Annual Report 2011

2011

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5-Year Key Figures

in CHF 1000.–		2011	2010	2009	2008	2007
Consolidated results						
Net sales		1 431 100	1 665 242	1 784 630	1 919 031	1 875 179
Change to previous year	in %	(14.1)	(6.7)	(7.0)	2.3	7.6
Net income (equity holders)		4 287	143 130	23 936	27 374	98 602
Change to previous year	in %	(97.0)	498.0	(12.6)	(72.2)	18.7
Cash flow from operations		(20 490)	68 988	40 108	139 057	92 363
Change to previous year	in %	(129.7)	72.0	(71.2)	50.6	(17.0)
Net debt		375 128	319 125	347 856	487 939	360 884
Change to previous year	in %	17.5	(8.3)	(28.7)	35.2	(23.3)
Consolidated balance sheet						
Non-current assets		1 343 489	1 393 263	1 474 631	1 418 074	1 375 222
Current assets		700 833	673 034	955 845	747 670	662 113
Current liabilities		601 927	538 293	664 966	703 427	746 835
Long-term liabilities		456 382	543 703	695 000	755 693	473 379
Total liabilities		1 058 309	1 081 996	1 359 966	1 459 120	1 220 214
Equity attributable to owners of the parent		963 252	954 563	906 850	543 394	633 452
Non-controlling interests		22 761	29 738	163 660	163 230	183 670
Balance sheet total		2 044 322	2 066 297	2 430 476	2 165 744	2 037 335
Miscellaneous data						
Consolidated investments		67 901	115 629	117 281	108 525	56 895
Consolidated depreciation		26 984	28 841	32 729	34 325	35 093
Headcount (Heads)	Number	4 144	3 952	4 013	4 148	4 375
Net sales per employee	in CHF	345 343	421 367	444 712	462 640	445 834

Organization

Companies

Hero Schweiz
Beech-Nut (USA)
Cap' Fruit (France)
Hero Czech + Slovakia
Hero España
Hero Huishan (China)
Hero Italia
Hero Nederland
Hero Polska + Hungary
Hero Portugal
Hero Russia + Ukraine
Hero Turkey
Hero UK
Organix (UK)
Schwartau (Germany)
Semper (Sweden)
Signature Brands (USA)
Vitrac (Egypt)

Group Management

Peter Amon (CEO) (from January 16, 2012)
Stefan F. Heidenreich (CEO) (until December 31, 2011)
René Bänziger (Deputy CEO)
Stephan Schopp (CFO) (from April 1, 2012)
Andrew Lawson (CFO) (until March 31, 2012)
Markus Lenke (Executive Vice President) (from July 1, 2011)
Jim Schneider (Executive Vice President) (from July 1, 2011)
Rob Versloot (Executive Vice President) (from July 1, 2011)
Hans Huistra (Executive Vice President) (from April 1, 2012)

Board of Directors

Dr. Arend Oetker (Chairman)
Herbert J. Scheidt (Vice-Chairman)
Dr. Hagen Duenbostel (since January 1, 2012)
Dr. Hasso Kaempfe (since January 1, 2012)
Michael Pieper
Werner Holm (until December 31, 2011)
Dr. Lutz Peters (until December 31, 2011)

Auditors

Ernst & Young Ltd., Zurich

Chairman / CEO Message

We take great pleasure in presenting to you our 2011 Annual Report.

During 2011 the fast pace of change in the Group of recent years continued. The year saw the first full-scale production in our Beech-Nut infant-nutrition plant in the US, the Group's largest ever single capital investment project. Further, at year-end we have almost completed our brand-new infant-formula production plant in North-East China with first sellable products expected to be available in May 2012. In Switzerland, the Group left its historical base and relocated its headquarters cross-town to a new, custom-built facility in Lenzburg. In Germany, we broke ground on an additional new jam production facility in Schwartau that is expected to come on stream in September 2012.

There were changes also at the level of both the Board of Directors and the Executive Board in the year. Effective December 31st 2011, Werner Holm and Lutz Peters both have stepped down from the Board after 17 years' distinguished service. These two gentlemen were instrumental in building up Schwartau over the years and then enabling the Oetker family to acquire and integrate Hero in 1995. Since then, they have been key advisers as the Group has developed into its current form. We are delighted to welcome Dr. Hasso Kaempfe and Dr. Hagen Duenbostel to the Board effective January 1st 2012. Dr. Kaempfe joins the Board after many successful years in senior management and Board roles in international groups and Dr. Duenbostel, currently CFO of KWS SAAT AG, will further contribute to the financial expertise of the Board.

At the senior management level we also made significant changes this year. Following on from Stefan F. Heidenreich's departure from the Group, the Board of Directors decided to strengthen and enlarge the Executive Board: René Bänziger was appointed to the new role of Deputy Chief Executive Officer and in addition, the regional vice-presidents Markus Lenke, Rob Versloot and Jim Schneider have been promoted to become members of the Executive Board. Peter Amon has taken over the CEO role joining the Group having had a distinguished international career in senior management positions with Aramark, Unilever and Kraft.

