13,826**	**17,750**

7 Other expenses

in thousands of CHF	2011/12	2010/11
Restructuring costs	(2,992)	(3,472)
Loss on sale of waste	(4)	(6)
Litigations and claims	(1,630)	(2,362)
Costs related to chocolate museums	(8)	(57)
Loss on sale of property, plant and equipment	(306)	(803)
Impairment on property, plant and equipment (note 15)	(475)	(1,537)
Impairment on other intangibles (excl. goodwill; note 18)	(254)	–
Other	(1,462)	(2,217)
Total other expenses	**(7,131)**	**(10,454)**

8 Financial income

in thousands of CHF	2011/12	2010/11
Interest income	1,503	1,275
Income from investments	64	84
Exchange gains, net	4,371	–
Gain on derivative financial instruments	47	–
Total financial income	**5,985**	**1,359**

9 Financial expenses

in thousands of CHF	2011/12	2010/11
Interest expenses	(73,407)	(64,108)
Loss on derivative financial instruments	–	(329)
Structuring fees	(1,581)	(4,784)
Charges on undrawn portion of committed credit facilities	(2,173)	(563)
Total interest expenses	**(77,161)**	**(69,784)**
Bank charges and other financial expenses	(3,682)	(2,613)
Foreign exchange losses, net	–	(437)
Total financial expenses	**(80,843)**	**(72,834)**

Interest expenses include the net cost of interest rate swaps and result from paying fixed interest rates in exchange for receiving floating interest rates. All interest rate derivative financial instruments are in a cash flow hedge relationship resulting in the fact that changes in fair value are recognized in other comprehensive income.

Structuring fees are mainly attributable to the EUR 600 million Revolving Credit Facility, issued June 2011, the EUR 250 million Senior Note, issued June 2011, and the EUR 350 million Senior Note, issued July 2007 (see note 23).

The charges on the undrawn portion of the EUR 600 million Revolving Credit Facility amount to CHF 2.2 million for 2011/12 (2010/11: CHF 0.6 million).

10 Income tax expenses

in thousands of CHF	2011/12	2010/11
Current income tax expenses	(33,587)	(77,262)
Deferred income tax expenses	(3,642)	48,876
Total income tax expenses	**(37,229)**	**(28,386)**

Reconciliation of income taxes

in thousands of CHF	2011/12	2010/11
Profit before income taxes	278,337	292,012
Expected income tax expenses at weighted average applicable tax rate	(46,552)	(34,640)
Non-tax-deductible expenses	(3,767)	(2,438)
Tax-deductible items not qualifying as an expense under IFRS	21,249	22,204
Tax-exempt income	1,931	4,121
Income recognized for tax declaration purposes only	(2,119)	(4,552)
Prior-period-related items	(3,703)	(13,205)
Changes in tax rates	(387)	655
Losses carried forward not yet recognized as deferred tax assets	(13,983)	(2,946)
Tax relief on losses carried forward formerly not recognized as deferred tax assets	10,102	2,415
Total income taxes	**(37,229)**	**(28,386)**

For the reconciliation as above, the Group determines the expected income tax rate by weighting the applicable tax rates in the jurisdictions concerned based on the mix of the profit before taxes per jurisdiction, resulting for 2011/12 in a weighted average applicable tax rate of 16.73% (2010/11: 11.86%).

The applicable expected tax rate per company is the domestic corporate income tax rate applicable to the profit before taxes of the company for fiscal year 2011/12. The increase of the weighted average applicable tax rate is partly due to a less favorable company mix of profit before taxes and partly to the one-off positive impact of some non-recurring transactions in 2010/11.

The tax relief on tax losses carried forward formerly not recognized as deferred tax assets amounts to CHF 10.1 million for the year 2011/12 (2010/11: CHF 2.4 million) and consists of two elements. The amount of CHF 5.8 million represents the utilization of tax losses carried forward previously not recognized as deferred tax assets (2010/11: CHF 0.5 million). In the amount of CHF 4.3 million, the Group recognized deferred tax assets on previously existing tax losses carried forward for the first time in fiscal year 2011/12 (2010/11: CHF 1.9 million).

11 Earnings per share from continuing operations

in CHF	2011/12	2010/11
Basic earnings per share from continuing operations (CHF/share)	46.57	51.21
Diluted earnings per share (CHF/share)	46.36	50.98

The following amounts of earnings have been used as the numerator in the calculation of basic and diluted earnings per share:

in thousands of CHF	2011/12	2010/11
Net profit for the year attributable to ordinary shareholders, used as numerator for basic earnings per share adjusted for net loss from discontinued operations	240,631	264,482
After-tax effect of income and expenses on dilutive potential ordinary shares	–	–
Adjusted net profit for the year used as numerator for diluted earnings per share	240,631	264,482

The following numbers of shares have been used as the denominator in the calculation of basic and diluted earnings per share:

	2011/12	2010/11
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares held	2,875	4,888
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,167,125	5,165,112
Dilution effect of equity-settled share-based payments	23,418	22,820
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	5,190,543	5,187,932

12 Trade receivables and other current assets

as of August 31,	2012	2011
in thousands of CHF		
Trade receivables	321,738	276,153
Accrued income	2,680	8,283
Receivables from related parties	178	–
Loans and other receivables	42,746	22,168
Other current financial assets	22,962	17,917
Receivables representing financial assets	**390,304**	**324,521**
Fair values of hedged firm commitments	8,799	726
Prepayments	63,667	62,836
Other current non-financial assets	1,465	1,308
Other taxes and receivables from government	105,932	73,396
Other receivables	**179,863**	**138,266**
Total trade receivables and other current assets	**570,167**	**462,787**

The Group runs an asset-backed securitization program, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The amount of the receivables sold net of discounts is CHF 235.7 million as of August 31, 2012 (2011: CHF 246.7 million), that amount being derecognized from the balance sheet. This amount is the combination of the gross value of the receivables sold (CHF 265.2 million as of August 31, 2012, CHF 273.0 million as of August 31, 2011) and the discount (CHF 29.5 million as of August 31, 2012, CHF 26.3 million as of August 31, 2011).

Net amounts payable to the program amounted to CHF 10.3 million as of August 31, 2012 (2011: 14.9 million), consisting of the balance of receivables collected before the next rollover date of CHF 39.8 million (2011: CHF 41.2 million), less the discount on receivables sold of CHF 29.5 million (2011: CHF 26.3 million). These amounts are included in note 21, other payables on a netted basis.

The discount is retained by the program to establish a dilution reserve, a yield reserve, and an insurance first loss reserve.

Interest expense paid under the asset-backed securitization program amounted to CHF 3.9 million in fiscal year 2011/12 (2010/11: CHF 3.7 million) and is reported under interest expenses – see note 9 – Financial expenses.

Ageing of trade receivables

as of August 31,	2012	2011
in thousands of CHF		
Total trade receivables	337,692	294,465
Less impairment provision for trade receivables	(15,954)	(18,312)
Total trade receivables	**321,738**	**276,153**
Of which:		
Not overdue	285,443	256,074
Impairment provision for trade receivables not overdue	(368)	(168)
Past due less than 90 days	26,312	14,590
Impairment provision for trade receivables past due less than 90 days	(319)	(316)
Past due more than 90 days	25,937	23,801
Impairment provision for trade receivables past due more than 90 days	(15,267)	(17,828)
Total trade receivables	**321,738**	**276,153**

The trade receivables are contractually due within a period of 1 to 120 days.

The individually impaired receivables mainly relate to customers, which are in difficult economic situations.

Movements in impairment provision for trade receivables

in thousands of CHF	2011/12	2010/11
as of September 1,	18,312	20,014
Additions	4,547	9,127
Amounts written off as uncollectible	(6,466)	(4,268)
Unused amounts reversed	(1,385)	(2,999)
Currency translation adjustment	946	(2,197)
Reclassified to assets held for sale	–	(1,365)
as of August 31,	**15,954**	**18,312**

Based on historic impairment rates and expected performance of the customers' payment behavior, the Group believes that the impairment provision for trade receivables sufficiently covers the risk of default. Based on an individual assessment on the credit risks related with other receivables, the Group identified no need for an impairment provision. Details on credit risks can be found in note 26.

13 Inventories

as of August 31, in thousands of CHF	2012	2011
Cocoa beans stocks	359,683	372,856
Semi-finished and finished products	638,405	603,191
Other raw materials and packaging materials	110,083	89,606
Total inventories	**1,108,171**	**1,065,653**

As of August 31, 2012, inventories amounting to CHF 13.2 million (2011: CHF 16.1 million) are pledged as security for financial liabilities.

In fiscal year 2011/12, inventory write-downs of CHF 9.1 million (2010/11: CHF 3.5 million) were recognized as expenses related to the continuing business and CHF 7.7 million (2010/11: CHF 7.5 million) related to discontinued operations.

14 Derivative financial instruments and hedging activities

as of August 31,	2012		2011	
in thousands of CHF	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Cash flow hedges				
Interest rate risk				
Swaps	–	11,765	–	–
Fair value hedges				
Inventory price risk (cocoa)				
Foreign exchange risk				
Forward and futures contracts	22,369	16,921	10,540	10,137
Other – no hedge accounting				
Raw materials				
Forward and futures contracts and other derivatives	354,928	311,790	184,856	107,081
Foreign exchange risk				
Forward and futures contracts	36,886	21,883	50,528	26,318
Total derivative financial assets	**414,183**		**245,924**	
Total derivative financial liabilities		**362,359**		**143,536**

Derivative financial instruments consist of items used in a cash flow hedging model, items used in a fair value hedging model and fair valued instruments, for which no hedge accounting is applied.

For detailed information on fair value measurement, refer to note 26, "Fair value-hierarchy".

Effect of cash flow hedges on equity

in thousands of CHF	Interest rate risk	Total hedging reserve
as of September 1, 2010	**(6,987)**	**(6,987)**
Movements in the period:		
Gains/(losses) taken into equity	11,403	11,403
Transfer to the Consolidated Income Statement for the period	2,539	2,539
Income taxes	(4,739)	(4,739)
Currency translation adjustment	(73)	(73)
as of August 31, 2011	**2,143**	**2,143**
Movements in the period:		
Gains/(losses) taken into equity	(11,664)	(11,664)
Transfer to the Consolidated Income Statement for the period	(208)	(208)
Income taxes	4,035	4,035
Currency translation adjustment	149	149
as of August 31, 2012	**(5,545)**	**(5,545)**

Cash flow hedges

In the course of fiscal year 2011/12, the Group entered into interest rate derivatives (exchanging floating into fixed interest rates) according to the guidelines stipulated in the Group's Treasury Policy (refer to note 26). In order to avoid volatility in the Consolidated Income Statement, the interest rate derivatives have been put in a cash flow hedge relationship. The following table provides an overview over the periods in which last year's unwound interest rates derivatives and the current cash flow hedges are expected to impact the Consolidated Income Statement (before taxes).

as of August 31,	2012				2011			
in thousands of CHF	First year	Second to fifth year	After five years	Expected cash flows	First year	Second to fifth year	After five years	Expected cash flows
Derivative financial assets	730	2,692	101	3,523	723	2,672	726	4,121
Derivative financial liabilities	(3,854)	(7,588)	(281)	(11,723)	(525)	(373)	–	(898)
Total net	**(3,124)**	**(4,896)**	**(180)**	**(8,200)**	**198**	**2,299**	**726**	**3,223**

Fair value hedges

Fair value hedges include forward and future contracts designated as the hedging instruments for foreign currency risks.

The fair value of hedged firm commitments is outlined in the table "Hedged firm commitments" below. The balance of these items at balance sheet date is presented under trade receivables and other current assets (see note 12) and trade payables and other current liabilities (see note 21), respectively.

Hedged firm commitments

as of August 31,	2012		2011	
in thousands of CHF	Assets	Liabilities	Assets	Liabilities
Foreign exchange risk – sales and purchase contracts	8,799	1,659	726	3,151
Total fair value of hedged firm commitments	**8,799**	**1,659**	**726**	**3,151**

Other – no hedge accounting

This position contains the fair values of derivative financial instruments of the Group's purchasing and sourcing center and the Group's Treasury center, which are not designated for hedge accounting.

15 Property, plant and equipment

2011/12	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
As of September 1, 2011	**313,775**	**1,004,144**	**79,368**	**46,751**	**1,444,038**
Change in Group structure – acquisitions	5,440	2,265	733	–	8,438
Change in Group structure – disposals	–	–	–	–	–
Additions	21,104	92,010	6,165	58,943	178,222
Disposals	(1,864)	(1,662)	(807)	(114)	(4,447)
Currency translation adjustments	27,363	87,364	4,282	6,683	125,692
Reclassifications from under construction	553	8,624	1,188	(10,533)	(168)
Reclassified to assets held for sale	(23,606)	(25,840)	(420)	(3,164)	(53,030)
as of August 31, 2012	**342,765**	**1,166,905**	**90,509**	**98,566**	**1,698,745**
Accumulated depreciation and impairment losses					
As of September 1, 2011	**143,702**	**581,654**	**62,836**	**–**	**788,192**
Change in Group structure – acquisitions				–	
Depreciation charge	10,856	48,836	5,888	–	65,580
Impairment losses	18,915	18,451	98	3,192	40,656
Disposals	(30)	(1,041)	(667)	–	(1,738)
Currency translation adjustments	9,268	46,248	3,811	–	59,327
Reclassified to assets held for sale	(23,606)	(25,840)	(420)	(3,164)	(53,030)
Other reclassifications	–	30	(30)	–	–
as of August 31, 2012	**159,105**	**668,338**	**71,516**	**28**	**898,987**
Net as of August 31, 2012	**183,660**	**498,567**	**18,993**	**98,538**	**799,758**

2010/11	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
As of September 1, 2010	**531,367**	**1,321,734**	**133,168**	**62,344**	**2,048,613**
Change in Group structure – acquisitions	6,923	4,420	–	–	11,343
Additions	8,743	64,102	5,253	35,213	113,311
Disposals	(163)	(23,014)	(1,891)	(214)	(25,282)
Currency translation adjustments	(63,596)	(172,154)	(14,946)	(8,687)	(259,383)
Reclassifications from under construction	2,536	34,566	2,531	(39,633)	–
Reclassified to assets held for sale	(172,035)	(225,566)	(44,691)	(1,643)	(443,935)
Other reclassifications	–	56	(56)	(629)	(629)
as of August 31, 2011	**313,775**	**1,004,144**	**79,368**	**46,751**	**1,444,038**
Accumulated depreciation and impairment losses					
As of September 1, 2010	**277,694**	**830,074**	**109,979**	**–**	**1,217,747**
Depreciation charge	12,637	50,349	7,059	–	70,045
Impairment losses	384	1,153	–	436	1,973
Disposals	(131)	(18,972)	(1,328)	–	(20,431)
Currency translation adjustments	(30,188)	(96,691)	(11,879)	–	(138,758)
Reclassified to assets held for sale	(116,694)	(184,271)	(40,983)	(436)	(342,384)
Other reclassifications	–	12	(12)	–	–
as of August 31, 2011	**143,702**	**581,654**	**62,836**	**–**	**788,192**
Net as of August 31, 2011	**170,073**	**422,490**	**16,532**	**46,751**	**655,846**

As required by the accounting standards, the Group periodically reviews the remaining useful lives of assets recognized in property, plant and equipment.

Impairment loss in property, plant and equipment in fiscal year 2011/12 amounted to CHF 40.7 million, of which CHF 40.2 million are related to the write-down of assets which are related to the intended discontinuation of the Dijon consumer activities and CHF 0.5 million are related to assets no longer in use (2010/11: CHF 1.6 million).

Repair and maintenance expenses for the fiscal year 2011/12 amounted to CHF 52.2 million (2010/11: CHF 76.6 million).

The fire insurance value of property, plant and equipment amounted to CHF 1,783.4 million as of August 31, 2012 (2011: CHF 1,693.8 million).

As of August 31, 2012, plant and equipment held under financial leases amounted to CHF 1.9 million (2011: CHF 1.6 million). The related liabilities are reported under short-term and long-term debt (see notes 20 and 23).

As of August 31, 2012, no financial liabilities were secured by means of mortgages on properties (2011: none).