The 2011 financial performance was disappointing with the Group's results being adversely impacted by the increased strength of the Swiss franc compared to the Group's core currencies, especially the euro, US dollar and British pound. We invested significantly as we started up our commercial and industrial operations in China. In the US, continuing costs were incurred as we de-commissioned two plants, one for infant nutrition in Canajoharie NY and the other for popcorn in Chicago, and ramped up production in the new infant facility in Amsterdam NY. At the same time, we constructed and started up a new popcorn plant in Ocala, FL. In addition, even though in most infant markets we were successful in increasing market share, the overall infant category size developed negatively as a result of continuing tough economic conditions in general. Our Jam positions developed for the most part well given the surrounding economic environment with solid growth even in mature European markets. From a technical perspective, we also were obliged to take some additional non-cash charges in the year for impairment of tangible and intangible assets and for partly writing down prior-year gains relating to the valuation of financial derivative positions. As a result of the weak net income result for the year, the Board of Directors will propose to the Annual General Meeting not to distribute an ordinary dividend in respect of 2011. At the same time, we are happy to confirm that the Board of Directors has resolved that the coupon relating to the Group's hybrid bond will be paid out in October 2012 in the normal manner.

As we enter 2012, our core international categories remain Infant and Jams and our international footprint is now truly international. Going forward, our priorities remain to develop growing, sustainable and profitable branded Infant positions in all our markets, and to maintain stable positions in Jams and other local high-margin categories with more modest growth in selected markets. With the completion of the Chinese plant and the new Schwartau jam investment in 2012 our international supply-chain investment programme will come to an end. Our international manufacturing platform will then be among the most modern in the industry. We have a clear agenda as to how to leverage and generate strong cash flow returns from these significant investments of recent years.

With these priorities, together with the independence of a long-term focused shareholder and an international team of highly qualified and motivated employees who live and breathe an entrepreneurial, high-speed management culture, we believe we are well equipped to perform well in the coming years. As ever, we take this opportunity to reiterate the debt of sincere gratitude of the Board of Directors to all Hero employees for their achievements in 2011 in the face of extremely tough trading conditions and their commitment to take the Group to new heights in the years to come.

We warmly encourage you to review the further information contained in this Annual Report on the development of the Group's business during 2011. The financial statements have been prepared in accordance with International Financial Reporting Standards.

On behalf of the Board of Directors

Dr. Arend Oetker
Chairman

Peter Amon
Chief Executive Officer
(as of January 16, 2012)

CFO Message

The increasing strength of the Swiss franc negatively impacted the Group's 2011 performance; we saw a year-on-year devaluation of almost 11% for the euro, 15% for the US dollar, 12% for the British pound and 23% for the Turkish lira. These general devaluations (against the Swiss franc) led to significant reductions in year-on-year performance resulting alone in reductions of CHF 190 million and CHF 22 million in consolidated net sales and underlying operating profit respectively.

Net sales for the year of CHF 1,431 million in total were 14% lower than last year driven by the foreign-exchange impact noted above and the impact of 2010 disposals (the French compote and German Decoration businesses primarily). Adjusted for exchange-rate and changes in the scope of consolidation, the Group achieved an organic growth rate of 2.1%. Based on the continuing geographical expansion of the Group's infant nutrition business, Infant has now increased as a proportion of total Group revenues to a level of over 42% with Jams representing 21%, Decoration 10%, Other Fruit 8%, Cereals 6% and Gluten-Free 4%.

In terms of organic growth, the Group's Europe businesses performed relatively strongly given the tough market conditions in the region (especially Spain, the Group's third-largest geographic market) with organic growth of around 4–5%. In Spain, the overall market was significantly down but Hero was successful nonetheless in increasing market shares to new record highs. The Group's German business performed extremely robustly with a strong performance in terms of Jams and Cereals powered by local new-product innovation. In the Group's Middle East region, the impact of the political turbulence in Egypt and Libya was felt in the first half of the year and while Hero's businesses ultimately emerged from the crises stronger than ever, the first half-year's performance was significantly down year-on-year. The key area of concern as regards top-line performance in 2011 was the Group's Beech-Nut business in North America where the whole US infant-nutrition market was down as a result of low birth rates and lower per-capita consumption of prepared baby food products. In addition, aggressive pricing and promotional activities from other competitors further exerted downward pressure on net sales. The Group's other North American business, Signature Brands, performed robustly. In total, we saw a negative organic sales performance for the overall US position. Looking forward, I am pleased to report a strong start to 2012 from all regions and we remain optimistic that the Infant category can drive a higher organic growth rate this year.

The Group's Underlying Operating Profit (i.e., excluding exceptional effects) of CHF 130.2 million (or 9.1% return on sales) was also under pressure this year as a result of many of the factors outlined above: foreign exchange, M&A disposals, initial plant and market investments in China, plant start-up costs in the US. In addition, in last year's comparative, we achieved a CHF 10 million non-recurring income relating to the sale of the old Lenzburg site.