16 Obligations under finance leases

as of August 31,	2012	2011	2012	2011
in thousands of CHF	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases				
within one year	285	377	236	317
in the second to fifth year inclusive	598	731	488	590
more than five years	119	237	111	215
Total amount payable under finance leases	**1,002**	**1,345**	**835**	**1,122**
less: future finance charges	(168)	(223)	n/a	n/a
Present value of lease obligations	**834**	**1,122**	**835**	**1,122**
Amount due for settlement next 12 months (note 20)			236	317
Amount due for settlement after 12 months (note 23)			599	805

The Group entered into finance leasing arrangements for various assets. The weighted average term of finance leases entered into is 5.8 years (2010/11: 6.4 years). The average effective interest rate was 6.4% (2010/11: 5.2%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payment.

as of August 31,	2012	2011
in thousands of CHF	Net carrying amount of property, plant and equipment under finance lease	
Land and buildings	1,103	1,108
Plant and machinery	381	359
Furniture, equipment and motor vehicles	395	115
Total assets under financial lease	**1,879**	**1,582**

17 Investments in associates and joint ventures

The carrying amount of investments in associates and joint ventures changed as follows:

in thousands of CHF	2011/12	2010/11
As of September 1,	4,041	3,479
Share of (loss)/profit	21	1,168
Exchange differences	511	(606)
As of August 31,	**4,573**	**4,041**

The Group's investments in associates and joint ventures are attributable to the following companies:

Ownership in %	2012	2011
as of August 31,		
African Organic Produce AG, Switzerland	49	49
Biolands International Ltd., Tanzania	49	49
Shanghai Le Jia Food Service Co. Ltd.	50	50
Pastelería Totel, S.L., Spain	20	20
Bombones y Chocolates Semar, S.L., Spain	20	20

Summarized financial information in respect of the Group's associates and joint ventures is set out below.

in thousands of CHF	2012	2011
Total current assets	9,323	8,915
Total non-current assets	6,226	5,167
Total current liabilities	3,812	7,120
Total non-current liabilities	2,979	2,614
Net assets as of August 31,	**8,758**	**4,348**
Group's share of net assets of associates and joint ventures	**4,573**	**4,041**

in thousands of CHF	2011/12	2010/11
Total revenue	26,124	26,690
Total profit for the period	93	897
Group's share of profits of associates and joint ventures	**21**	**1,168**

18 Intangible assets

2011/12	Goodwill	Brand names and licenses	Develop-ment costs	Other	Total
in thousands of CHF					
At cost					
As of September 1, 2011	**366,424**	**69,311**	**185,445**	**14,323**	**635,503**
Change in Group structure – acquisitions	19,180	1,639	–	349	21,168
Additions	–	–	36,417	3,175	39,592
Disposals	–	–	(493)	(739)	(1,232)
Currency translation adjustments	14,920	(45)	12,282	1,854	29,011
Reclassified to under development	–	–	–	168	168
Reclassified to assets held for sale	–	–	(1,928)	–	(1,928)
Other reclassifications	–	–	699	(699)	–
as of August 31, 2012	**400,524**	**70,905**	**232,422**	**18,431**	**722,282**
Accumulated depreciation and impairment losses					
As of September 1, 2011	**–**	**29,408**	**133,896**	**6,294**	**169,598**
Amortization charge	–	3,839	14,790	673	19,302
Disposals	–	–	(25)	(739)	(764)
Impairment losses	–	–	2,168	95	2,263
Currency translation adjustments	–	3	6,942	341	7,286
Reclassified to assets held for sale	–	–	(1,928)	–	(1,928)
Other reclassifications	–	–	234	(234)	–
as of August 31, 2012	**–**	**33,250**	**156,077**	**6,430**	**195,757**
Net as of August 31, 2012	**400,524**	**37,655**	**76,345**	**12,001**	**526,525**

2010/11	Goodwill	Brand names and licenses	Develop-ment costs	Other	Total
in thousands of CHF					
At cost					
As of September 1, 2010	**429,136**	**44,062**	**191,722**	**15,450**	**680,370**
Change in Group structure – acquisitions	4,114	–	–	–	4,114
Additions	–	29,210	28,944	2,348	60,502
Disposals	–	–	(127)	(480)	(607)
Currency translation adjustments	(13,678)	702	(23,071)	(2,554)	(38,601)
Reclassified to under development	–	–	–	629	629
Reclassified to assets held for sale	(53,148)	(4,663)	(11,909)	(1,184)	(70,904)
Other reclassifications		–	(114)	114	–
as of August 31, 2011	**366,424**	**69,311**	**185,445**	**14,323**	**635,503**
Accumulated depreciation and impairment losses					
As of September 1, 2010	–	**28,477**	**132,659**	**6,740**	**167,876**
Amortization charge	–	2,299	18,306	1,404	22,009
Disposals	–	–	(127)	–	(127)
Impairment losses	53,148	–	5,893	–	59,041
Currency translation adjustments		(203)	(13,790)	(601)	(14,594)
Reclassified to assets held for sale	(53,148)	(1,165)	(9,110)	(1,184)	(64,607)
Other reclassifications	–	–	65	(65)	–
as of August 31, 2011	**–**	**29,408**	**133,896**	**6,294**	**169,598**
Net as of August 31, 2011	**366,424**	**39,903**	**51,549**	**8,029**	**465,905**

Additions to development costs amount to CHF 36.4 million in fiscal year 2011/12 (2010/11: CHF 28.9 million). In both years, additions mainly included costs related to various projects of internally generated software, amounting to CHF 26.1 million in fiscal year 2011/12 (2010/11: CHF 21.3 million). Costs related to the development of recipes and innovations of CHF 7.2 million were also capitalized under development costs (2010/11: CHF 2.6 million).

The remaining amortization period for brand names varies between three and ten years, for licenses up to ten years, for software between one and seven years and for other including patents between four and fourteen years. The amortization charge is included in the position General and administration expenses in the Consolidated Income Statement.

In fiscal year 2011/12, impairment losses of CHF 0.2 million related to the continuing business and CHF 2.1 million related to discontinued operations.

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 400.5 million (2010/11: CHF 366.4 million). The allocation to the segments is as follows:

as of August 31, in millions of CHF	2012	2011
Global Sourcing & Cocoa	146.8	140.5
Europe	210.5	193.5[1]
Americas	37.8	27.7
Asia-Pacific	5.4	4.7
Total	**400.5**	**366.4**

1 Excluding discontinued operations

Goodwill acquired in a business combination is allocated to the respective segment that is expected to benefit from the synergies of the combination, at acquisition date. Due to the Group's fully integrated business in the regions, the segments represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. Thus, the impairment test is performed on a segment level.

For the impairment test, the recoverable amount of a cash-generating unit is based on its value in use and is compared to the carrying amount of the corresponding cash-generating unit. Future cash flows are discounted using a pre-tax rate that reflects current market assessments based on the weighted average cost of capital (WACC).

The Group performs its impairment test during the fourth quarter of the fiscal year. This approach was chosen since the Mid-Term Plan covering the next three fiscal years is updated annually at the beginning of the fourth quarter. The Mid-Term Plan is based on the assumption that there are no major changes to the Group's organization. The residual value is calculated from an estimated continuing value, which is primarily based on the third year of the Mid-Term Plan. The terminal growth rate used for determining the residual value does not exceed the expected long-term growth rate of the industry.

Key assumptions used for value-in-use calculations

	2012		2011	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Global Sourcing & Cocoa	9.3%	1.9%	9.2%	2.2%
Europe	8.9%	1.2%	9.1%	1.3%
Americas	9.5%	1.0%	10.4%	1.2%
Asia-Pacific	9.7%	4.2%	10.2%	4.1%

Based on the impairment tests, no need for recognition of impairment losses in fiscal year 2011/12 has been identified.

The key sensitivities in the impairment test are the WACC as well as the terminal growth rate. The Group has carried out a sensitivity analysis, containing various scenarios. Taking reasonable possible changes in key assumptions into account, no impairment losses have been revealed.

19 Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities

in thousands of CHF	Inventories	Property, plant, equipment/ intangible assets	Other assets	Provisions	Other liabilities	Tax loss carry-forwards	Total
As of September 1, 2010	**(2,044)**	**(48,739)**	**(12,149)**	**1,145**	**9,468**	**44,959**	**(7,360)**
Charged to the income statement (continuing operations)	(2,508)	43,609	(2,165)	340	(403)	10,003	48,876
Charged to the income statement (discontinued operations)	(1,053)	662	(542)	–	(271)	–	(1,204)
Charged to equity	–	–	(1,208)	–	(3,531)	–	(4,739)
Effect of acquisitions	–	616	–	–	–	–	616
Reclassified to held for sale	387	5,423	41	–	(1,793)	(8,988)	(4,930)
Currency translation effects	(2)	2,204	516	(162)	(389)	(6,807)	(4,640)
As of August 31, 2011	**(5,220)**	**3,775**	**(15,507)**	**1,323**	**3,081**	**39,167**	**26,619**
Charged to the income statement (continuing operations)	(3,429)	(23,025)	9,471	(2,103)	5,363	10,081	(3,642)
Charged to the income statement (discontinued operations)	(29)	(114)	(6)	–	(28)	–	(177)
Charged to equity	–	–	–	–	4,035	–	4,035
Effect of acquisitions	–	(825)	–	–	–	65	(760)
Effect of disposals	(10)	247	–	–	(80)	(418)	(261)
Reclassified to held for sale	195	9,084	(324)	–	(862)	–	8,093
Currency translation effects	362	(2,338)	(1,106)	191	(806)	2,907	(790)
As of August 31, 2012	**(8,131)**	**(13,196)**	**(7,472)**	**(589)**	**10,703**	**51,802**	**33,117**

The effect of acquisitions for fiscal year 2011/12 is related to the fair value measurement at acquisition of la Morella nuts S.A., and Mona Lisa USA Food Products, Inc.

Recognized deferred tax assets and liabilities

The recognized deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are attributable to the following:

as of August 31,	2012			2011		
in thousands of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Inventories	3,813	(11,944)	(8,131)	1,693	(6,913)	(5,220)
Property, plant & equipment/intangible assets	46,745	(59,941)	(13,196)	46,330	(42,555)	3,775
Other assets	19,137	(22,574)	(3,437)	4,917	(20,424)	(15,507)
Provisions	110	(699)	(589)	1,323	–	1,323
Other liabilities	14,592	(7,924)	6,668	15,389	(12,308)	3,081
Tax loss carry-forwards	51,802	–	51,802	39,167	–	39,167
Tax assets/(liabilities)	**136,199**	**(103,082)**	**33,117**	**108,819**	**(82,200)**	**26,619**
Set-off of tax	(49,106)	49,106	–	(32,095)	32,095	–
Reflected in the balance sheet	**87,093**	**(53,976)**	**33,117**	**76,724**	**(50,105)**	**26,619**

Tax losses carried forward excluded from recognition of related deferred tax assets

Tax losses carried forward not recognized as deferred tax assets have the following expiry dates:

as of August 31,	2012	2011
in thousands of CHF		
Expiry		
Within 1 year	2,426	1,795
After 1 up to 2 years	4,430	2,013
After 2 up to 3 years	751	3,676
After 3 up to 10 years	59,750	46,038
After 10 years	179,566	170,461
Unlimited	189,248	143,250
Total unrecognized tax losses carried forward	**436,171**	**367,233**

Tax losses carried forward are assessed for future recoverability based on business plans and projections of the related companies. Those are capitalized only if the usage within a medium period is probable.

Tax losses carried forward utilized during the year 2011/12 were CHF 26.1 million (2010/11: CHF 13.4 million). The related tax relief amounted to CHF 7.0 million of which CHF 1.2 million were already recognized as a deferred tax asset in the year before (2010/11: CHF 3.6 million of which CHF 2.6 million were already recognized as a deferred tax asset in the year before).

As of August 31, 2012, the Group had unutilized tax losses carried forward of approximately CHF 620.4 million available for offset against future taxable income, none of them related to discontinued operations (August 31, 2011: CHF 756.7 million – of which 210.7 million related to the discontinued operations).

Of the total tax losses carried forward, an amount of CHF 184.2 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 51.8 million (2010/11: CHF 178.7 million recognized resulting in a deferred tax asset of CHF 39.2 million).

20 Bank overdrafts and short-term debt

as of August 31,	2012	2011	2012	2011
in thousands of CHF	Carrying amounts		Fair values	
Bank overdrafts	**34,287**	**17,327**	**34,287**	**17,327**
Commercial paper	102,795	–	102,795	–
Short-term bank debts	12,924	128,694	12,924	128,694
Short-term portion of long-term bank debts (note 23)	1,318	953	1,318	953
Interest-bearing loans from employees	4	6	4	6
Finance lease obligations (note 16)	236	317	236	317
Short-term debt	**117,277**	**129,970**	**117,277**	**129,970**
Bank overdrafts and short-term debt	**151,564**	**147,297**	**151,564**	**147,297**

For reporting purposes, the commercial paper outstanding as per August 31, 2011 have been linked to the discontinued activities (see note 2 under section "Short term debt").

Short-term financial liabilities are mainly denominated in EUR, USD and XAF as shown in the table below:

as of August 31,	2012			2011		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	112,070	0.30%	4.00%	5,703	0.50%	5.90%
USD	11,581	0.40%	2.00%	5,423	0.22%	0.37%
BRL	3,535	2.63%	4.50%	56,590	4.50%	7.00%
XAF	17,567	2.98%	6.00%	67,683	5.50%	6.00%
MYR	1,316	3.35%	3.47%	7,279	3.62%	4.03%
Other	5,495	0.01%	5.30%	4,619	0.14%	5.11%
Total	**151,564**	**0.01%**	**6.00%**	**147,297**	**0.14%**	**7.00%**

as of August 31,	2012	2011
in thousands of CHF		
Split fixed/floating interest rate:		
Fixed rate	29,904	59,861
Floating rate	121,660	87,436
Total bank overdrafts and short-term debt	**151,564**	**147,297**

21 Trade payables and other current liabilities

as of August 31, in thousands of CHF	2012	2011
Trade payables	452,718	415,342
Amounts due to related parties	1,256	1,845
Accrued expenses	42,391	38,219
Other payables	84,401	116,961
Payables representing financial liabilities	**580,766**	**572,367**
Accrued wages and social security	60,850	59,810
Fair value of hedged firm commitments (note 14)	1,659	3,151
Other taxes and payables to governmental authorities	14,330	21,839
Other liabilities	**76,839**	**84,800**
Total trade payables and other current liabilities	**657,605**	**657,167**

The Group also has payables related to the asset-backed securitization program, see note 12.

Other payables also consist of outstanding ledger balances with commodity brokers.

22 Provisions

2011/12 in thousands of CHF	Restructuring	Litigation & claims	Other	Total
Balance as of September 1, 2011	**1,588**	**4,573**	**6,687**	**12,848**
Change in Group structure – acquisition	–	363	700	1,063
Additions	267	1,374	2,273	3,914
Usage	(1,295)	(1,740)	(129)	(3,164)
Release of unused provisions	–	–	(696)	(696)
Reclassified to held for sale	(176)	(145)	–	(321)
Currency translation adjustments	68	107	962	1,137
as of August 31, 2012	**452**	**4,532**	**9,797**	**14,781**
of which:				
Current	**452**	**3,511**	**8,253**	**12,216**
Non-current	**–**	**1,021**	**1,544**	**2,565**

2010/11	Restructuring	Litigation & claims	Other	Total
in thousands of CHF				
Balance as of September 1, 2010	**6,186**	**3,985**	**11,248**	**21,419**
Additions	228	1,702	3,434	5,364
Usage	(4,257)	(410)	(3,065)	(7,732)
Release of unused provisions	(301)	(45)	(1,958)	(2,304)
Reclassification	–	–	(166)	(166)
Reclassified to held for sale			(1,762)	(1,762)
Currency translation adjustments	(268)	(659)	(1,044)	(1,971)
as of August 31, 2011	**1,588**	**4,573**	**6,687**	**12,848**
of which:				
Current	1,588	3,780	2,082	7,450
Non-current	–	793	4,605	5,398

Restructuring

Usage of restructuring provisions in 2011/12 mainly related to plant reorganizations.

Litigation & claims

The amount includes provisions for certain litigations and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as of August 31, 2012.

Other provisions

Other provisions relate mainly to amounts that have been provided to cover the negative outcome of onerous contracts and a smaller portion is related to tax matters.

23 Long-term debt

as of August 31,	2012	2011	2012	2011
in thousands of CHF	Carrying amounts		Fair values	
Senior notes	707,497	680,579	847,253	701,777
Long-term bank debts	137,480	3,853	137,480	3,853
Less current portion (note 20)	(1,318)	(953)	(1,318)	(953)
Interest-bearing loans from employees	24	7	24	7
Long-term other loans	1,622	669	1,622	669
Finance lease obligation (note 16)	599	805	599	805
Total long-term debt	**845,904**	**684,960**	**985,660**	**706,158**

On July 13, 2007, the Group issued a 6% Senior Note with maturity in 2017 for an amount of EUR 350 million. The Senior Note has been issued at a price of 99.005%, and includes a coupon step-up clause of 0.25% (limited to 1.00%) per downgraded notch by one or more rating agencies.

On June 15, 2011, the Group issued a 5.375% Senior Note with maturity in 2021 for an amount of EUR 250 million. The Senior Note has been issued at a price of 99.26% and includes a coupon step-up clause of 0.25% (limited to 1.00% per annum) per downgraded notch by one or more rating agencies.

On June 15, 2011, the Group ended its existing syndicated EUR 850 million Revolving Credit Facility. At that same day, the Group entered into a new syndicated EUR 600 million Revolving Credit Facility, leading to a 5-year multi-purpose single tranche facility with two extension options (being in 2013 and 2014 to be agreed upon by the participating banks at their sole discretion).

The EUR 350 million Senior Note, the EUR 250 million Senior Note and the EUR 600 million Revolving Credit Facility all rank pari passu. The Senior Notes as well as the EUR 600 million Revolving Credit Facility are guaranteed by Barry Callebaut AG and certain of its subsidiaries.

As a result, the maturity profile of the long-term debt can be summarized as follows:

as of August 31, in thousands of CHF	2012	2011
2012/13	–	1,066
2013/14	1,829	1,243
2014/15	–	1,414
2015/16	135,424	327
2016/17 and thereafter (for 2010/11)	416,022	680,910
2017/18 and thereafter (for 2011/12)	292,629	–
Total long-term debt	**845,904**	**684,960**

The weighted average maturity of the total debt decreased from 6.7 years to 5.9 years.

Long-term financial liabilities are to a major extent denominated in EUR and at fixed interest rates.

as of August 31,	2012			2011		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	844,780	3.00%	7.11%	682,977	3.00%	7.11%
BRL	1,124	4.45%	4.50%	1,983	4.50%	4.50%
Other	–	n/a	n/a	–	n/a	n/a
Total long-term debt	**845,904**	**3.00%**	**7.11%**	**684,960**	**3.00%**	**7.11%**

as of August 31, in thousands of CHF	2012	2011
Split fixed/floating interest rate:		
Fixed rate	710,379	684,792
Floating rate	135,525	168
Total long-term debt	**845,904**	**684,960**

24 Employee benefit obligations

A. Pension and other long-term employment benefit plans

The Group has, apart from the legally required social security schemes, numerous independent pension plans. In most cases, these plans are externally funded in vehicles that are legally separate from the Group. For certain Group companies, however, no independent assets exist for defined benefit pension plans and other long-term employment plans. In these cases, the related liability is included in the balance sheet.

The amounts recognized in the balance sheet are determined as follows:

as of August 31,	2012	2011	2012	2011
in thousands of CHF	Defined benefit pension plans		Other long-term employment benefit plans	
Present value of funded obligations	245,697	204,696	–	–
Fair value of plan assets	(150,569)	(128,742)	–	–
Excess of liabilities (assets) of funded obligations	**95,128**	**75,954**	**–**	**–**
Present value of unfunded obligations	10,140	11,306	11,121	10,125
Net unrecognized actuarial gains (losses)	(69,115)	(49,917)	81	130
Net employee benefit obligations recognized in the balance sheet	**36,153**	**37,343**	**11,202**	**10,255**
thereof recognized as an asset	(171)	(276)		
thereof recognized as a liability	36,324	37,619	11,202	10,255

The changes in the present value of the defined benefit obligations are as follows:

	2011/12	2010/11	2011/12	2010/11
in thousands of CHF	Defined benefit pension plans		Other long-term employment benefit plans	
Present value of defined benefit obligation as of September 1,	**216,002**	**296,148**	**10,125**	**19,325**
Current service cost	9,695	9,312	467	620
Past service cost	(521)	133	(96)	(614)
Interest cost	10,197	12,505	413	560
Actuarial losses (gains)	10,077	(6,142)	654	(665)
Reclassifications	–	25	–	166
Exchange differences on foreign plans	23,320	(37,670)	449	(1,993)
Benefits received	4,600	3,603	–	–
Benefits paid	(14,911)	(17,064)	(779)	(1,458)
Reclassification to held for sale	(2,622)	(44,848)	(112)	(5,816)
Present value of defined benefit obligation as of August 31,	**255,837**	**216,002**	**11,121**	**10,125**
thereof funded obligations	245,697	204,696	–	–
thereof unfunded obligations	10,140	11,306	11,121	10,125

The movement in the fair value of plan assets is as follows:

in thousands of CHF	2012 Defined benefit pension plans	2011 Defined benefit pension plans	2012 Other long-term employment benefit plans	2011 Other long-term employment benefit plans
Fair value of plan assets as of September 1,	**128,742**	**144,177**	**–**	**–**
Expected return	7,727	7,362	–	–
Actuarial gains (losses)	(4,366)	(1,352)	–	–
Contributions by employer	10,933	8,200	–	–
Contributions by employees	3,053	3,143	–	–
Exchange differences on foreign plans	13,396	(19,083)	–	–
Benefits received	4,600	3,603	–	–
Benefits paid	(13,516)	(11,875)	–	–
Reclassification to held for sale	–	(5,433)	–	–
Fair value of plan assets as of August 31,	**150,569**	**128,742**	**–**	**–**

Composition of plan assets

as of August 31, in thousands of CHF	2012 Defined benefit pension plans	2011 Defined benefit pension plans
Equities	52,603	47,305
Bonds	28,872	19,607
Cash and other assets	69,094	61,830
Total fair value of plan assets	**150,569**	**128,742**

The plan assets do not include ordinary shares issued by the Company nor any property occupied by the Group or one of its affiliates.

The amounts recognized in profit or loss are as follows:

in thousands of CHF	2012 Defined benefit pension plans	2011 Defined benefit pension plans	2012 Other long-term employment benefit plans	2011 Other long-term employment benefit plans
Current service costs	9,695	9,312	467	620
Interest on obligation	10,197	12,505	413	560
Expected return on plan assets	(7,727)	(7,362)	–	–
Net actuarial losses (gains) recognized in year	2,302	1,384	658	630
Past service cost	(521)	133	(96)	(614)
Losses (gains) on curtailments and settlements	–	–	–	–
Contributions by employees	(3,053)	(3,143)	–	–
Reclassification to discontinued operations [1]	(191)	(2,862)	(12)	(8)
Total defined benefit expenses	**10,702**	**9,967**	**1,430**	**1,188**
Actual return on plan assets	**3,361**	**6,010**		

1 Due to the discontinuation of consumer activities (see note 2 Discontinued operations and disposals, and note 31 Subsequent events).

The service costs for 2012/13 are expected to amount to CHF 10.3 million. The expected return on plan assets is based on market expectations and composition of plan assets.

as of August 31,	2011/12	2010/11
in thousands of CHF		
Total defined contribution expenses	**1,509**	**1,353**

The defined benefit expenses are recognized in the following line items in operating profit (EBIT):

in thousands of CHF	2011/12	2010/11
Cost of goods sold	(2,965)	(3,440)
Marketing and sales expenses	(959)	(798)
General and administration expenses	(4,077)	(4,954)
Research and development expenses	(238)	(341)
Other income	–	–
Other expenses	(1,120)	(1,623)
Total defined benefit expenses recognized in operating profit (EBIT)	**(9,359)**	**(11,156)**

Weighted average assumption used

	2011/12	2010/11	2011/12	2010/11
in thousands of CHF	Defined benefit pension plans		Other long-term employment benefit plans	
Discount rate	3.5%	4.5%	4.3%	4.9%
Expected return on plan assets	5.1%	5.3%	–	–
Expected rate of salary increase	1.1%	1.2%	1.4%	1.3%
Medical cost trend rates	–	–	3.5%	5.0%

Additional historical information

	2011/12	2010/11	2009/10	2008/09	2007/08
in thousands of CHF	Defined benefit pension plans				
Present value of defined benefit obligations	266,958	226,127	315,473	291,744	300,549
Fair value of plan assets	(150,569)	(128,742)	(144,177)	(151,719)	(167,121)
Funding deficit of the plans	**116,389**	**97,385**	**171,296**	**140,025**	**133,428**
Experience adjustments arising from plan liabilities	(7,547)	(4,691)	(17,719)	(9,427)	6,573
Experience adjustments arising from plan assets	(4,366)	(1,352)	(6,529)	(18,192)	(15,018)

B. Equity compensation benefits

Employee Stock Ownership Program

Shares are granted to participants according to individual contracts and the current Employee Stock Ownership Program. The Nomination & Compensation Committee determines the number and price of shares granted at its discretion. In the past, the price for the granted shares has been zero. The shares granted are entitled to full shareholders rights upon vesting. The vesting periods are ranging between one and three years. In case of resignation or dismissal, the initially granted but not yet vested shares become forfeited. The Group currently uses treasury shares for this program.

The fair value of the shares granted is measured at the market price at grant date. 13,957 shares were granted in fiscal year 2011/12 (13,629 shares in 2010/11). The fair value of the shares at grant date is recognized over the vesting period as a personnel expense. For 2011/12, the amount recognized (before taxes) was CHF 8.0 million with a corresponding increase in equity (2010/11: CHF 8.4 million). The average fair value for the shares granted during the fiscal year 2011/12 amounted to CHF 767 (2010/11: CHF 780).

25 Equity

Share capital

as of August 31,	2012	2011	2010
in thousands of CHF			
Share capital is represented by 5,170,000 authorized and issued shares of each CHF 24.20 fully paid in (in 2011: 24.20; in 2010: 38.20)	125,114	125,114	197,494

The issued share capital is divided into 5,170,000 registered shares with a nominal value of CHF 24.20 each (same as August 31, 2011). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind.

By resolution of the Annual General Meeting on December 8, 2011, the shareholders approved the proposed dividend payment of CHF 15.50 per share out of free reserves originating from reserves from capital contributions. The dividend was paid on March 1, 2012.

The Company has one class of shares, which carries no right to a fixed dividend.

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The fair value of the treasury shares as of August 31, 2012 amounted to CHF 2.9 million (2011: CHF 7.8 million).

As of August 31, 2012, the number of outstanding shares amounted to 5,166,769 (2011: 5,159,819) and the number of treasury shares to 3,231 (2011: 10,181). During this fiscal year, 4,430 shares have been purchased, 11,380 transferred to employees under the Employee Stock Ownership Program and 0 sold (2010/11: 12,124 purchased; 6,704 transferred and 0 sold).

Retained earnings
As of August 31, 2012, retained earnings contain legal reserves of CHF 27.8 million (2011: CHF 32.6 million), which are not distributable to the shareholders pursuant to Swiss law.

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation adjustments comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Movements in non-controlling interests

in thousands of CHF	2011/12	2010/11
as of September 1,	(275)	882
Non-controlling share of profits/(losses)	477	(856)
Dividends paid to non-controlling shareholders	(164)	(105)
Currency translation adjustment	440	(196)
Effect of parent increase in Barry Callebaut Pastry Manufacturing Ibérica SL[1]	1,399	–
Share of non-controlling interest in P.T. Barry Callebaut Comextra Indonesia	2,785	–
as of August 31,	**4,662**	**(275)**

1 Capital increase by the Group due to earlier negative equity of the subsidiary.

On September 30, 2011, the Group increased its share in Barry Callebaut Pastry Manufacturing Ibérica SL from 80% to 99%.

On November 17, 2011, the Group entered into an agreement with P.T. Comextra Majora – a diversified soft commodities trader and a leading exporter of cocoa from Indonesia – to form a new company, P.T. Barry Callebaut Comextra Indonesia. The new company will be based in Makassar (Sulawesi) in Indonesia, the world's third-largest cocoa-producing country. Barry Callebaut owns 60% of the shares, and P.T. Comextra Majora the other 40%. P.T. Barry Callebaut Comextra Indonesia qualifies as a subsidiary. The cash outflow for this investment amounted to CHF 4.0 million, whereas the cash contribution of the non-controlling shareholder amounted to CHF 2.8 million. As part of the deal, a new cocoa-processing facility is currently under construction in Makassar, with an initial grinding capacity of 28,000 tonnes. Operations will start in 2013. The new company will allow Barry Callebaut to increase its sustainable sourcing activities in Indonesia through P.T. Comextra's strong on-the-ground presence and relationships with local cocoa farmers.

26 Financial risk management

The nature of its business exposes the Group to a variety of financial risks including the effects of changes in market prices (commodity prices, foreign exchange rates, interest rates) as well as credit risks and liquidity risks.

The Group's overall strategy for managing these risks is consistent with the Group's objectives to maintain cost leadership, reduce earnings volatility in a cost-effective manner and minimize potential adverse effects of such market exposures on the financial performance of the Group. The Group's risk management continuously monitors the entities' exposures to commodity price risk, interest rate risk and foreign currency risk as well as the use of derivative instruments.

The Group manages its business based on the following two business models:
- Contract Business: Sales contracts for industrial or gourmet chocolate, where Barry Callebaut has entered into contracts with customers to deliver fixed quantities at fixed prices. These contractually fixed prices are generally based on the forward market prices of the raw material components valid at the contract date for the forward delivery date, at which the chocolate is planned to be delivered to the customers.
- Price List Business: Barry Callebaut sets price lists for certain gourmet products. These price lists are normally updated at intervals of six to twelve months. Customers buy products based on the issued price lists without fixed commitments on quantities.

Commodity price risks
The Group's purchasing and sourcing center operates as an integral part of the Group but also acts as a broker-trader in the sense that it makes sourcing and risk management decisions for cocoa beans and semi-finished cocoa products based on market expectations, separate from the manufacturing business and its third party sales commitments. Its objectives are to generate profits from fluctuations in cocoa prices or broker-trader margins. Additionally, the manufacturing of the Group's products requires raw materials such as cocoa beans, sweeteners, dairy, nuts, oil and fats. Therefore, the Group is exposed to price risks relating to the trading business as well as to the purchase and sale of raw materials.

The fair value of the Group's open sales and purchase commitments and inventory changes are continuously in line with price movements in the respective commodity markets. The Group's policy is to economically hedge its commodity price risk resulting from its inventory, commodity derivatives and purchase and sales contracts. Cocoa price risk in inventory is hedged with short futures applying fair value hedge accounting. The related accounting treatment is explained in the section "Summary of Accounting Policies" under the caption "Derivative financial instruments and hedging activities".

The Group Commodity Risk Committee (GCRC) is a committee consisting of key risk management stakeholders of the Group who meet on a regular basis (at least every six weeks) to discuss Group Commodity Risk Management issues. The GCRC monitors the Group's Commodity Risk Management activities and acts as the decision-taking body for the Group in this respect. The members of the GCRC include the Group's Chief Executive Officer (CEO), the Group's Chief Financial Officer (CFO) – acting as Chairman of the committee –, the President of Global Sourcing & Cocoa and the Group's Head of Risk Management (GRM).

The GCRC reports via the GRM to the Group's Audit, Finance, Risk, Quality & Compliance Committee (AFRQCC) and must inform the latter about key Group Commodity Risk issues and the key mitigation decisions taken. The AFRQCC reviews and approves GCRC requests and makes sure that the commodity risk management strategy is consistent with the Group's objectives. It also sets the Group's Value at Risk (VaR) limit for each major raw material component. The AFRQCC makes recommendations to the Board of Directors if deemed necessary and advises the Board of Directors on important risk matters and/or asks for approval.

In order to quantify and manage the Group's consolidated exposure to commodity price risks, the concept of historical VaR is applied. The VaR concept serves as the analytical instrument for assessing the Group's commodity price risk incurred under normal market conditions. The VaR indicates the loss which, within a time horizon of 10 days for raw materials, will not be exceeded at a confidence level of 95% using 7 years of historical market prices for each major raw material component. The VaR is complemented through the calculation of the expected shortfall and worst cases as well as the use of stress test scenarios. However, liquidity and credit risks are not included in the calculation and the VaR is based

on a static portfolio during the time horizon of the analysis. The GCRC breaks down the Group VaR limit into a VaR limit for the Sourcing unit as well as limits in metric tonnes for the other risk reporting units. The Board of Directors is the highest approval authority for all Group Commodity Risk Management (GCRM) matters and approves the GCRM Policy as well as the Group VaR limit.

The VaR framework of the Group is based on the standard historical VaR methodology; taking 2,000 days (equivalent to 7 years) of the most recent prices, based on which the day-to-day relative price changes are calculated. This simulation of past market conditions is not predicting the future movement in commodity prices. Therefore, it does not represent actual losses. It only represents an indication of the future commodity price risks. VaR is applied to materials with prices considered to exceed certain volatility levels (e.g. cocoa beans, dairy products, sweeteners, oils, and fats). As of August 31, 2012, the Group had a total VaR for raw materials of CHF 9.6 million (2011: CHF 6.3 million) well within the Group limit. The nominal exposure to commodity price risks is shown under contractual maturities.

Foreign currency risks

The Group operates across the world and consequently is exposed to multiple foreign currency risks, albeit primarily in EUR, GBP and USD. The Group actively monitors its transactional currency exposures and consequently enters into currency hedges with the aim of preserving the value of assets, commitments and anticipated transactions. The related accounting treatment is explained in the section "Summary of Accounting Policies" under the caption "Derivative financial instruments and hedging activities".