The Group's aggressive investments in new plants continued to give rise to exceptional items in 2011. In particular, in Beech-Nut we finally closed down the Canajoharie plant in upstate New York and migrated the full infant production volume to our new plant in Amsterdam NY. This transition, taking place over a seven-month period, led to extraordinary costs as we needed to maintain two under-utilized plants simultaneously with the all the corresponding overhead burdens being doubled. As part of this year-end, we have also taken the opportunity to write down the remaining book value of the Canajoharie site to our current market-value estimate. Further, in order to be conservative we have taken an impairment charge on the goodwill capitalized as part of the Beech-Nut acquisition in 2005 based on the tougher trading conditions in the US infant market.

In line with prior-year plans, we shut down the popcorn factory in Chicago and built a new production location on the existing Signature Brands site to re-house the popcorn plant and machinery. Construction was completed in the second quarter of 2012 and full production started after the summer break. Again, this transition led to one-off costs.

The Group's *Fruit2day* assets in both the Netherlands and the US have also been written down in the year: in the case of the European position, this has been driven by lower sales volumes and weaker operating margins achieved in markets outside the Benelux. In the US, Hero and its joint-venture partner, WhiteWave, decided to discontinue the *Fruit2day* US project effective December 31st 2011. In both Europe and North America, we see that since the 2008 financial crisis consumers have not recovered their taste for high-quality, highly priced premium products such as *Fruit2day*.

The total EBIT for the year was CHF 33.7 million a substantial reduction compared to last year for the reasons outlined above and also, primarily driven by the fact that in 2011 the Group achieved a one-time book gain on the German Decoration sale of over CHF 60 million. Looking ahead, now that our US businesses are operating without incurring significant one-off costs, we are confident that the Group's EBIT performance will substantially improve in 2012 and beyond.

In the Financial Result, the Group also faced two exceptional issues that negatively impacted the overall result. In May, the Group elected to take a one-time cash charge of CHF 17 million in order to buy itself out of a US put bond entered into in 2006 for which the coupon would have otherwise increased significantly for the coming ten years. As a result, the Group will be able to re-finance $100 million of debt at today's lower interest rates rather than at a level of over 7% based on the terms of the bond. Over the coming ten years, this transaction generates positive cash flow for the Group with a net present value of over CHF 17 million compared to retaining the put bond. Secondly, the trend swap instrument the Group entered into alongside the hybrid bond in 2009 was marked to market based on the performance of the index over recent years resulting in a loss of CHF 14 million. This loss represents only a partial reversal of prior years' gains and we retain the view that the instrument will deliver an overall profit of CHF 25 million to the Group over its lifetime.

Net Income for the year attributable to equity holders of the company is CHF 4.3 million as a result of the factors outlined above. Last year's result was heavily influenced by the book gain on the German disposal and this year's result by a list of exceptional items. Normalizing both periods for these items would result in a net income for this year of CHF 75.5 million compared to last year's CHF 79.8 million.

On the balance sheet, the year-end saw a CHF 60 million increase in working capital compared to prior year which reflects the tough trading conditions generally in the Group and the need to increase inventories in the face of higher raw-material cost volatility. In terms of fixed assets, the Group incurred capital expenditures of CHF 68 million, of which the majority relates to the specific new plant investments in Switzerland (a new global jam portion facility), China, the US and the initial investments to upgrade the Schwartau jam production capabilities in Germany. Looking forward, we estimate that capital expenditures will return to a normal run-rate of no more than CHF 25–30 million once the specific projects have been concluded in the course of 2012.

In terms of M&A activities, the Group has been relatively inactive – the only new business acquired in the year was a small market-leading infant position in Denmark which is highly complementary to our existing Semper franchise in Scandinavia. On the sell-side, we have reached an agreement to sell our remaining French fruit-puree business, Cap Fruit, and this transaction has been completed in February 2012.

Net debt at year-end amounts to CHF 375 million. As a result of the weak EBIT performance, the Group's net debt to EBITDA ratio at year-end has slipped from last year's 1.2x to a level of 3.3x. Normalizing this ratio both in 2010 and 2011 for exceptional items (predominantly the positive impact of the German Decoration disposal in 2011 and the negative exceptional positions outlined above for 2011), we would have reported net debt/EBITDA at levels of 1.4x and 2.4x for the 2010 and 2011 year-ends respectively. Over the 2005–2009 range this ratio has been within a range of 1.1x–2.6x and our short- and medium-term planning foresees the Group remaining well within this range.

Andrew Lawson
Chief Financial Officer

Consolidated Income Statement

for the year ended December 31
Hero Group
in CHF 1000.–

Continuing operations	Note	2011	2010
NET SALES		**1 431 100**	**1 665 242**
Cost of sales		(905 893)	(1 034 007)
Gross profit		**525 207**	**631 235**
Distribution expense		(79 441)	(92 518)
Advertising and promotion		(143 336)	(166 189)
Marketing and sales		(85 507)	(101 737)
Research and development		(10 093)	(11 832)
Administrative expense		(90 638)	(82 791)
Sundry income		7 202	20 659
Other income / (expense)	1	(90 758)	15 255
Operating profit		**32 636**	**212 082**
Finance income	3	23 178	63 982
Finance expense	3	(73 825)	(71 141)
Share in result of associated companies	10	(18 573)	(9 113)
(Loss) / Income before tax		**(36 584)**	**195 810**
Income tax income / (expense)	6	34 147	(53 342)
(LOSS) / INCOME FOR THE YEAR FROM CONTINUING OPERATIONS		**(2 437)**	**142 468**
Attributable to:			
Owners of the parent		4 287	143 130
Non-controlling interests		(6 724)	(662)
NET (LOSS) / INCOME		**(2 437)**	**142 468**

Basic and diluted earnings per share (in CHF)

Net income, attributable to owners of the parent	30	0.85	28.47

The notes form an integral part of these consolidated financial statements.