All risks related to foreign currency exposures of assets and liabilities, certain unrecognized firm commitments and highly probable forecasted purchases and sales are centralized within the Group's In-house Bank, where the hedging strategies are defined.

Accordingly, the consolidated currency exposures are hedged in compliance with the Group's Treasury Policy, mainly by means of forward currency contracts entered into with high credit quality financial institutions. The Group's Treasury Policy imposes a dual risk control framework of both open position limits and near-time fair valuation of the net currency exposures. Both levels of control are substantially interlinked, avoiding excessive net currency exposures and substantial volatility in the Consolidated Income Statement.

The Group's Treasury department is supervised by the Group Finance Committee, which meets on a monthly basis. The Group Finance Committee monitors the Group's foreign currency risk position and acts as a decision-taking body for the Group in this respect. The Group Finance Committee consists of the Group's CFO, the Group's Head of Risk Management, the Group's Head of Treasury, the Group's Head of Tax, Insurance and Legal, and other Group Finance stakeholders.

The Group's Treasury Policy giving guidance on treasury risk management including foreign currency and interest rate risks is approved and annually reviewed by the AFRQCC. The Group's Risk Management department reviews the consistency of the Group's treasury management strategy with the Group's Treasury Policy and reports the status to the Group's CFO periodically. The AFRQCC is informed by the CFO about the status and important matters in their quarterly meetings and approves requests of the Group's Finance Committee on important treasury risk matters including foreign currency risks for recommendation to the Board of Directors. The Board of Directors is the highest approval authority for all Group Treasury Risk Management matters.

The table below provides an overview of the net exposure of EUR, GBP and USD against the main functional currencies in the Group. According to the Group's Treasury Policy,

foreign exchange exposures are hedged as from identification on an intra-day basis in line with the approved exposure limits. In case of deviation from the agreed foreign exchange exposure limits, approval has to be sought from the Group's Finance Committee. Companies with the same functional currency are shown in one group.

Net foreign currency exposures

as of August 31,	2012			2011		
Net exposure in thousands of functional currency	EUR	GBP	USD	EUR	GBP	USD
EUR		(319)	62		11,349	604
CHF	64	(674)	1,901	(654)	(459)	1,525
CAD						113
USD	(62)			(442)		
BRL			(1,345)			406
SGD	(108)	(5)	(5,336)			50
CNY	(72)		(3,624)	(680)		(1,074)
MYR	(3)	(452)	(458)	(99)	(368)	419
RUB	(525)		(176)	26		763
SEK	(5,397)		(136)	(2,976)	64	(78)
JPY	(37)	(5)	(324)	(11)	1	(21)
Total	**(6,140)**	**(1,455)**	**(9,436)**	**(4,836)**	**10,587**	**2,707**

In order to quantify and manage the Group's consolidated exposure to foreign currency risks, the concept of historical VaR has been implemented. The VaR concept serves as the analytical instrument for assessing the Group's foreign currency risk incurred under normal market conditions. The VaR indicates the loss, which, within a time horizon of 1 day, will not be exceeded at a confidence level of 95% using 7 years of historical market prices for each major currency pair. The VaR is complemented with the calculation of the expected shortfall and worst cases. The VaR is based on static exposures during the time horizon of the analysis. The simulation of past market conditions is not predicting the future movement in foreign currency rates. Therefore, it does not represent actual losses. It only represents an indication of future foreign currency risks. As of August 31, 2012, the Group had a VaR of CHF 0.4 million (2011: CHF 0.3 million).

as of August 31,	2012	2011
Value at Risk on net exposures in thousands of CHF Total for the Group and per main exposure currencies		
Total Group	**368**	**265**
CHF	11	24
EUR	373	222
USD	58	32
GBP	16	135
Others	70	66
Diversification effect	30%	45%

Interest rate risks

The Group is exposed to changes in interest rates through its short- and long-term debt obligations mainly located in and centralized at the Group's In-house Bank. The Group's In-house Bank provides the necessary liquidity in the required functional currency towards all companies of the Group. Consequently, the Group's debt obligations are adjusted with the real currency mix of the Group's liabilities in order to reflect the correct exposure to interest rates.

It is the Group's policy to manage its interest cost using an optimal mix of fixed and floating rate debt. This optimal mix is primarily determined by the level of the Group's interest cover ratio and is achieved by entering into interest rate derivative instruments, in which it exchanges fixed and floating interest rates.

As described in the caption "Foreign currency risks", the Group's Finance Committee, which meets on a monthly basis, monitors the Group's interest risk positions and acts as a decision-taking body for the Group in this respect.

The Group's Treasury Policy also covers the management of interest rate risks. As for foreign currency risks, the Group's Risk Management department supervises the compliance of the treasury interest rate risk management strategy with the Group's Treasury Policy and reports the status periodically to the Group's CFO, who informs the AFRQCC in their quarterly meetings. The AFRQCC approves requests from the Group Finance Committee on important treasury matters including interest rate risks and provides recommendations thereon to the Board of Directors, which is the highest approval authority for all Group treasury matters.

The following schedule provides an overview of all interest-bearing items per year-end closing.

as of August 31,	2012	2011
in thousands of CHF		
Fixed-interest-bearing items		
Carrying amount of financial liabilities	740,283	744,653
Reclassification due to interest rate derivative	210,124	–
Net fixed interest position	**950,407**	**744,653**
Floating interest bearing items		
Carrying amount of financial assets	(54,557)	(42,410)
Carrying amount of financial liabilities	257,185	87,604
Reclassification due to interest rate derivative	(210,124)	–
Net floating interest position	**(7,496)**	**45,194**

Sensitivity analysis on interest rate risks

The following table shows the impact of a parallel shift of interest rates by 100 basis points (bps) up and 25 bps down on the Group's equity and income statement, net of tax. Due to lower interest rates, the underlying assumptions for the sensitivity analysis have been aligned with prevailing market circumstances. The calculation is performed on both, the portion of the outstanding debt (excluding the asset-backed securitization program; see note 12) at floating interest rates and the outstanding derivatives exchanging floating into fixed interest rates at the respective year-end. This sensitivity analysis only indicates the potential impact for the respective fiscal year at the prevailing conditions in the financial markets. Consequently, it does not represent actual or future gains or losses, which are strictly managed and controlled, as clearly indicated in the Group's Treasury Policy.

as of August 31,	2012				2011			
Impact on	Income statement		Equity		Income statement		Equity	
in thousands of CHF	100 bps increase	25 bps decrease	100 bps increase	25 bps decrease	100 bps increase	50 bps decrease	100 bps increase	50 bps decrease
Floating rate bearing items	56	(14)	–	–	(339)	169	–	–
Interest rate swaps	–	–	9,159	(2,290)	–	–		
Total interest rate sensitivity	**56**	**(14)**	**9,159**	**(2,290)**	**(339)**	**169**	**–**	**–**

Credit risk and concentration of credit risk

Credit risk, i.e. the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. As of August 31, 2012, the largest customer represents 7% (2011: 8%) whereas the 10 biggest customers represent 27% (2011: 24%) of trade receivables. Due to the diverse geographic and large customer base, the Group has no material credit risk concentration.

The extent of the Group's credit risk exposure is represented on the one hand by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements, if any, with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 803.5 million as of August 31, 2012 (2011: CHF 627.7 million). The Group has insured certain credit risks through a credit insurance policy. A number of customers with significant outstanding amounts are covered by that policy.

On the other hand, the Group's credit risk also arises from derivative financial instruments, i.e. foreign exchange derivatives, interest rate derivatives, and commodity (cocoa) derivatives. The Group has foreign exchange and interest rate derivatives with 10–15 banks acting on an international scale and having sound credit ratings. In case of commodity derivatives, the Group enters into future deals in the New York and the London terminal markets mainly with 4 counterparties, and the open positions per counterparty offset each other to a large extent leading to limited minimal open balances (as also represented by the similar value of derivative financial assets and liabilities on the balance sheet).

Liquidity risk

Liquidity risk arises through a surplus of financial obligations over available financial assets due at any point in time. The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity coordinated by the In-house Bank. For extraordinary financing needs, adequate credit lines with financial institutions have been arranged (see note 23).

Contractual maturities

The table below provides an overview of contractual maturities for financial liabilities and derivatives.

as of August 31, 2012	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF				
Non-derivative financial liabilities				
Bank overdrafts	(34,287)			(34,287)
Short-term debt	(117,277)			(117,277)
Trade payables	(453,974)			(453,974)
Long-term debt	(41,426)	(723,985)	(365,986)	(1,131,397)
Other liabilities	(126,792)			(126,792)
Derivatives				
Interest rate derivatives	(3,468)	(7,588)	(282)	(11,338)
Currency derivatives				
Inflow	3,496,748	166,879		3,663,627
Outflow	(3,474,972)	(167,060)		(3,642,032)
Commodity derivatives (gross settled)				
Inflow	946,579	18,698		965,277
Outflow	(1,235,132)			(1,235,132)
Commodity derivatives (net settled)				
Inflow				
Outflow	(15,739)			(15,739)
Total net	**(1,059,740)**	**(713,056)**	**(366,268)**	**(2,139,064)**

as of August 31, 2011	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF				
Non-derivative financial liabilities				
Bank overdrafts	(17,327)			(17,327)
Short-term debt	(129,970)			(129,970)
Trade payables	(417,187)			(417,187)
Long-term debt	(39,940)	(163,810)	(795,578)	(999,328)
Other liabilities	(155,180)			(155,180)
Derivatives				
Interest rate derivatives				
Currency derivatives				
Inflow	2,895,019	110,182		3,005,201
Outflow	(2,891,458)	(111,752)		(3,003,210)
Commodity derivatives				
Inflow	536,154	12,666		548,820
Outflow	(1,380,190)			(1,380,190)
Total net	**(1,600,079)**	**(152,714)**	**(795,578)**	**(2,548,371)**

Fair value of financial instruments

The following methods and assumptions are used to estimate the fair value of financial instruments:

Cash and cash equivalents

The carrying value of cash and cash equivalents approximates fair value due to the relatively short term maturity of these financial instruments.

Bank overdrafts

The carrying value approximates fair value because of the short period to maturity of these financial instruments.

Short-term deposits

The carrying value approximates fair value because of the short period to maturity of these financial instruments.

Short-term debts

The carrying value approximates fair value because of the short period to maturity of these financial instruments.

Long-term debts

In calculating the fair value of long-term debts, future principal and interest payments are discounted at market interest rates.

Other receivables and payables representing financial instruments

The carrying value approximates fair value because of the short-term maturity of these financial instruments.

Derivative financial assets and liabilities

The fair value measurement of some derivatives requires assumptions and management's assessment of certain market parameters. Whenever possible, fair valuation is based on market prices. If required, a valuation model (including discounted cash flows, dealer or supplier quotes for similar instruments or recent arm's length transactions) is used which takes into account the specific characteristics of the underlying assets or commodities such as the cost of carry, differentials for the properties and technical ratios reflecting production yield.

Carrying amount and fair value of each class of financial asset and liability are presented in the table below.

as of August 31, 2012	Loans and receivables	Fair value through profit and loss – trading	Financial liabilities at amortized cost	Derivatives used in hedging	Total carrying amount	Fair value
in thousands of CHF						
Cash equivalents	53,898				53,898	53,898
Short-term deposits	659				659	659
Trade receivables	321,916				321,916	321,916
Derivative financial assets		391,814		22,369	414,183	414,183
Other assets	70,706				70,706	70,706
Total assets	**447,179**	**391,814**		**22,369**	**861,362**	**861,362**
Bank overdrafts			34,287		34,287	34,287
Short-term debt			117,277		117,277	117,277
Trade payables			453,974		453,974	453,974
Derivative financial liabilities		333,673		28,686	362,359	362,359
Long-term debt			845,904		845,904	985,660
Other liabilities			126,792		126,792	126,792
Total liabilities		**333,673**	**1,578,234**	**28,686**	**1,940,593**	**2,080,349**

as of August 31, 2011	Loans and receivables	Fair value through profit and loss – trading	Financial liabilities at amortized cost	Derivatives used in hedging	Total carrying amount	Fair value
in thousands of CHF						
Cash equivalents	41,977				41,977	41,977
Short-term deposits	433				433	433
Trade receivables	276,153				276,153	276,153
Derivative financial assets		235,384		10,540	245,924	245,924
Other assets	49,713				49,713	49,713
Total assets	**368,276**	**235,384**		**10,540**	**614,200**	**614,200**
Bank overdrafts			17,327		17,327	17,327
Short-term debt			129,970		129,970	129,970
Trade payables			417,187		417,187	417,187
Derivative financial liabilities		133,399		10,137	143,536	143,536
Long-term debt			684,960		684,960	706,158
Other liabilities			155,180		155,180	155,180
Total liabilities		**133,399**	**1,404,624**	**10,137**	**1,548,160**	**1,569,358**

Fair value-hierarchy

The fair value measurements of financial assets and liabilities are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: The fair value is based on unadjusted, quoted prices in active markets which gives the best possible objective indication for the fair value of a financial asset or liability.
- Level 2: The estimation of the fair value is based on the results of a valuation model. The valuation model for commodity derivatives includes quoted prices in active markets, recent arm's length transactions or dealer and supplier quotes adjusted for the specific characteristics of the underlying commodities such as the cost of carry, differentials for the properties and conversion yields. Corroborated market data is used for the valuation of foreign exchange and interest rate derivatives.
- Level 3: The valuation models used are based on parameters and assumptions not observable on the market.

The following table summarizes the use of level with regard to financial assets and liabilities:

as of August 31, 2012	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Derivative financial assets	12,677	401,506	–	414,183
Derivative financial liabilities	18,153	344,206	–	362,359

as of August 31, 2011	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Derivative financial assets	1,256	244,668	–	245,924
Derivative financial liabilities	68	143,468	–	143,536

There have been no transfers between the levels during the fiscal year 2011/12 and 2010/11.

Capital management

It is the Group's policy to maintain a sound capital base to support the continued development of the business. The Board of Directors seeks to maintain a prudent balance between debt and equity. The minimal target solvency ratio (equity in % of total assets, adjusted for derivative financial instruments on a netted basis) is set at 20%. In compliance with bank covenants, there is also a minimum Tangible Net Worth value (Equity – Intangible assets) set at CHF 500 million.

The target payout ratio to shareholders is set at 30–35% of the net profit from continuing operations in the form of a share capital reduction and repayment or dividend. The target ratio and the form of the payout recommended by the Board are reviewed on an annual basis and are subject to the decision of the Annual General Meeting of Shareholders.

The Group's subsidiaries have complied with applicable local statutory capital requirements.

27 Related parties

The following shareholders hold a participation of more than 3% of the issued share capital of the Group's ultimate parent Barry Callebaut AG:

as of August 31,	2012	2011
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.11%
Renata Jacobs	8.48%	8.48%
Nicolas and Philippe Jacobs[1]	–	5.53%
Nicolas Jacobs	3.08%	–
Nathalie Jacobs	3.08%	3.07%

1 The group of shareholders with Nicolas and Philippe Jacobs was dissolved according to Swiss Stock Exchange regulations as published in the Swiss Official Gazette of Commerce of January 12, 2012.

Significant transactions and balances between the Group and related parties are as follows:

in thousands of CHF	Nature of cost/revenue	2011/12	2010/11
Sales to related parties		**63**	**52**
Pastelería Totel, S.L.	Revenue from sales and services	63	52
Purchases from related parties		**(12,370)**	**(10,415)**
African Organic Produce AG	Cost of goods sold	(12,370)	(10,415)
Operating expenses charged by related parties		**(6,498)**	**(8,258)**
Jacobs Holding AG	Management services	(1,484)	(1,716)
Adecco Group	Human resources services	(4,439)	(6,431)
Biolands International Ltd,	Management services		(11)
Other		(575)	(100)
Trade receivables from related parties		178	–
Other		178	–
Trade payables to related parties		**1,256**	**1,845**
Jacobs Holding AG		96	231
Adecco Group		684	873
African Organic Produce AG		476	741
Other		–	–

Transactions with related parties were carried out on commercial terms and conditions at market prices. All receivables from related parties are non-interest-bearing and their collection is expected within the next twelve months.

Compensation of key management personnel

The key management personnel are defined as the Board of Directors and the Executive Committee. Key management compensation consists of the following:

in million of CHF	2011/12	2010/11
Short-term employee benefits	8.5	8.7
Post-employment benefits	1.4	1.6
Share-based payments	6.3	6.6
Total	**16.2**	**16.9**

Further details related to the requirements of the Swiss Transparency law (Art. 663b^{bis} and 663c Swiss Code of Obligations) are disclosed in note 6 in the Financial Statements of Barry Callebaut AG.

28 Commitments and contingencies

Capital commitments

as of August 31, in thousands of CHF	2012	2011
Property, plant and equipment	6,321	3,817
Intangible assets	1,376	2,357
Total capital commitments	**7,697**	**6,174**

Operating lease commitments

Operating lease commitments represent rentals payable by the Group for certain vehicles, equipment, buildings and offices. Equipment and vehicle leases were negotiated for an average term of 2.8 years (2010/11: 2.5 years).

The future aggregate minimum lease payments under non-cancelable operating leases are due as follows:

as of August 31, in thousands of CHF	2012	2011
In the first year	13,140	12,707
In the second to the fifth year	40,431	34,144
After five years	33,794	25,681
Total future operating lease commitments	**87,365**	**72,532**

in thousands of CHF	2011/12	2010/11
Lease expenditure charged to the statement of income	12,672	14,092

Contingencies

Group companies are involved in various legal actions and claims as they arise in the ordinary course of the business. Provisions have been made, where quantifiable, for probable outflows. In the opinion of management, after taking appropriate legal advice, the future settlements of such actions and claims will not have a material effect on the Group's financial position.

29 Group entities

The principal subsidiaries of Barry Callebaut as of August 31, 2012, are the following:

Country	Subsidiary	% owned	Currency	Capital
Switzerland	Barry Callebaut Sourcing AG	100	CHF	2,000,000
	Barry Callebaut Schweiz AG	100	CHF	4,600,000
	Barry Callebaut Cocoa AG	100	CHF	100,000
Belgium	Barry Callebaut Services N.V.	100	EUR	705,000,000
	Barry Callebaut Belgium N.V.	100	EUR	61,537,705
	International Business Company Belgium BVBA	100	EUR	65,000
	Pierre Iserentant	100	EUR	260,908
Brazil	Barry Callebaut Brasil SA	100	BRL	26,114,993
Cameroon	Société Industrielle Camerounaise des Cacaos SA	78.35	XAF	1,147,500,000
	SEC Cacaos SA	100	XAF	10,000,000
Canada	Barry Callebaut Canada Inc.	100	CAD	2,000,000
China	Barry Callebaut Suzhou Chocolate Ltd	100	USD	27,000,000
	Barry Callebaut Suzhou Chocolate R&D Center	100	USD	2,000,000
Côte d'Ivoire	Société Africaine de Cacao SACO SA	100	XAF	25,695,651,316
	Barry Callebaut Négoce SA	100	XAF	3,700,000,000
Czech Republic	Barry Callebaut Czech Republic S.R.O.	100	CZK	200,000
Denmark	Barry Callebaut Danmark APS	100	DKK	125,000
Ecuador	Barry Callebaut Ecuador SA	100	USD	50,000
France	Barry Callebaut Manufacturing France SAS	100	EUR	6,637,540
	Barry Callebaut France SAS	100	EUR	50,000,000
	Barry Callebaut Manufacturing Bourgogne SAS	100	EUR	2,000,000
Germany	Barry Callebaut Deutschland GmbH	100	EUR	51,129
	C.J. van Houten & Zoon Holding GmbH	100	EUR	72,092,155
	Barry Callebaut Manufacturing Norderstedt GmbH & Co. KG	100	EUR	50,000
	Schloss Marbach GmbH	100	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd	100	USD	9,204,219
Great Britain	Barry Callebaut Manufacturing (UK) Ltd	100	GBP	15,467,852
	Barry Callebaut (UK) Ltd	100	GBP	3,200,000
	Barry Callebaut Vending UK Ltd	100	GBP	40,000
Hong Kong	Van Houten (Asia Pacific) Ltd	100	HKD	2
India	Barry Callebaut India Private Ltd	100	INR	35,000,000
Indonesia	Barry Callebaut Comextra	60	RP	68,175,000,000
Italy	Barry Callebaut Italia S.p.A.	100	EUR	104,000
	Barry Callebaut Manufacturing Italy Srl.	100	EUR	2,646,841
	Dolphin Srl.	100	EUR	110,000
Japan	Barry Callebaut Japan Ltd	100	JPY	1,260,000,000
Malaysia	Barry Callebaut Malaysia Sdn Bhd	100	MYR	36,000,000
	Selbourne Food Services Sdn Bhd	100	MYR	2,000,000
	Barry Callebaut Services Asia Pacific Sdn Bhd	100	MYR	500,000

Country	Subsidiary	% owned	Currency	Capital
Mexico	Barry Callebaut Mexico Distributors SA de CV	100	MXN	117,196,530
	Barry Callebaut Servicios SA de CV	100	MXN	50,000
	Barry Callebaut Mexico, S. de RL de CV	100	MXN	13,027,200
Poland	Barry Callebaut Manufacturing Polska Sp. z o.o.	100	PLN	10,000,000
	Barry Callebaut Polska Sp. z o.o.	100	PLN	50,000
Russia	Barry Callebaut NL Russia LLC	100	RUB	1,046,463,481
	Gor Trade LLC	100	RUB	685,000,000
Serbia	Barry Callebaut South East Europe d.o.o. Beograd	100	RSD	1,185,539
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd	100	SGD	83,856,669
Spain	Barry Callebaut Ibérica SL	100	EUR	25,000
	Barry Callebaut Pastry Manufacturing Ibérica SL	99	EUR	1,116,000
	Barry Callebaut Manufacturing Ibérica, S.A.U.	100	EUR	987,600
	la Morella nuts SA	100	EUR	344,554
Sweden	Barry Callebaut Sweden AB	100	SEK	100,000
The Netherlands	Barry Callebaut Nederland B.V.	100	EUR	21,435,000
	Barry Callebaut Decorations B.V.	100	EUR	18,242
	Hoogenboom Benelux B.V.	100	EUR	18,152
	Dings Décor B.V.	70	EUR	22,689
Turkey	Barry Callebaut Eurasia Gida Sanayi VE Ticaret Ltd Sti	100	TRL	2,540,000
USA	Barry Callebaut Cocoa USA Inc.	100	USD	7,663
	Barry Callebaut America Holding Inc.	100	USD	100,001,000
	Barry Callebaut USA LLC	100	USD	100,190,211

Barry Callebaut has some dormant companies which are not enclosed as principal subsidiaries, e.g. Barry Callebaut Manufacturing Germany GmbH, Barry Callebaut Holding (UK) Ltd, Barry Callebaut Nigeria, Adis Holding Inc., Barry Callebaut USA Holding, Inc., BC USA Service company Inc., Omnigest SAS, Alliance Cacao SA.

30 Risk assessment disclosure required by Swiss law

Group Risk Management

Barry Callebaut's Group Risk Management (GRM) is a corporate function responsible for implementing and managing all Group Risk Functions including the Enterprise Risk Management (ERM) under the direction and as approved by the Audit, Finance, Risk, Quality and Compliance Committee (AFRQCC) of the Board of Directors. The Group's ERM Framework is designed to create an aggregate view on all existing major risks, enabling the Group to systematically evaluate, prioritize and control the Group's risk portfolio.

The ERM is based on the framework of the Committee for Sponsoring Organizations (COSO) and classifies risks into five major risk categories: Strategic, Operational, Market, Financial Reporting, and Compliance/Legal Risks. The Group's ERM is multidimensional in the form, that risks are identified, assessed and controlled not only directly by the legal entity but also by specialized Corporate Functions such as Quality Assurance, Sourcing and Cocoa, Group Finance and Treasury, Operations & Supply Chain Organization (OSCO), Information Management, Global Human Resources, Innovations and Research and Development and Group Insurance and supervised by the GRM. Risk assessments are in the responsibility of line management but overseen and controlled by GRM. Thus, events and risks on all levels can be identified, addressed and managed efficiently and effectively. Financial risk management is described in more detail in note 26.

The results of the Group's ERM are presented to the AFRQCC quarterly or immediately in case of emergency events or risks.

31 Subsequent events

Batory acquisition

On June 6, 2012, the Group entered into an agreement with Batory Industries Company to acquire its compound manufacturing business and to obtain its facility in Chatham, Ontario, together with the related personnel. Based on IFRS 3, this transaction qualifies a business combination.

Closing of the transaction took place on September 7, 2012, when the business was transferred to Barry Callebaut.

The consideration paid amounted to CHF 12.2 million.

The following fair value of assets and liabilities have been determined on a provisional basis:

in million CHF	
Property, plant and equipment	4.5
Intangible assets (including goodwill)	7.7

Due to the short period of time since closing, acquisition accounting has not been finalized yet.

Outsourcing agreement with Arcor

On October 23, 2012, the Group signed a long-term outsourcing agreement with Industria de Alimentos dos en Uno S.A., a company of the Arcor Group, a leading manufacturer of sugar confectionery, cookies, chocolate, ice cream and other food products in South America.

Under the terms of the agreement, Barry Callebaut will provide Arcor-Dos en Uno with its requirements for outsourced liquid compound and chocolate products.

As a result of the agreement, Barry Callebaut will construct a new facility in Santiago de Chile with a capacity of 20,000 tonnes per annum. Production will start in 2014.

Approval of the Financial Statements

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 5, 2012, and are subject to approval by the Annual General Meeting of Shareholders on December 5, 2012.

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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Barry Callebaut, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Barry Callebaut AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on pages 74 to 142 for the year ended August 31, 2012.

Board of Directors' Responsibility
The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements for the year ended August 31, 2012 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

We recommend that the consolidated financial statements submitted to you be approved.

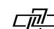
KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Patricia Bielmann
Licensed Audit Expert

Zurich, November 5, 2012

KPMG AG/SA, a Swiss corporation, is a subsidiary of KPMG Holding AG/SA, which is a subsidiary of KPMG Europe LLP and a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity.



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5-Year Overview

Barry Callebaut
Annual Report 2011/12

Key figures Barry Callebaut Group

		CAGR (%)[1]	2011/12[2]	2010/11[3]	2009/10[3]	2008/09	2007/08
Consolidated Income Statement							
Sales volume	Tonnes	4.3%	1,378,856	1,268,925	1,209,654	1,213,610	1,166,007
Sales revenue	CHF m	0.1%	4,829.5	4,459.9	4,524.5	4,880.2	4,815.4
EBITDA[4]	CHF m	(0.5%)	434.3	430.3	414.6	456.1	443.7
Operating profit (EBIT)	CHF m	0.9%	353.2	362.3	341.1	350.8	341.1
Net profit from continuing operations[5]	CHF m	3.6%	241.1	263.6	237.5	226.9	209.1
Net profit for the year	CHF m	(8.7%)	142.6	176.8	251.7	226.9	205.5
Cash flow[6]	CHF m	0.3%	440.2	450.7	457.8	418.1	434.3
EBIT/sales revenue	%	0.8%	7.3%	8.1%	7.5%	7.2%	7.1%
EBIT per tonne[7]	CHF	(3.3%)	256.2	285.5	282.0	289.1	292.5
Consolidated Balance Sheet							
Total assets	CHF m	(1.0%)	3,576.6	3,263.1	3,570.8	3,514.8	3,729.5
Net working capital[8]	CHF m	0.1%	1,039.2	888.1	964.9	1,010.1	1,037.1
Non-current assets	CHF m	0.0%	1,424.8	1,208.4	1,405.8	1,432.2	1,423.7
Net debt	CHF m	(2.4%)	942.9	789.8	870.8	942.7	1,041.2
Shareholders' equity[9]	CHF m	3.6%	1,357.1	1,217.1	1,302.3	1,255.6	1,175.9
Capital expenditure[10]	CHF m	(3.4%)	217.8	144.6	145.1	144.4	249.9
Ratios							
Economic Value Added (EVA)	CHF m	1.4%	133.5	159.9	147.7	129.9	126.3
Return on invested capital (ROIC)[11]	%	0.3%	14.2%	15.6%	14.8%	13.9%	14.0%
Return on equity (ROE)	%	1.4%	18.7%	20.9%	19.6%	18.1%	17.7%
Debt to equity ratio	%	(5.9%)	69.5%	64.9%	66.9%	75.1%	88.5%
Solvency ratio[12]	%	4.7%	37.9%	37.3%	36.5%	35.7%	31.5%
Interest coverage ratio[13]		5.0%	5.8	6.0	5.8	5.0	4.8
Net debt/EBITDA		(1.6%)	2.2	1.8	2.1	2.1	2.3
Capital expenditure/sales revenue	%	(3.4%)	4.5%	3.2%	3.2%	3.0%	5.2%
Shares							
Share price at fiscal year-end	CHF	5.7%	904	765	703	574	724
EBIT per share[14]	CHF	0.9%	68.4	70.1	66.0	67.8	66.0
Basic earnings per share[15]	CHF	3.6%	46.6	51.2	45.9	44.0	40.4
Cash earnings per share[16]	CHF	0.4%	85.2	87.3	88.6	81.1	83.9
Payout per share[17]	CHF	7.7%	15.5	15.5	14.0	12.5	11.5
Payout ratio	%	4.0%	33%	31%	29%	28%	28%
Price-earnings ratio at year-end[18]		2.0%	19.4	14.9	15.3	13.0	17.9
Market capitalization at year-end	CHF m	5.7%	4,671.1	3,955.1	3,631.9	2,967.6	3,743.1
Number of shares issued		0.0%	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total capital repayment	CHF m	7.7%	80.1	72.4	64.6	59.5	59.5
Other							
Employees		(4.3%)	6,100	5,972	7,550	7,525	7,281
Beans processed	Tonnes	5.1%	574,021	537,811	569,875	541,847	471,149
Chocolate & compound production	Tonnes	3.9%	1,102,431	999,879	954,073	971,951	947,387

1 Compound annual growth rate for the 5-year period.
2 All key figures are based on the continuing operations except for net profit for the year, total assets and cash flow related key figures.
3 To conform with the current period's presentation, certain comparatives related to the Consolidated Income Statement have been restated. Restatements were mainly related to the discontinuation of the consumer activities. Balance Sheet and Cash Flow Statement related values and number of employees have not been restated.
4 EBIT + depreciation of property, plant and equipment + amortization of intangibles (all from continuing operations).
5 Net profit from continuing operations (incl. non-controlling interest).
6 Operating cash flow before working capital changes.
7 EBIT/sales volume (of the continuing operations).
8 Includes current assets, liabilities and provisions related to commercial activities.
9 Total equity attributable to the shareholders of the parent company.
10 Capital expenditure for property, plant and equipment and intangible assets.
11 EBIT x (1-effective tax rate)/average capital employed.
12 Total equity attributable to the shareholders of the parent company/total assets.
13 EBITDA/net financial expense.
14 EBIT/basic shares outstanding.
15 Based on the net profit from continuing operations attributable to the shareholders of the parent company/basic shares outstanding.
16 Operating cash flow before working capital changes/basic shares outstanding.
17 2011/12 dividend partly out of paid-in capital reserves and partly a capital reduction through par value repayment as proposed by the Board of Directors to the Annual General Meeting. 2010/11 dividend out of paid-in capital reserves. 2009/10 and before capital reduction/par value repayment instead of a dividend.
18 Share price at year-end/basic earnings per share.

Financial Statements of Barry Callebaut AG

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Income Statement

for the fiscal year ended August 31,	2011/12	2010/11
in CHF		
Income		
Dividend income	191,768,200	135,450,000
Financial income	23,502,497	7,625,865
License income	35,847,675	38,474,290
Management fees	25,304,180	25,831,114
Other income	8,678,855	13,404,080
Total income	**285,101,407**	**220,785,349**
Expenses		
Personnel expenses	(33,483,636)	(32,228,190)
Financial expenses	(26,208,311)	(18,265,199)
Loss on sale of investment	(57,437,441)	–
Depreciation of property, plant and equipment	(457,177)	(507,750)
Amortization of intangible assets	(3,903,028)	(4,551,729)
Other expenses	(27,229,899)	(30,351,842)
Total expenses	**(148,719,492)**	**(85,904,710)**
Profit before taxes	**136,381,915**	**134,880,639**
Income taxes	(407,164)	(1,122,114)
Net profit for the year	**135,974,751**	**133,758,525**

Retained earnings

in CHF	2011/12	2010/11
Retained earnings as of September 1,	1,224,031,781	1,094,556,907
Dividend on treasury shares	295	–
Decrease/(increase) of reserve for treasury shares	4,764,893	(4,346,385)
Capital reduction on treasury shares	–	62,734
Net profit	135,974,751	133,758,525
Retained earnings as of August 31,	**1,364,771,720**	**1,224,031,781**

Balance Sheet

Assets

as of August 31,	2012	2011
in CHF		
Current assets		
Cash and cash equivalents	26,473	17,631
Treasury shares	2,770,064	7,534,957
Accounts receivable from Group companies	18,822,419	33,871,537
Short-term loans granted to Group companies	10,628	110,364
Other current assets	2,543,167	3,094,784
Total current assets	**24,172,751**	**44,629,273**
Non-current assets		
Property, plant and equipment	1,306,288	845,725
Financial assets		
Investments	1,974,604,559	1,973,872,715
Long-term loans granted to Group companies	120,071,000	–
Intangible assets		
Trademarks	7,116,843	12,709,124
Patents/Product development costs	2,333,680	1,484,743
Other	1,083,994	1,294,109
Total non-current assets	**2,106,516,364**	**1,990,206,416**
Total assets	**2,130,689,115**	**2,034,835,689**

Liabilities and shareholders' equity

as of August 31,	2012	2011
in CHF		
Current liabilities		
Bank overdrafts	48,084	147,278
Accounts payable to third parties	2,031,386	3,727,597
Accounts payable to Group companies	5,635,124	6,843,287
Accounts payable to shareholders	94,500	230,992
Short-term loans from Group companies	410,862,116	460,221,684
Accrued liabilities	22,167,209	47,852,522
Accrued taxes	237,400	2,110,079
Total current liabilities	**441,075,819**	**521,133,439**
Non-current liabilities		
Long-term loans from Group companies	120,071,000	–
Total non-current liabilities	**120,071,000**	**–**
Total liabilities	**561,146,819**	**521,133,439**
Shareholders' equity		
Share capital[1]	125,114,000	125,114,000
Legal reserves		
Reserves from capital contributions	51,284,323	131,419,323
Other legal reserves	25,600,070	25,600,070
Reserve for treasury shares	2,772,183	7,537,076
Retained earnings	1,364,771,720	1,224,031,781
Total shareholders' equity	**1,569,542,296**	**1,513,702,250**
Total liabilities and shareholders' equity	**2,130,689,115**	**2,034,835,689**

1 The share capital as of August 31, 2012, consists of 5,170,000 fully paid in shares at a nominal value of CHF 24.20 (August 31, 2011: CHF 24.20).