Comprehensive Income

for the year ended December 31
Hero Group
in CHF 1000.–

	2011	2010
NET (LOSS) / INCOME	**(2 437)**	**142 468**
Other comprehensive income		
Exchange differences on translating foreign operations	(2 443)	(64 827)
Income tax relating to components of other comprehensive income	135	(393)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**(2 308)**	**(65 220)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(4 745)**	**77 248**
Total comprehensive income attributable to:		
Owners of the parent	2 231	81 328
Non-controlling interests	(6 976)	(4 080)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**(4 745)**	**77 248**

The notes form an integral part of these consolidated financial statements.

Consolidated Balance Sheet

as at December 31
Hero Group
in CHF 1000.–

Assets	Note	2011	2010
Non-current assets			
Property, plant and equipment	8	458 674	456 136
Intangible assets	9	715 114	790 491
Investments in associated companies and interests in joint ventures	10	4 733	10 604
Financial assets at fair value	26	16 657	34 893
Non-current receivables	12	20 027	11 652
Deferred tax assets	13	128 284	89 487
TOTAL NON-CURRENT ASSETS		**1 343 489**	**1 393 263**
Current assets			
Inventories	14	239 237	218 326
Financial assets at fair value	26	1 488	14 322
Income tax receivables		3 172	4 636
Trade receivables, prepayments and other receivables	15	218 292	205 849
Cash and cash equivalents	16	82 736	197 383
TOTAL CURRENT ASSETS		**544 925**	**640 516**
Assets held for sale	2	155 908	32 518
TOTAL ASSETS		**2 044 322**	**2 066 297**

The notes form an integral part of these consolidated financial statements.

Equity and liabilities	Note	2011	2010
Equity			
Share capital	17	51 516	51 516
Hybrid capital	17	542 142	492 142
Treasury shares	17	–	(19 418)
Other reserves	17	(59 898)	(57 842)
Retained earnings		429 492	488 165
Equity attributable to owners of the parent		**963 252**	**954 563**
Non-controlling interests		**22 761**	**29 738**
TOTAL EQUITY		**986 013**	**984 301**
Non-current liabilities			
Borrowings	18, 26	267 885	352 694
Deferred tax liabilities	13	96 114	105 868
Provisions	20	58 668	72 581
Other liabilities	21, 26	33 715	12 560
Total non-current liabilities		**456 382**	**543 703**
Current liabilities			
Trade and other payables	22, 26	298 198	307 250
Income tax payables		614	2 655
Derivative financial liabilities	26	6 156	12 423
Borrowings	18, 26	189 979	163 814
Provisions	23	35 121	52 151
Total current liabilities		**530 068**	**538 293**
Liabilities directly associated with assets held for sale	2	71 859	–
TOTAL LIABILITIES		**1 058 309**	**1 081 996**
TOTAL EQUITY AND LIABILITIES		**2 044 322**	**2 066 297**

The notes form an integral part of these consolidated financial statements.

Changes in Equity

for the year ended December 31
Hero Group
in CHF 1000.–

	Attributable to owners of the parent					Non-controlling interests	Total equity
	Share capital (note 17)	Hybrid capital (note 17)	Treasury shares (note 17)	Other reserves (note 17)	Retained earnings		
Balance at January 1, 2010	**51 516**	**392 892**	**(37 979)**	**3 960**	**496 461**	**163 660**	**1 070 510**
Net income / (loss) for the period	–	–	–	–	143 130	(662)	142 468
Other comprehensive income	–	–	–	(61 802)	–	(3 418)	(65 220)
Total comprehensive income	–	–	–	(61 802)	143 130	(4 080)	77 248
Acquisition of treasury shares, net	–	–	18 561	–	–	–	18 561
Raising of hybrid capital	–	99 290	–	–	–	–	99 290
Dividend payments	–	–	–	–	(10 203)	–	(10 203)
Coupon payments	–	–	–	–	(29 029)	–	(29 029)
Change in non-controlling interests	–	–	–	–	(112 194)	(129 842)*)	(242 036)
Deferred tax effects on capital raising costs	–	(40)	–	–	–	–	(40)
Balance at December 31, 2010 / January 1, 2011	**51 516**	**492 142**	**(19 418)**	**(57 842)**	**488 165**	**29 738**	**984 301**
Net income / (loss) for the period	–	–	–	–	4 287	(6 724)	(2 437)
Other comprehensive income	–	–	–	(2 056)	–	(253)	(2 309)
Total comprehensive income	–	–	–	(2 056)	4 287	(6 977)	(4 746)
Disposal of treasury shares, net	–	–	19 418	–	–	–	19 418
Raising of hybrid capital	–	50 000	–	–	–	–	50 000
Dividend payments	–	–	–	–	(30 460)	–	(30 460)
Coupon payments	–	–	–	–	(32 500)	–	(32 500)
Tax effects	–	–	–	–	–	–	–
Balance at December 31, 2011	**51 516**	**542 142**	**–**	**(59 898)**	**429 492**	**22 761**	**986 013**

*) Orient Link Holdings CHF 25.0 million; Schwartauer Werke CHF (154.8 million).