Notes to the Financial Statements

1 Liens, guarantees and pledges in favor of third parties

The Company is a co-debtor for bank loans of max. EUR 600 million (CHF 720.4 million; 2010/11: CHF 694.6 million) obtained by Barry Callebaut Services N.V., Belgium, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 1,364.8 million less 35% withholding tax). Furthermore, the Company is also a co-debtor to the Senior Notes of EUR 350 million (CHF 420.2 million; 2010/11: CHF 405.2 million) issued by Barry Callebaut Services N.V., Belgium, on July 13, 2007, as well as to the Senior Notes of EUR 250 million (CHF 300.2 million; 2010/11: CHF 289.4 million) issued on June 15, 2011, by Barry Callebaut Services N.V., Belgium. Additionally, the Company issued several corporate guarantees for various credit facilities granted to direct and indirect subsidiaries for an amount of up to CHF 784.8 million (2010/11: CHF 734.4 million).

The Swiss Barry Callebaut entities form a VAT subgroup and, hence, every company participating in the subgroup is liable for VAT debt of other subgroup participants.

2 Fire insurance value of property, plant and equipment

as of August 31,	2012	2011
in CHF		
Fire insurance value of property, plant and equipment	7,350,000	6,750,000

3 Investments

as of August, 31				2012	2011
Name and domicile	Share capital		Purpose	Percentage of investment	
ADIS Holding Inc., Panama	CHF	41,624,342	Dormant	100%	100%
Barry Callebaut Belgium N.V., Belgium	EUR	61,537,705	Production, Sales	99.99%	99.99%
Barry Callebaut Cocoa AG, Switzerland	CHF	100,000	Sales	100%	100%
Barry Callebaut Nederland B.V., The Netherlands	EUR	21,435,000	Holding	100%	100%
Barry Callebaut Nigeria Ltd, Nigeria	NGN	10,000,000	Sales	1%	1%
Barry Callebaut Schweiz AG, Switzerland	CHF	4,600,000	Production, Sales	100%	100%
Barry Callebaut Services N.V., Belgium	EUR	705,000,000	In-house Bank	99.99%	99.99%
Barry Callebaut Sourcing AG, Switzerland	CHF	2,000,000	Sourcing	100%	100%
Barry Callebaut Belgium Consumer N.V., Belgium[1]	EUR	1,223,795	Sold	–	99.99%
Chocolat Alprose SA, Switzerland[1]	CHF	7,000,000	Sold	–	100%
C.J. van Houten & Zoon Holding GmbH, Germany	EUR	72,092,155	Holding	100%	100%
Barry Callebaut Decorations B.V., The Netherlands	EUR	18,242	Production, Sales	100%	100%
Schloss Marbach GmbH, Germany	EUR	1,600,000	Conference and Training Center	100%	100%
Van Houten Service AG (liquidated), Switzerland	CHF	100,000	Liquidated	–	100%

1 Participation sold as a result of the disposal of the European Consumer Products business as of September 30, 2011.

Investments are stated at cost less any allowance for impairment.

4 Treasury shares

The Company held 3,231 treasury shares as of August 31, 2012 (2011: 10,181). In 2011/12, the Company bought 4,430 shares at an average price of CHF 860.75 per share (2010/11: 12,124 shares at an average price of CHF 745.90) and transferred 11,380 shares at an average price of CHF 753.78 per share (2010/11: 6,704 shares transferred at an average price of CHF 700.61). In 2011/12, the Company sold no treasury shares (2010/11: 0). Treasury shares are measured at the lower of cost or market. As of August 31, 2012, the treasury shares have been measured at an average price of CHF 887.59 per share (2010/11: average price of CHF 740.09 per share).

5 Significant shareholders

as of August 31,	2012	2011
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.11%
Renata Jacobs	8.48%	8.48%
Nicolas and Philippe Jacobs[1]	–	5.53%
Nicolas Jacobs	3.08%	–
Nathalie Jacobs	3.08%	3.07%

1 The group of shareholders with Nicolas and Philippe Jacobs was dissolved according to Swiss Stock Exchange regulations as published in the Swiss Official Gazette of Commerce of January 12, 2012.

6 Disclosures according to Art. 663b^{bis} and 663c Code of Obligations

Remuneration of key management[1] for the fiscal year 2011/12

Board of Directors (BoD) in thousands of CHF	Compensation fix	Compensation variable	Other compensation[2]	Number of shares[3]	Value of shares[4]	Total remuneration 2011/12	Total remuneration 2010/11
Andreas Jacobs Chairman/Delegate	383.3	–	–	453	373.6	**756.9**	**630.8**
Andreas Schmid Vice Chairman Member of the AFRQCC[5]	180.0	–	57.8	180	147.6	**385.4**	**376.4**
Ajai Puri[6] Member of the NCC[7]	83.3	–	–	120	100.8	**184.1**	**–**
James L. Donald Chairman of the NCC	135.0	–	–	180	147.6	**282.6**	**265.4**
Markus Fiechter[8] Member of the AFRQCC	–	–	41.9	–	–	**41.9**	**–**
Stefan Pfander Member of the NCC	130.0	–	–	180	147.6	**277.6**	**280.4**
Jakob Baer Chairman of the AFRQCC (effective December 8, 2011)	139.2	–	29.3	180	147.6	**316.1**	**186.8**
Rolando Benedick[9]	41.7	–	25.3	–	–	**67.0**	**295.2**
Urs Widmer[9]	46.7	–	24.8	–	–	**71.5**	**294.2**
Total remuneration Board of Directors	**1,139.2**	**–**	**179.1**	**1,293**	**1,064.8**	**2,383.1**	**2,329.2**
Remuneration Executive Committee[10]	**3,382.7**	**3,480.6**	**1,718.2**	**9,262**	**7,025.2**	**15,606.7**	**16,395.9**
Total remuneration of key management	**4,521.9**	**3,480.6**	**1,897.3**	**10,555**	**8,090.0**	**17,989.8**	**18,725.1**
Highest individual remuneration within Executive Committee: **Juergen Steinemann** CEO Barry Callebaut Group	1,000.0	1,100.0	1,101.0	3,750	2,844.4	6,045.4	6,359.1

There were no termination payments nor payments to former members of the Board of Directors or Executive Committee during the fiscal year.

As of August 31, 2012, no loans or credits to members of the Board of Directors or Executive Committee or parties closely related to them are outstanding.

Holdings of shares and options[11]

Number of shares as of August 31,	2012	2011
Board of Directors		
Andreas Jacobs (Chairman)[12]	2,861	2,501
Andreas Schmid (Vice Chairman)	8,790	12,510
Ajai Puri[6]	–	–
James L. Donald	540	360
Markus Fiechter	–	–
Stefan Pfander	1,140	960
Jakob Baer	180	–
Executive Committee		
Juergen Steinemann, CEO Barry Callebaut Group	2,681	1,375
Victor Balli, CFO Barry Callebaut Group	500	478
Massimo Garavaglia, President Western Europe	–	740
David S. Johnson, President Americas	2,973	2,750
Steven Retzlaff, President Global Sourcing & Cocoa	–	575
Dirk Poelman, Chief Operations Officer, Chief Innovation Officer	2,581	2,631

1 Key management is defined as Board of Directors (BoD) and Executive Committee.
2 Including social security and pension contributions as well as other benefits.
3 Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service and/or performance conditions. Grants to BoD are based on the calendar year.
4 Value defined as closing share price at grant date, which might be historical rates before the fiscal year under review.
5 Audit, Finance, Risk, Quality & Compliance Committee.
6 Ajai Puri was elected as member of the BoD at the General Assembly held on December 8, 2011.
7 Nomination & Compensation Committee.
8 No BoD compensation paid. Services rendered by Markus Fiechter as a member of the BoD are covered by the service fee charged by Jacobs Holding AG (see also note 27 of the Consolidated Financial Statements of Barry Callebaut Group). Other compensation includes fees and related social security contributions for services rendered as a consultant in calendar year 2012, after his departure from Jacobs Holding AG.
9 Rolando Benedick and Urs Widmer left the BoD with effect of December 8, 2011. Before leaving the BoD, Rolando Benedick was member of the NCC and Urs Widmer served as Chairman of the AFRQCC.
10 Disclosure relates to the Executive Committee as in place on August 31, 2012, i.e.: Juergen Steinemann, Victor Balli, Massimo Garavaglia, Steven Retzlaff, David S. Johnson and Dirk Poelman. Disclosures also include Hans Vriens who left the Company with effect of June 12, 2012.
11 Including shares of related parties to the individual BoD/Executive Committee member.
12 Excluding the 50.11% participation held by Jacobs Holding AG (see note 5).

7 Risk assessment disclosures

Barry Callebaut AG as the ultimate parent of the Barry Callebaut Group, is fully integrated into the Group-wide Risk Management (GRM) process and the respective Enterprise Risk Management Model.

The Group's general Risk Management process and the Financial Risk Management in particular are described in the Group's consolidated financial statements in notes 26 and 30, respectively.

8 Subsequent events

On September 21, 2012, the Group announced its intention to sell its factory and the related business in Dijon (France) to "Chocolaterie de Bourgogne". Accruals recognized in light of the intended transaction are deemed to sufficiently cover the related expected costs to be incurred by the Company.

9 Appropriation of available earnings and reserves/par value reduction

The Board of Directors proposes to the Annual General Meeting a payout of CHF 15.50 per share consisting of a dividend of CHF 9.90 per share originating from capital contribution reserves and CHF 5.60 per share in form of a capital reduction through par value repayment:

9.1 Allocation from reserves from capital contributions to free reserves

in the amount of CHF 51,183,000.

9.2 Dividend payout of CHF 9.90 per share out of the free reserves as per 9.1

in the amount of CHF 51,183,000.

9.3 Carry-forward of the balance of retained earnings

of CHF 1,364,771,720.

9.4 Capital reduction and repayment of CHF 5.60 per share

Reduction of the share capital from CHF 125,114,000 to CHF 96,162,000 in the form of a reduction of the par value from CHF 24.20 per share by CHF 5.60 to CHF 18.60 per share.

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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Barry Callebaut AG, Zurich

As statutory auditor, we have audited the accompanying financial statements of Barry Callebaut AG, which comprise the income statement, balance sheet and notes on pages 146 to 152 for the year ended August 31, 2012.

Board of Directors' Responsibility
The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements for the year ended August 31, 2012 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements
We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

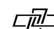
KPMG AG

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Patricia Bielmann
Licensed Audit Expert

Zurich, November 5, 2012

KPMG AG/SA, a Swiss corporation, is a subsidiary of KPMG Holding AG/SA, which is a subsidiary of KPMG Europe LLP and a member of the KPMG network of independent firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss legal entity.



Member of the Swiss Institute of Certified Accountants and Tax Consultants

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Corporate Governance

The information that follows is provided in accordance with the Directive on Information Relating to Corporate Governance issued by the SIX Exchange Regulation (DCG). The principles and rules of Corporate Governance as practiced by Barry Callebaut are laid down in the Articles of Incorporation, the Regulations of the Board and the Charters of the Board Committees. These are reviewed regularly by the Board of Directors and adapted as needed.

Additional information:
www.barry-callebaut.com/corporate_governance
www.barry-callebaut.com/organization

Group structure and shareholders

The organization of the Barry Callebaut Group has a structure which is divided into three different Regions: Region Europe (incl. Western Europe and Eastern Europe, Middle East & Africa), Region Americas and Region Asia-Pacific. The globally managed Global Sourcing & Cocoa business is reported as a separate segment like a Region. There are three different Product Groups: Cocoa Products, Food Manufacturers Products and Gourmet & Specialties Products. The following chart provides an overview of the operational Group structure as of November 7, 2012:

Board of Directors
Chairman: **Andreas Jacobs**

AFRQCC[1] Chairman: Jakob Baer	NCC[2] Chairman: Jim Donald
Internal Audit Karel Diepenhorst	General Counsel & Corporate Secretary Roland Maurhofer

CEO
Juergen Steinemann[3]

CFO Victor Balli[3]	Corporate Communications & CSR Jörn Wagenbach
Chief Innovation Officer[4] Dirk Poelman[3] (ad interim)	Global Human Resources Barbara Becker
Chief Operations Officer Dirk Poelman[3]	Quality Assurance Jeff Banks
	Gourmet Pascale Meulemeester

Western Europe	Eastern Europe	Americas	Asia-Pacific	Global Sourcing & Cocoa
Massimo Garavaglia[3]	Filip De Reymaeker	David S. Johnson[3]	Maurizio Decio	Steven Retzlaff[3]

1 AFRQCC: Audit, Finance, Risk, Quality & Compliance Committee.
2 NCC: Nomination & Compensation Committee.
3 Member of the Executive Committee.
4 This function will be taken over by Peter Boone as of December 2012.

The structure of the financial reporting is explained in note 3 to the Consolidated Financial Statements. Information about the stock listing, principal subsidiaries and significant shareholders of Barry Callebaut is given on pages 80, 94, 138, 140 and 141 of the Consolidated Financial Statements and on pages 149, 150 and 151 of the Financial Statements of Barry Callebaut AG. There are no cross-shareholdings equal to or higher than 5% of the issued share capital.

Additional information:
www.barry-callebaut.com/board
www.barry-callebaut.com/regulations

Capital structure

The information required by the DCG regarding the capital structure is given in note 25 (share capital, movements in the share capital) of the Consolidated Financial Statements. The company has no convertible bonds outstanding. In the past three years, the Group's capital structure has not changed.

Board of Directors

The Board of Directors is ultimately responsible for the policies and management of Barry Callebaut. The Board establishes the strategic, accounting, organizational and financing policies to be followed, and appoints the Executive Committee, to which the Board of Directors has delegated the operational management of Barry Callebaut. Besides its non-transferable and inalienable duties, the Board has retained certain competencies as set forth in the Company's Internal Regulations, which are publicly accessible on the Barry Callebaut website (www.barry-callebaut.com/regulations).

As of August 31, 2012, the Board of Directors consisted of seven non-executive members. Each Director is elected by the shareholders of Barry Callebaut AG at the General Meeting for a term of office of one year and may be re-elected to successive terms.

Name	Nationality	Member since	Board of Directors Function	AFRQCC	NCC
Andreas Jacobs	German	2003	Chairman		
Andreas Schmid	Swiss	1997	Vice Chairman	Member	
Jakob Baer	Swiss	2010	Director	Chairman	
James L. Donald	U.S.	2008	Director		Chairman
Markus Fiechter	Swiss	2004	Director	Member	
Stefan Pfander	German	2005	Director		Member
Ajai Puri	U.S.	2011	Director		Member

Andreas Jacobs
Chairman of the Board since 2005, member of the Board since 2003, German national

In December 2005, Andreas Jacobs (1963) was appointed Chairman of the Board of Barry Callebaut AG. He had served as a member of the Board since 2003.

Since 1992, Andreas Jacobs has been an independent entrepreneur with a stake in several companies (Minibar AG, Baar; and Acentic GmbH) plus minority interests in several other companies. From 1991 to 1993, Andreas Jacobs worked as a consultant and project manager at The Boston Consulting Group in Munich. He is also Chairman of Jacobs Holding AG and Vice-Chairman of the Board of Adecco SA.

Andreas Jacobs studied law at the Universities of Freiburg im Breisgau, Munich and Montpellier and subsequently obtained a post-graduate degree in European competition law (Dr. iur.) from the University of Freiburg im Breisgau. Afterwards, he earned a Master of Business Administration from INSEAD in Fontainebleau.

Andreas Schmid (1957) was appointed CEO of Jacobs Holding AG in 1997. In 1999, he became Chairman of the Board and CEO of Barry Callebaut AG. In June 2002, he handed over the CEO function but continued to assume the responsibility of Chairman until December 2005. Since then he has been Vice Chairman of the Board.

He started his career in 1984 at Union Bank of Switzerland. Following a position as assistant to a Swiss industrialist, he was CEO and Managing Director of Kopp Plastics (PTY) Ltd in South Africa from 1989 to 1992. He then worked for the Jacobs Group in various staff and line functions until 1993. From 1993 to 1997, Andreas Schmid was President of the Mövenpick Consumer Goods Division and a member of the worldwide Group Executive Board of Management. Between December 2007 and May 2011, Andreas Schmid was Chairman of the Supervisory Board of Symrise AG, and between 2002 and 2006 he chaired the Board of Kuoni Travel Holding AG. He was a member of the Board of Adecco SA from 1999 to 2004 and a member of the Advisory Board of the Credit Suisse Group from 2001 to 2007, before the Advisory Board was dissolved.

Andreas Schmid is Executive Chairman of Oettinger Davidoff Group, Chairman of the Board of Directors of Flughafen Zurich AG and gategroup Holding AG and member of the Board of Directors of Karl Steiner AG.

Andreas Schmid holds a Master's degree in law and studied economics at the University of Zurich.

Andreas Schmid
Vice Chairman,
member of the Board
since 1997,
Swiss national

Jakob Baer (1944) started his career in 1971 at the Federal Finance Administration. From 1975 until 1991, he was with Fides Group, where he held various positions (as Consultant, Head of Legal Department, Branch Office Manager Zurich, Member of the Division Management Advisory Services). 1991/1992, Jakob Baer led the planning and execution of the management buy-out of the Advisory Services unit of Fides Group, which became part of KPMG Switzerland. He was a member of the Executive Committee of KPMG Switzerland from 1992 until 1994. From 1994 to 2004, he held the position of Chief Executive Officer of KPMG Switzerland, and was a member of KPMG's European and International Leadership Boards. Jakob Baer served as a member of the Board of Directors of Adecco from 2004 until April 2012.

Jakob Baer is Board Member of Swiss Re, Rieter Holding AG, Allreal Holding AG, IFBC AG and Chairman of Stäubli Holding AG, all in Switzerland.

He was admitted to the bar (1971) and subsequently obtained a doctorate degree in law (Dr. iur.) from the University of Berne, Switzerland.

Jakob Baer
Director since 2010,
Swiss national

James L. Donald
Director since 2008,
U.S. national

James "Jim" L. Donald (1954) has been CEO of Extended Stay, a large US-based hotel chain, since February 2012. He also serves as a Board Member of Rite Aid Corporation, one of the leading drugstore chains in the U.S. with more than 4,900 stores in 31 states.

James Donald has served as President and CEO of Haggan, Inc., a 33-store Pacific Northwest grocery company based in Bellingham from September 2009 until March 2011. James Donald also was President & Chief Executive Officer of Starbucks Corporation from April 2005 to January 2008. From October 2002 to March 2005, James Donald served as President of Starbucks, North America. Under his leadership, Starbucks experienced strong growth and performance. From October 1996 to October 2002, James Donald served as Chairman, President & Chief Executive Officer of Pathmark Stores, Inc., a USD 4.6 billion regional supermarket chain located in New York, New Jersey and Pennsylvania. Prior to that time, he held a variety of senior management positions with Albertson's, Inc., Safeway, Inc. and Wal-Mart Stores, Inc.

James L. Donald graduated with a Bachelor's degree in Business Administration from Century University, Albuquerque, New Mexico.

Markus Fiechter
Director since 2004,
Swiss national

Markus Fiechter (1956) served as CEO of Jacobs Holding AG from September 2004 until end of 2011.

He started his career as Assistant Professor in Chemistry at the University of Applied Sciences in Horw, Lucerne. From 1984 until 1991, he held various managerial positions at Mettler Toledo AG.

From 1991 to 1994, he worked for The Boston Consulting Group as a Manager at the Zurich office. From 1994 to 2004, he was CEO of the Minibar Group. Markus Fiechter is Vice President of the Board of Directors of Valora Holding AG and a member of the Board of Directors of Minibar AG. He is also member of the Board of the Federal Foundation for the Advancement of the Swiss Economy through Scientific Research.

Markus Fiechter holds a Master's degree in Chemical Engineering from the Federal Institute of Technology in Zurich (ETH) and an MBA from the University of St. Gallen.

Stefan Pfander (1943) started his career in 1971 as Product Manager with General Foods GmbH in Elmshorn, Germany, and later worked for Mars Inc. (as Marketing Manager for Effem GmbH, Verden, Germany, as Marketing Director for Kal Kan Foods Inc., Los Angeles, U.S.). In 1981, he joined the Wm. Wrigley Jr. Company as Managing Director initially responsible for Germany and later Europe, Middle East, Africa and India, building leading market positions for Wrigley in over 40 countries. Until January 2006, he was Chairman Europe and Vice President of the Wm. Wrigley Jr. Company in Chicago, U.S. Until 2010, he also served as a member of the Board of Directors of Sweet Global Network e.V. (international confectionery trade association).

Stefan Pfander is a Supervisory Board Member of Maxingvest AG (Holding company, Beiersdorf AG, Tchibo GmbH), Deputy Chairman of the Supervisory Board of GfK SE (market research institute) and Chairman of the Supervisory Board of Treofan GmbH.

Stefan Pfander holds a degree in Economics from the University of Hamburg.

Stefan Pfander
Director since 2005,
German national

Stefan Pfander will not be available for re-election to the Board of Directors at the next Annual General Meeting of Shareholders on December 5, 2012.

Ajai Puri (1953) has been a member of the Supervisory Board of Nutreco N.V. (Amersfoort, The Netherlands), a leading global animal nutrition and aquaculture company, since April 2009. Additionally, he serves as a Non-Executive Director on the Board of Britannia Industries Limited (Bangalore, India), India's largest independent food group, and as member of the Board of Directors of Tate & Lyle (London, United Kingdom), a global provider of distinctive, high-quality ingredients and solutions to the food, beverage and other industries.

Ajai Puri has a broad know-how and experience in the fields of Management, R&D/Innovation, Marketing and Manufacturing, Product Safety and Quality Assurance which he gained during his assignments with the companies Cadbury Schweppes PLC, The Minute Maid Company/The Coca-Cola Company and latest with Royal Numico N.V. in the Netherlands. During his career, Ajai Puri has held a variety of positions of global scope including that of Senior Vice President Technical (Science and Technology) at The Minute Maid Co in the U.S., and President Research, Development and Product Integrity at Royal Numico in the Netherlands.

Ajai Puri is furthermore co-founder of P.A.N.I., a self-funded charitable foundation dedicated to improving the lives of the underprivileged in India. The focus of the foundation is education for children and women, and cleft lip surgical corrections.

Ajai Puri holds a Ph.D. in Food Science from the University of Maryland and an MBA from the Crummer Business School, Rollins College, Florida.

Ajai Puri
Director since 2011,
U.S. national

Functioning of the Board

The Board of Directors constitutes itself at its first meeting subsequent to the Ordinary General Meeting. The Board elects its Chairman and its Vice Chairman. It meets as often as business requires, but at least four times per fiscal year. The meetings usually take place in Zurich. If possible, the Board meets once per year at one of the Barry Callebaut production sites and combines this meeting with a visit of the local operation. During this fiscal year, the Board of Directors met six times for regular Board meetings. Four meetings lasted approximately six hours, two meetings lasted one and a half hours and took place in the form of a conference call. In the year under review, the Board held one of the regular meetings in the context of a three-day visit to the production sites in Singapore and Malaysia.

The Chairman invites the members to the meetings in writing, indicating the agenda and the motion for resolution thereto. The invitations are sent out at least ten business days prior to the meeting. Each member of the Board can request the Chairman to call a meeting without undue delay. In addition to the materials for meetings, the Board members receive monthly financial reports.

At the request of one member of the Board, members of the Executive Committee shall be invited to attend meetings. The Board of Directors can determine by majority vote that other third parties, for example external consultants, may attend part or all of the meetings. Last year, the CEO, the CFO and, depending on the agenda items, other members of the Executive Committee or management were present at all Board and Committee meetings, with the exception of a closed discussion on the Board of Director's self-assessment in the context of a regular Board meeting.

Resolutions are adopted by a simple majority of the Board members present or represented. Members may only be represented by a fellow Board member. In the event of a tie vote, the proposal is deemed to be not resolved. Resolutions made at the Board meetings are documented through written minutes of the meeting.

Directors may request any information necessary to fulfill their duties. Outside of meetings, any Director may request information from members of the Executive Committee concerning the Group's business development. Requests for information must be addressed to the Chairman of the Board.

The Board of Directors has formed the following committees:

Audit, Finance, Risk, Quality & Compliance Committee

Jakob Baer (Chairman), Andreas Schmid and Markus Fiechter

The primary task of the Audit, Finance, Risk, Quality & Compliance Committee (AFRQCC) is to assist the Board in carrying out its responsibilities and make recommendations for the Board's policy decisions as they relate to the company's accounting policies, financial reporting, internal control system, legal and regulatory compliance functions and quality management. In addition, to ensure financial risk management, the AFRQCC reviews the basic risk management principles and guidelines, reviews the hedging and financing strategies, reviews the bases upon which the Board of Directors determines risk tolerance levels and trading limits, and reviews the appropriateness of the risk management instruments and techniques employed. For details of the risk management system, see note 7 to the Financial Statements of Barry Callebaut AG and notes 26 and 30 to the Consolidated Financial Statements.

The Audit, Finance, Risk, Quality & Compliance Committee assists the Board of Directors in fulfilling its oversight responsibility of the external auditors. The specific steps involved in carrying out this responsibility include recommending the external auditors, reviewing their qualifications and independence, evaluating the audit fees, overseeing the external audit coverage, specifying how the external auditors report to the Board and/or the Audit Committee, assessing additional non-audit services, reviewing accounting policies and policy decisions, and reviewing the annual financial statements and related notes.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The internal audit function reports to the Chairman of the AFRQCC. Significant findings of internal audits are presented and reviewed in the meetings of the AFRQCC and of the Board of Directors. In the last fiscal year, the internal audit team was supported on three projects by third-party experts.

The external auditors attended one meeting of the Audit, Finance, Risk, Quality & Compliance Committee in fiscal year 2011/12.

The AFRQCC meets as often as business requires, but at least three times per fiscal year. The meetings usually take place in Zurich. In the last fiscal year, the committee met four times. The meetings lasted for approximately two hours. One of the meetings took place in Singapore in the context of the Board's three-day visit to the production sites in Singapore and Malaysia. One meeting took place in the form of a conference call.

Nomination & Compensation Committee

James Donald (Chairman), Stefan Pfander, Ajai Puri

The responsibilities of the Nomination & Compensation Committee (NCC) are to make recommendations to the Board with respect to the selection, nomination, compensation, evaluation, and, when necessary, the replacement of key executives. The NCC establishes jointly with the CEO a general succession planning and development policy. The committee also reviews remuneration paid to members of the Board of Directors, ensures a transparent Board and Executive Committee nomination process, and is responsible for monitoring and managing potential conflicts of interest involving executive management and Board members.

The NCC meets as often as business requires, but at least three times per fiscal year. The meetings usually take place in Zurich. Last year, the committee met four times. The meetings lasted for approximately two hours. One of the meetings took place in Singapore in the context of the Board's three-day visit to the production sites in Singapore and Malaysia.

Executive Committee

The Executive Committee consists of seven functions and is headed by the Chief Executive Officer. For external activities of each member of the Executive Committee, see the respective curriculum vitae.

Name	Function	Nationality	Member since
Juergen Steinemann	Chief Executive Officer	German	2009
Victor Balli	Chief Financial Officer	Swiss	2007
Massimo Garavaglia	Western Europe	Italian	2004
David S. Johnson	Americas	U.S.	2009
Steven Retzlaff	Global Sourcing & Cocoa	U.S./Swiss	2008
Dirk Poelman	Chief Operations Officer (COO) Chief Innovation Officer (CIO) ad interim[1]	Belgian	2009

1 This function will be taken over by Peter Boone as of December 2012.

Hans Vriens resigned from his function as Chief Innovation Officer effective June 12, 2012. Since then, Dirk Poelman has also taken over the function as Chief Innovation Officer ad interim. On December 3, 2012, Peter Boone will join the Group as Chief Innovation Officer.

Juergen Steinemann (1958) was appointed Chief Executive Officer of Barry Callebaut AG in August 2009.

Before joining Barry Callebaut, Juergen Steinemann served as a member of the Executive Board of Nutreco and as Chief Operating Officer since October 2001. Nutreco, quoted on the Official Market of Euronext Amsterdam, is a leading global animal nutrition and aquaculture company, headquartered in the Netherlands.

From 1999 to 2001, Juergen Steinemann served as CEO of Unilever's former subsidiary Loders Croklaan, which produced and marketed specialty oils and fats for the chocolate, bakery and functional foods industry. Between 1990 and 1998, Juergen Steinemann was with the former Eridania Beghin-Say Group, where he held various senior positions in business-to-business marketing and sales, ultimately in the "Corporate Plan et Stratégie" unit at the head office in Paris.

Juergen Steinemann graduated from his economics/business studies at the European Business School in Wiesbaden, Germany, London, and Paris in 1985.

Juergen Steinemann
Chief Executive Officer,
German national

Victor Balli (1957) was appointed Chief Financial Officer and member of the Executive Committee of Barry Callebaut AG in February 2007.

Before joining Barry Callebaut, Victor Balli was with Minibar since 1996. He began his career at Minibar as CFO and additionally held the position of CEO EMEA as of 2005. During this time, he also served as executive director and board member of several group companies of Niantic, a family investment holding. From 1991 to 1995, he worked as a Principal with Adinvest AG, a corporate finance advisory company with offices in Zurich, San Francisco, New York, and London. From 1989 to 1991, Victor Balli served as Director of Corporate Finance with Marc Rich & Co. Holding in Zug. He started his professional career in 1985, working as a Financial Analyst & Business Development Manager with EniChem International SA in Zurich and Milan.

Victor Balli holds a Master's degree in Economics from the University of St. Gallen and a Master's degree as a Chemical Engineer from the Swiss Federal Institute of Technology in Zurich.

Victor Balli
Chief Financial Officer,
Swiss national

Massimo Garavaglia
President Western Europe,
Italian national

Massimo Garavaglia (1966) was appointed President Western Europe in June 2009 and is a member of the Executive Committee of Barry Callebaut AG. Prior to this, he served for three years as President for the Region Americas.

From 1990 to 1992, Massimo Garavaglia was sales manager for an Italian food products importer. He joined Callebaut Italy S.p.A. in 1992 as the country manager for Italy. After the merger between Callebaut and Cacao Barry in 1996, he was Barry Callebaut's country manager in Italy until 2003. From 2003 until September 2004, he headed the region consisting of the Mediterranean Countries/Middle East/Eastern Europe. From September 2004 until 2006, he was President Food Manufacturers.

Massimo Garavaglia holds a Master's degree in Economics and Business Administration from Bocconi University, Milan.

David S. Johnson
CEO and President Americas,
U.S. national

David S. Johnson (1956) was appointed CEO and President Americas in May 2009, and is a member of the Executive Committee of Barry Callebaut AG.

Before joining Barry Callebaut, David Johnson served as CEO and member of the board for Michael Foods, Inc., a food processor and distributor headquartered in Minnetonka, MN, U.S.

From 1986 to 2006, David Johnson was with Kraft Foods Global, Inc., the second-largest food and beverage company in the world. At Kraft Foods, he held several senior positions in different divisions, including marketing, strategy, operations, procurement and general management. His last position was President Kraft North America and Corporate Officer Kraft Foods Global, Inc. He started his career in 1980 at RJR Nabisco.

David Johnson is a member of the board of directors of Arthur J. Gallagher & Co., an international insurance brokerage and risk management company with headquarters in Itasca, IL, U.S.

David Johnson holds both a Bachelor's and Master's degree in business from the University of Wisconsin.

Dirk Poelman (1961) was appointed Chief Operations Officer (COO) in September 2006 and member of the Executive Committee in November 2009, as well as Chief Innovation Officer (CIO) ad interim as of June 12, 2012. Since 1984, he has been working with Callebaut – which merged with Cacao Barry in 1996 – in various positions and countries: first as Engineering Manager, then as Production Manager, Operations Director and Chief Manufacturing Officer.