The notes form an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

for the year ended December 31
Hero Group
in CHF 1000.–

	Note	2011	2010
Cash flows from operating activities			
Cash generated from operations	24	32 419	122 961
Interest paid		(34 893)	(39 202)
Tax paid		(18 016)	(14 771)
NET CASH (USED IN) / FROM OPERATING ACTIVITIES		**(20 490)**	**68 988**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired	25	(3 272)	(32 535)
Capital contribution to joint-ventures	10	(5 998)	(8 355)
Purchase of property, plant and equipment	8	(67 901)	(115 629)
Purchase of intangible assets	9	(5 888)	(5 565)
Loans made		(14 055)	–
Disposal of subsidiaries and businesses, net of cash disposed	25	–	137 034
Disposal of intangible assets		69	366
Disposal of financial assets		4 618	–
Proceeds from sale of property, plant and equipment		1 378	1 558
Loan repayments received		6 256	67 330
Interest received		9 238	19 126
NET CASH (USED IN) / FROM INVESTING ACTIVITIES		**(75 555)**	**63 330**
Cash flows from financing activities			
Proceeds from hybrid Bond		–	99 290
Proceeds from borrowings		155 096	18 009
Repayment of borrowings		(113 389)	(170 841)
Finance lease principal payments		(219)	(189)
Acquisition of minority interests		–	(69 195)
Capital reduction in non-controlling interests		–	(92 285)
Dividends paid to Group shareholders		–	(10 203)
Coupon payments		(32 500)	(29 029)
Dividends paid to non-controlling interests		–	(15 624)
NET CASH FROM / (USED IN) FINANCING ACTIVITIES		**8 988**	**(270 067)**
(DECREASE) IN CASH AND CASH EQUIVALENTS		**(87 057)**	**(137 749)**
Movement in cash and cash equivalents			
At start of year		197 383	350 736
(Decrease)		(87 057)	(137 749)
Effects of exchange rate changes on cash and cash equivalents		(18 714)	(15 604)
AT END OF YEAR		**91 612**	**197 383**
Thereof cash and cash equivalents	16	82 736	197 383
Thereof cash and cash equivalents classified as held for sale	2	8 876	–

The notes form an integral part of these consolidated financial statements.

Non-cash transactions

The following significant non-cash transactions took place in 2011:
– disposal of treasury shares netted against loan payables of CHF 27.1 million
– raising of hybrid capital netted against loan payables of CHF 50.0 million
– payment of shareholder dividend netted against loan payables of CHF 30.5 million

The following significant non-cash transactions took place in 2010:
– disposal of treasury shares netted against loan receivables of CHF 18.6 million
– acquisition of Schwartauer Werke non-controlling interest netted against loan receivables of CHF (94.9 million)
– executive share compensation plan transactions netted against loan receivables of CHF 12.0 million

Accounting Principles

1. General

Headquartered in Lenzburg, Switzerland, Hero is a limited liability company of which 100% of the share capital is held by Schwartau International GmbH, Bad Schwartau, Germany, a subsidiary of AOH Nahrungsmittel GmbH & Co KG, Germany. The Group's primary activities are the production and selling of consumer food products in the product areas of fruit, infant & nutrition and other consumer foods such as cereals and decorations. Fruit, infant & nutrition and cereal products are sold in Europe, the Middle East and North America, while decorations products are sold only in North America. At the end of 2011 the Group had 4'144 employees (2010: 3'952). All figures in the financial statements are presented in thousands of Swiss francs (TCHF) except where otherwise indicated.

These financial statements were approved by the Board of Directors and by the Annual General Meeting of Shareholders on March 22, 2012.

2. Basis for Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements for the year ending December 31, 2011 have been prepared in accordance with International Financial Reporting Standards (IFRS). The consolidated financial statements have been prepared under the historic cost convention, unless otherwise stated (i.e. revaluation of land, financial assets, available-for-sale investments and financial assets and liabilities held-for-trading). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Principles. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Accounting Principles no. 8 Critical Accounting Estimates and Judgements.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

The accounting policies which were adopted are consistent with those of the previous year, except for those described below.

Various standards and interpretations of the IFRS have been revised or were introduced with effective date January 1, 2011, or before. The following standards did neither have an effect on accounting policies nor on reported amounts or disclosures in these financial statements:

- **Various**
  2010 Improvements to IFRSs
- **IAS 24 Related Party Disclosures**
  Amendment – Related Party Disclosures
- **IAS 32 Financial Instruments: Presentation**
  Amendment – Classification of Rights Issues
- **IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction**
  Amendment – Prepayments of a Minimum Funding Requirement
- **IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments**
  Extinguishing Financial Liabilities with Equity Instruments

The Group will apply the following rules for the first time as of the dates stated in the respective standard. Currently being evaluated are the following relevant standards and interpretations:

- **IAS 1 Presentation of Financial Statements**
  Amendment – Presentation of Items of Other Comprehensive Income. Effective for annual periods beginning on or after July 1, 2012

– **IAS 19 Employee Benefits**

Employee Benefits. Effective for annual periods beginning on or after January 1, 2013

As of December 31, 2011, Hero discloses net unrealized losses of CHF 13.5 million (for major plans). Applying IAS 19 (Revised), Hero's equity might be reduced by an equivalent amount.

– **IAS 12 Income Taxes**

Amendment – Deferred Tax: Recovery of Underlying Assets. Effective for annual periods beginning on or after January 1, 2012

– **IAS 27 Consolidated and Separate Financial Statements**

Separate Financial Statements. Effective for annual periods beginning on or after January 1, 2013

– **IAS 28 Investments in Associates**

Investments in Associates and Joint Ventures. Effective for annual periods beginning on or after January 1, 2013

– **IAS 32 Financial Instruments: Presentation**

Amendment – Offsetting Financial Assets and Financial Liabilities. Effective for annual periods beginning on or after January 1, 2014

– **IFRS 7 Financial Instruments: Disclosure**

Amendment – Disclosures: Transfers of financial assets. Effective for annual periods beginning on or after July 1, 2011

Amendment – Disclosures: Offsetting Financial Assets and Financial Liabilities. Effective for annual periods beginning on or after January 1, 2013

– **IFRS 9 Financial Instruments**

Financial Instruments (issued in 2009 and 2010). Effective for annual periods beginning on or after January 1, 2015

– **IFRS 10 Consolidated Financial Statements**

Consolidated Financial Statements. Effective for annual periods beginning on or after January 1, 2013

– **IFRS 11 Joint Arrangements**

Joint Arrangements. Effective for annual periods beginning on or after January 1, 2013

– **IFRS 12 Disclosure of Interests in Other Entities**

Disclosure of Interests in Other Entities. Effective for annual periods beginning on or after January 1, 2013

– **IFRS 13 Fair Value Measurement**

Fair Value Measurement. Effective for annual periods beginning on or after January 1, 2013

– **IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine**

Stripping Costs in the production phase of a surface mine. Effective for annual periods on or after January 1, 2013

3. Consolidation

Consolidation Method

The consolidated financial statements include Hero AG, Switzerland and those companies over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights and companies where Hero exercises control.

Companies controlled by the Group are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs incurred are expensed and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a 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 based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

The Group has applied IAS 27 Consolidated and Separate Financial Statements (2008) in accounting for acquisitions of non-controlling interests. The change in accounting policy has been applied prospectively and has had no impact on earnings per share.

Under the new accounting policy, acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Previously, goodwill was recognised on the acquisition of non-controlling interests in a subsidiary, which represented the excess of the cost of the additional investment over the carrying amount of the interest in the net assets acquired at the date of the transaction.

When the Group ceases to have control any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Companies jointly controlled are accounted for using the equity method of accounting.

Investments, where Hero has significant influence (generally accompanying a shareholding of between 20% and 50% of the voting rights) but neither control nor joint control, are accounted for using the equity method and are initially recognized at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition. The Group's share of its associates' post-acquisition profits or losses is recognized in the income statement, and its share of post-acquisition movements in reserves is recognized in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognize further losses, unless it incurred obligations or made payments on behalf of the associate. Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Net assets and the result for the year have been calculated using the company's own accounting principles in cases where it is not possible to adjust local records to the Group's accounting principles.

Investments meeting none of these criteria are treated as financial instruments (refer to section 'Financial Instruments' for further details).

A list of investments, the investment percentage and the applicable consolidation method can be found on pages 72 to 75.

Eliminations in the Course of Consolidation

All intra-group balances / transactions / unrealized gains / losses and dividends are eliminated in full. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the principles adopted by the Group.

Associated Companies

Associated companies include AOH Nahrungsmittel Group companies (Germany) and Citron Export Inc. (Puerto Rico).

Interest in Joint Ventures

Hero/WhiteWave, LLC (USA).

Changes in the Scope of Consolidation

There were no changes in scope of consolidation.

4. Foreign Currency Translation

The presentation currency for the Group is the Swiss Franc, which is the reporting currency of Hero AG, Switzerland. Financial statements denominated in foreign currencies have been translated into Swiss Francs as follows:

- Assets and liabilities, including goodwill, are translated at the closing rate at the date of the balance sheet
- Revenues and costs are translated using average exchange rates for the accounting period
- Exchange differences out of the translation of assets and liabilities and the related income statements are booked in other comprehensive income

Foreign Exchange Rate Table

The following table shows the most important foreign exchange rates used:

	2011	2010
AVERAGE EXCHANGE RATES		
EUR/CHF	1.2344	1.3839
USD/CHF	0.8881	1.0433
GBP/CHF	1.4234	1.6116
SEK/CHF	0.1369	0.1449
CLOSING EXCHANGE RATES		
EUR/CHF	1.2163	1.2497
USD/CHF	0.9416	0.9353
GBP/CHF	1.4514	1.4483
SEK/CHF	0.1361	0.1392

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Translation differences arising from Group company loans which have the characteristics of a long-term investment are recorded in other comprehensive income.