In 1997, Dirk Poelman became Executive Vice President Operations, responsible for the operations of the Group, and a member of the Senior Management Team. In 2004, he was appointed Vice President Operations and Research & Development.

Dirk Poelman holds an industrial engineering degree in electromechanics from the Catholic Industrial High School in Aalst, Belgium.

Dirk Poelman
Chief Operations Officer and Chief Innovation Officer ad interim (until December 2012), Belgian national

Steven Retzlaff (1963) was appointed President Global Sourcing & Cocoa and member of the Executive Committee of Barry Callebaut AG in January 2008.

Steven Retzlaff started his career in 1987 at KPMG Peat Marwick, San Francisco, where he became a Certified Public Accountant. In 1990, he transferred to the Zurich office of KPMG, where he worked until 1993. He then joined JMP Newcor AG, Zug, as Director of European Finance and Operations, where he worked for three years.

Steven Retzlaff joined Barry Callebaut as CFO of Barry Callebaut Sourcing AG in 1996. From 1999 to 2001, he served as CFO Swiss Operations (BC Sourcing AG and BC Switzerland AG). From 2001 to 2003, he was CFO of the business unit Cocoa, Sourcing & Risk Management, and from 2003 to 2004 he worked as the Cocoa Division Head. In 2004, he was appointed President Sourcing & Cocoa and member of the Senior Management Team in Zurich. From September 2006 until December 2007, he focused on developing the Group's global compound business.

Steven Retzlaff holds a Bachelor of Arts in Economics from Whitman College. He also studied at the Institute of European Studies in Madrid and at INSEAD in Fontainebleau.

Steven Retzlaff
President
Global Sourcing & Cocoa, U.S. and Swiss national

Compensation Report

The Board of Directors has the final responsibility for the remuneration of the Directors and the Executive Committee. The Nomination & Compensation Committee assists the Board in fulfilling its responsibility by evaluating the remuneration strategy and proposing individual compensation packages for the Executive Committee members and other key members of the management.

The Nomination & Compensation Committee ensures that Barry Callebaut offers an overall remuneration package which is aligned with corporate and individual performance and market practice, in order to attract and retain Directors and Executives with the necessary skills. The current remuneration scheme is not linked to any external benchmarks. The remuneration structure of the Board of Directors is comprised of fixed directors' fees and grants of Barry Callebaut AG shares. The shares granted to the members of the Board of Directors vest after one year.

The top management remuneration framework of Barry Callebaut consists of four compensation elements: an annual base salary, an annual short-term cash bonus linked to the achievement of the short-term bonus criteria for the respective fiscal year (the on-target bonus ranges from 30% to 100% of base salary), long-term incentive comprised of a share grant (with a target value of 70% to 125% of the annual base salary, with the exception of the CEO) and other benefits (with a value of 10% to 20% of the base salary). The short-term bonus criteria for the members of the Executive Committee (the on-target bonus amounts to 100% of the annual base salary) have been defined by the Board of Directors upon evaluation and recommendation of the NCC as follows for the current fiscal year (the percentage figures indicating the weight of the respective target):

	CEO/CFO	President Global Sourcing & Cocoa	Presidents Western Europe/Americas	COO	CIO
Group EBIT	25%	10%	10%	60%	60%
Group EBIT/MT	15%	–	–	–	–
Group EVA	20%	–	–	–	–
Earnings per share	20%	–	–	–	–
Regional EBIT	–	50%	35%	–	–
Regional EBIT/MT	–	–	15%	–	–
Working Capital	–	15%	15%	15%	–
Individual Strategic targets	20%	25%	25%	25%	40%

For the remuneration to the Executive Committee recorded in the fiscal year under review, please see note 6 to the Financial Statements of Barry Callebaut AG.

The granting of shares is regulated by a Deferred Share Plan (DSP), which was revised in the previous fiscal year without any external compensation advisors and has become effective as of fiscal year 2011/12. For a period of three years (a "Grant Cycle"), an annual share value is determined by the Board of Directors for each individual plan participant. The number of shares to be granted to each participant with respect to each fiscal year is calculated by dividing the annual share grant value by the average closing price of Barry Callebaut shares during the last three months of the previous fiscal year. The granted shares vest according to the following schedule: 30% after one year, 30% after two years and 40% after three years. The vesting is subject to service criteria but not subject to any performance criteria. In addition, each participant is entitled to receive an upside bonus calculated on each share granted during the three-year Grant Cycle. This upside bonus is payable if the actual share price at the end of the respective Grant Cycle exceeds a certain benchmark share price defined by the Board of Directors at the onset of the Grant Cycle. Such upside bonus, if any, is paid in cash at the end of the respective Grant Cycle, subject to continued employment at the end of a Grant Cycle.

For details regarding the compensation, shareholdings and loans of the members of the Board of Directors and the Executive Committee during the last fiscal year, see note 6 in the Financial Statements of Barry Callebaut AG.

Barry Callebaut and Jacobs Holding AG, Zurich, have agreed to execute administrative service agreements, under which Jacobs Holding AG offers to Barry Callebaut certain management and consultancy services. In the fiscal year 2011/12, the total compensation paid by Barry Callebaut under these agreements amounted to CHF 1.45 million. The contract is renewable annually.

Shareholders' participation

Each share of Barry Callebaut AG carries one vote at the General Meeting. Voting rights may be exercised only after a shareholder has been registered in the Barry Callebaut AG share register as a shareholder with voting rights.

No shareholder holding more than 5% of the share capital may be registered as a shareholder with voting rights with respect to the shares such shareholder holds in excess thereof. For purposes of the 5% rule, groups of companies and groups of shareholders acting in concert or otherwise related are considered to be one shareholder.

Shareholders may register their shares in the name of a nominee approved by Barry Callebaut AG and may exercise their voting rights by giving instructions to the nominee to vote on their behalf.

However, a nominee holding more than 3% of the share capital will be registered as nominee for shareholders with voting rights only if it discloses the identity of each beneficial owner of shares claiming 0.5% or more of the share capital. No nominee holding more than 8% of the share capital may be registered as a shareholder with respect to the excess shares. The Board of Directors may, however, on a case-by-case basis, permit some or all of the excess shares to be registered with voting rights. In fiscal year 2011/12, no such exception was granted by the Board of Directors.

A resolution passed at the General Meeting with a majority of at least two-thirds of the shares represented at such meeting is required to lift the restrictions on the transferability of registered shares.

Shareholders may be represented at the General Meeting by proxy. Proxy holders must themselves be shareholders, or be appointed by Barry Callebaut, independent representatives nominated by Barry Callebaut AG, or a depository institution.

The Articles of Incorporation follow the majority rules and the provisions on convocation prescribed by the Swiss law concerning general meetings of shareholders.

Shareholders with voting rights holding shares representing in total at least 0.25% of the share capital or the voting rights have the right to request in writing – giving at least 60 days' notice – that a specific proposal be discussed and voted upon at the next General Meeting.

Shareholders registered in the share register with voting rights at the date specified in the invitation will receive an invitation to the General Meeting. The published disclosures on significant shareholders of Barry Callebaut are accessible via the disclosure platform of SIX Exchange Regulation: www.six-exchange-regulation.com/obligations/disclosure/major_shareholders_en.html.

Change of control and defense measures

An investor who acquires 33⅓% of all voting rights has to submit a take-over offer for all shares outstanding, according to the Swiss Stock Exchange Law. Barry Callebaut has not elected to change or opt out of this rule.

The employment contracts of the members of the Executive Committee are open-ended and contain notice periods of 6 to 12 months, during which they are entitled to full compensation.

External auditors

At the Annual General Meeting of Shareholders of Barry Callebaut AG on December 8, 2005, the shareholders voted to appoint KPMG AG, Zurich, as statutory auditors. The statutory auditors are appointed annually by the General Meeting for a one-year term of office. The current auditor in charge has exercised this function since fiscal year 2011/12. Pursuant to the Swiss regulations, he may remain in this function until and including fiscal year 2017/18.

For the fiscal year 2011/12, the remuneration for the audit of the accounting records and the financial statements of Barry Callebaut AG, and the audit of the consolidated financial statements, amounted to CHF 2.3 million. This remuneration is evaluated by the AFRQCC in view of the scope and the complexity of the Group. The performance of the auditors is monitored by the AFRQCC, to which they present a detailed report on the result of the audit of the Group. Prior to the presentation to the AFRQCC, the lead auditor reviews the audit findings with the Chairman of the AFRQCC without the presence of any members of the management.

KPMG received a total amount of CHF 0.2 million for additional services, i.e. for transaction and other advisory (incl. due diligence). Adequate measures for the avoidance of potential conflicts of interests between the different services provided by KPMG were observed.

Information policy

Barry Callebaut is committed to continuous and open communication with its shareholders, potential investors and other stakeholders based on the principles of transparency and equal treatment, i.e. simultaneous provision of price-sensitive information and no selective disclosure.

The Group provides detailed information on its business activities and financial performance in its Annual and Half-year reports and press releases, at conferences for media and financial analysts as well as at the Annual General Meeting of Shareholders. Further, representatives of the Group regularly meet (potential) investors in personal meetings as well as present Barry Callebaut at industry events and investor conferences.

Presentations are also made available on the Group's website, which is updated continuously. The financial calendar for the fiscal year 2012/13 and contacts are given on page 174.

The published media releases of Barry Callebaut are accessible via www.barry-callebaut.com/51. To subscribe to Barry Callebaut's electronic news alerts please go to: www.barry-callebaut.com/55.

A

ACTICOA™
A process developed by Barry Callebaut which conserves to a very high degree the polyphenols naturally present in the cocoa bean, that may otherwise be destroyed during the chocolate production process.

B

Butter
Refers to cocoa butter, the fat of the cocoa bean.

British Retail Consortium (BRC)
BRC is one of the five food safety standards recognized by the Global Food Safety Initiative, a platform that groups global retailers and a large number of food manufacturers.

C

Cocoa butter ratio
Price of 1 tonne of cocoa butter relative to the price of 1 tonne of cocoa beans.

Cocoa powder ratio
Price of 1 tonne of cocoa powder relative to the price of 1 tonne of cocoa beans.

Combined cocoa ratio
Combined sales prices for cocoa butter and cocoa powder relative to the cocoa bean price.

Compound
Consists of a blend of sugar, vegetable oil, cocoa liquor, powder and other products. Vegetable oil is substituted for cocoa butter to reduce product cost and to develop special melting profiles.

Conche
A large tank with a powerful stirring device inside that kneads the chocolate mixture slowly over a long time. Contact with air, heat and friction results in several different physical and chemical processes, necessary for the final taste and mouthfeel of the chocolate.

Controlled Fermentation
Barry Callebaut developed a way to "control" and optimize cocoa fermentation. With the so-called Controlled Fermentation method, defined microorganisms provide a consistent, predictable and 100% "superior grade" cocoa bean quality. This in turn leads to improved flavor characteristics, zero default cocoa beans, enhanced levels of functional components (e.g. flavanols), and improved processability.

Criollo
Criollo is known as the prince among cocoa trees. This variety is fragile and produces small harvests. It grows primarily in South and Central America, and accounts for only 10% of the world crop. The cocoa has a pale color and a unique aroma. It is used in the production of high-quality chocolate and for blending.

D

Dark chocolate
Dark chocolate is chocolate that contains more than 43% cocoa solids coming from cocoa liquor and butter. This is the chocolate most often used for premium chocolate confections. Besides cocoa ingredients, it contains sugar, vanilla, and often lecithin.

Drying
After fermentation, the beans still contain 60% moisture, which must be reduced to 8% or less in order to ensure optimum conservation during storage and transportation. Drying can either be done by spreading the beans out in the sun or by placing them on a heated surface or by hot air. Thorough drying avoids the formation of molds.

Dutching
A treatment used during the making of cocoa powder in which cocoa solids are treated with an alkaline solution to neutralize acidity. This process darkens the cocoa and develops a milder chocolate flavor.

E

EBIT
Operating profit (Earnings Before Interest and Taxes).

EBITDA
Operating profit before depreciation and amortization (Earnings Before Interest, Taxes, Depreciation and Amortization).

EVA
Economic Value Added or EVA, is an estimate of a firm's economic profit – being the value created in excess of the required return of the company's investors (being shareholders and debt holders). In other words: EVA is the profit earned by the firm less the cost of financing the firm's capital.

F

Fairtrade
The Fairtrade Labelling Organizations International (FLO) arranges direct contracts with thousands of small manufacturers, traders, importers and exporters of foodstuffs, and ensures that they are paid a higher price for their products. Barry Callebaut is certified by the FLO-CERT to produce a range of Fairtrade cocoa and chocolate products.

Fermentation
Fermentation is a delicate stage in cocoa bean processing. Beans and pulp are heaped in piles, covered with banana leaves or put in boxes and left to ferment for several days. During fermentation, the beans lose their natural bitterness and astringency.

Flavanol
A specific type of polyphenol, known for its antioxidant activity.

Forastero
Forastero are the most commonly grown and used cocoa beans. Compared to Criollo, Forastero is a stronger tree that is easier to cultivate and produces higher yields. They make up about 90% of the world's production and are grown mainly in West Africa. The cocoa has a pungent aroma.

G

Global Reporting Initiative (GRI)
The Global Reporting Initiative (GRI) is a non-profit organization that promotes economic, environmental and social sustainability. GRI's Sustainability Reporting Framework enables all companies and organizations to measure and report their sustainability performance. By reporting transparently and with accountability, organizations can increase the trust that stakeholders have in them, and in the global economy.
www.globalreporting.org

I

Industry Protocol
Also known as Harkin-Engel Protocol. The Protocol was signed in 2001 by cocoa and chocolate manufacturers, industry and trade associations, government organizations and NGOs in response to reports of children working under abusive labor conditions on cocoa farms in West Africa. The signatories condemned abusive labor practices, in particular the worst forms of child labor as defined by the International Labor Organization (ILO), and committed to work together to address the issue. Barry Callebaut is a signer of the Protocol.

L

Liquor
Also known as cocoa liquor or cocoa mass. The thick liquid paste that is produced in the grinding process.

M

Milk chocolate
Chocolate with at least 25% cocoa solids coming from cocoa liquor and butter to which powdered milk, sugar, vanilla, and lecithin has been added. Good milk chocolate contains 30% chocolate liquor. Premium milk chocolate contains even more.

Molding
The process of creating figures and shapes out of chocolate. Chocolate is melted to 45 °C, then cooled below its crystallization point, then heated again to 30 °C. Following this tempering process, the chocolate is poured onto the inner surface of the molds, also heated to 30 °C. After cooling, the final product is unmolded to reveal a glossy chocolate figure.

N

Nib
The cocoa bean without shell.

P

Polyphenols
Cocoa beans contain polyphenols of unusually high quality and effectiveness. Some display antioxidant properties. By inhibiting oxidation, they protect body cells from damage caused by the oxidative effects of free radicals, which contribute to the aging process and to certain heart and brain diseases.

Powder
Refers to cocoa powder and is the product that remains when a large part of the cacao butter is removed from the cocoa liquor.

R

Roasting
Roasting is a heating process aimed at developing the chocolate aroma. Roasting certain foods not only makes them more digestible, but also more aromatic. Cocoa beans are roasted to a greater or lesser extent depending on what they are being used for. Cocoa powder needs more intense roasting, whereas chocolate requires finer roasting.

S

Semi-finished products
Examples include cocoa liquor, cocoa butter and cocoa powder. Also called cocoa products.

T

Trinitario
Trinitario beans are a cross of Criollo and Forastero cocoa. It has characteristics of both: The trees are easy to cultivate, and the cocoa beans have a strong, but relatively refined aroma.

V

Viscosity
The measure of the flow characteristics of a melted chocolate.

Vegetable fats
Sometimes used as a less expensive alternative to cocoa butter in chocolate products.

W

White chocolate
White chocolate is made from cocoa butter (at least 20%), powdered milk, sugar, and vanilla. It contains no cocoa liquor, which explains the ivory color of white chocolate.

Information

Barry Callebaut
Annual Report 2011/12

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Financial calendar

December 5, 2012
Annual General Meeting of Shareholders 2011/12, Zurich

January 16, 2013
3-month key sales figures 2012/13

April 8, 2013
Half-year results 2012/13, Zurich

July 4, 2013
9-month key sales figures 2012/13

November 7, 2013
Full-year results 2012/13, Zurich

December 11, 2013
Annual General Meeting of Shareholders 2012/13, Zurich

Forward-looking statements

Certain statements in this Annual Report regarding the business of Barry Callebaut are of a forward-looking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe", "estimate", "intend", "may", "will", "expect", "project" and similar expressions as they relate to the company. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect Barry Callebaut's future financial results are discussed in this Annual Report as well as in the Letter to Investors 2011/12. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. The reader is cautioned to not unduly rely on these forward-looking statements that are accurate today, November 7, 2012. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

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