In the event of a sale of a foreign company or the repayment of a loan all translation differences accumulated since the purchase of the said company are released and included in the calculation of disposal gain or loss and fully disclosed as such.

Open monetary balances denominated in foreign currencies and recorded in the accounts of Group companies at the balance sheet date are revalued using the prevailing exchange rate as at the balance sheet date. The differences resulting from these revaluations are recorded in the income statement for the period.

5. Valuation Principles

Revenue Recognition

Net sales to third parties are recorded net of trade discounts and sales-related taxes, and represent the fair value of consideration received or receivable from the sale of products and provision of services in the ordinary course of the Group's activities.

Revenue is recognized as follows:

Sales of goods

Sales of goods are recognized when significant risks and rewards of ownership of the goods are transferred to the buyer (i.e. a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured).

Interest income

Interest income is recognized on a pro rata temporis basis using the effective interest method.

Royalty income

Royalty income is recognized on an accrual basis in accordance with the substance of the relevant agreements.

Dividend income

Dividend income is recognized when the right to receive payment is established.

Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for making strategic decisions, allocating resources and assessing performance of the operating segments, has been identified as the Group CEO.

Research and Development Costs

Research costs are recorded in the income statement in the period in which they are incurred. Development costs are recognized as intangible assets to the extent that they meet the recognition criteria of IAS 38, i.e. the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the asset and the ability to measure reliably the expenditure during the development. Following initial recognition of development expenditure as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Development costs are amortized on a straight-line-basis over the period of their expected benefit or tested for impairment annually. Other development costs are recorded in the income statement in the period in which they are incurred.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to prepare for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Deferred Taxes

Deferred income tax is calculated using the balance sheet liability method. Where the tax base of an asset or liability differs from its carrying amount, deferred tax liabilities or assets are recorded. Most of these temporary differences arise from differences in Group and local tax depreciation methods.

Unused tax credits and unused tax losses arising on temporary differences which may be carried forward to future accounting periods are capitalized as deferred tax assets in so far as it is probable that future taxable income will be generated in the same tax entity and the said losses may be applied against such profits.

The carrying amount of deferred income taxes is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profits will allow the deferred tax assets to be recovered.

Locally enacted or substantially enacted tax rates are used in order to value the tax effect of temporary differences. When these tax rates change, deferred taxes are adjusted accordingly. Adjustments to deferred income taxes are directly booked to the income statement as part of the tax expense. Deferred tax assets are presented separately from deferred tax liabilities.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current Income Tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Current income tax relating to items recognized in other comprehensive income is recognized in other comprehensive income.

Government Grants and Other Subsidies

Government grants are recognized only when the Group complies with the applicable conditions and if there is reasonable assurance that the grants will be received. Government grants are either deferred and recognized in the income statement over the period necessary to match them with the related costs which they are intended to compensate on a systematic basis, or the carrying amount of the asset to which the grant relates is reduced by the grant. The grant is then recognized as income over the useful life of the depreciable asset by way of a reduced depreciation charge.

Cash and Cash Equivalents

Cash and cash equivalents are carried on the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, postal and bank account balances, other short term highly liquid investments, which are repayable or receivable within 90 days from the date of original maturity. Bank overdrafts are included in borrowings (current liabilities).

Trade Receivables

Trade receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less any provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the income statement within marketing and sales costs. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against marketing and sales costs in the income statement.

Inventories

Inventories are recorded at the lower of acquisition or production cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated cost of completion and the necessary cost to make the sale. Production costs include direct and indirect material and production costs. Borrowing costs are excluded except if they qualify for capitalization according to IAS 23. Inventory is valued using the weighted average method. A provision is recognized for any damaged or slow-moving goods.

Property, Plant and Equipment

Tangible fixed assets, other than land, are recorded at historical acquisition cost less accumulated depreciation, and/or accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.
Depreciation is recorded on a straight-line basis over the course of the useful economic life of the asset. Land is not depreciated. The general useful economic lives for various asset categories can be summarized as follows:

– Buildings (25 to 50 years),
– Fixtures and fittings (20 years),
– Plant and machinery (8 to 15 years),
– Motor vehicles (4 to 10 years),
– Furniture (5 to 10 years),
– Information technology hardware (3 to 5 years).

Gains or losses arising from the disposal of property, plant and equipment assets are recorded in the income statement as part of operating profit.

Land is shown at fair value, based on periodic valuations by external independent valuers. All other property, plant and equipment is stated at historical cost less depreciation.

Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income in the revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income in other reserves; all other decreases are charged to the income statement. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Leases

Leases where the Group has substantially retained all the risks and rewards of ownership are classified as finance leases. Finance leases include primarily buildings and equipment. Assets acquired through finance leases are capitalized at the fair value of the leased property, or, if lower, the present value of the minimum lease payments.

Subsequently the assets are depreciated over the shorter of the useful economic life and the term of the lease. Liabilities arising from lease contracts are recorded as other short-term liabilities (if due within one year) or as other long-term liabilities. Finance costs are charged to the income statement over the lease period so as to produce a constant periodic rate of interest.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Liabilities arising from operating leases (e.g. rental contracts) include costs for offices, motor vehicles, photocopiers. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Intangible Assets

Goodwill represents the excess of the consideration transferred over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill arising on acquisitions of equity consolidated investments is included in investment value. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing.

Brands with an indefinite useful life are based on value-in use calculations less accumulated impairment losses and are tested annually for impairment. Brands are classified as indefinite useful life brands if the brand has sufficient history and the Group has no intention of re-branding.

Brands and other intangible assets with a definite useful life are carried at historical cost less accumulated amortization. Amortization is calculated using the straight-line method to allocate the costs over their estimated useful lives:

- Brands (up to 20 years)
- Software (1 to 3 years)
- Customer relationships (up to 8 years)
- Distribution Network (up to 5 years)
- Other intangibles (3 to 5 years)

Impairment of non-financial Assets

Assets that have an indefinite useful life are not subject to amortization and are tested for impairment annually or when there is an indication of impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cashflows (cash generating units). Non-financial assets other than goodwill that were impaired are reviewed for possible reversal of the impairment at each reporting date.

Provisions

Provisions arise from restructuring programmes, legal claims, and potential liabilities from normal operations. A provision is recognized in cases where the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Severance and redundancy payments relating to restructuring are provided for when the Group has committed itself to such restructuring programmes, when the location, function and number of employees to be laid off or re-deployed is known and when the affected employees have been informed. Provisions are not recognized for future operating losses. In case the effect of time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pretax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognized as interest expense.

Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Pension Obligations

The Group operates various defined contribution or defined benefit pension plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Under defined contribution plans the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined contribution plans

Group contributions to defined contribution pension plans are recognized each year in the income statement as they become due.

Defined benefit plans

The pension plans are generally funded by payments from employees and by the relevant Group companies, determined by periodic actuarial calculations. The assets of funded plans are generally held in separate trustee-administered funds in accordance with local regulations. Due to local regulations the pension plans of the German subsidiaries have unfunded obligations. The present value of the defined benefit obligation of unfunded plans is recognized as a provision for employee benefits. For the significant defined benefit plans, pension costs are calculated annually by independent actuaries using the projected unit credit method, whereby the cost of providing employee pensions is allocated to the income statement in such a way as to distribute the cost over the service lives of the employees. The pension obligation is calculated as the present value of the estimated future cash outflows using government interest rates or high-quality corporate bond yields where a liquid market for such instruments exists. The Group's net obligation in respect of defined benefit pension plans is calculated separately for each plan. In calculating the Group's obligation in respect of a plan all cumulative net unrecognized actuarial gains and losses at the end of the previous reporting period outside the prescribed 10% corridor (the greater of 10% of the value of plan assets or 10% of the defined benefit obligation) are recognized in the income statement of the following year in which they occur. Where the calculation results in a benefit to the Group, the recognized asset is limited to the net total of any unrecognized actuarial losses and past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan.

The expected return on plan assets is determined by considering the expected returns available on the assets underlying the current investment policy.

Executive Share Compensation Plan

In April 2004, the Group established an equity compensation plan under the terms of which key management with a certain minimum service period may purchase restricted shares. After a restriction period of three years, participants may sell the shares back to Hero at a price based on a formula defined in the plan. In conjunction with the plan, participants may be granted loans to fund the share purchase.

Management assesses the estimated future payment at the end of the restriction period and the original purchase price annually, based on the actual result of the Group and expected future development of the business and records this difference as an expense over the respective vesting period. This plan was terminated during 2011.

Contingent Liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or present obligation that arises from past events but is not recognized because: it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are disclosed in the notes to the financial statements.

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for an incurred loss because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts are recognized initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognized less cumulative amortization.

Earnings per Share

Basic earnings per share amounts are calculated by dividing net profit for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted earnings per share amounts are calculated by dividing the net profit attributable to ordinary equity holders of the parent (after adjusting for interest on convertible instruments) by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Dividends

Dividend distribution to the Group's shareholders is recognized as a liability in the Group's financial statements in the period in which the dividends are approved by the Group's shareholders.

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Where any Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes), is deducted from equity attributable to the company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

Hybrid Capital

Hybrid capital represents bonds that are undated securities in respect of which there is no maturity date and where there is no obligation of the part of Hero either to redeem at any future date the underlying nominal amounts or to pay any annual coupon insofar as no compulsory payment event occurs in any given accounting period. The key compulsory payment events listed in the terms and conditions of the bonds include the payment to Hero's shareholders of either a dividend or an amount in connection with a capital re-purchase. The bonds are subordinated obligations and are subordinate to all of Hero's present and future unsubordinated indebtedness. Coupon payments are recorded directly in equity.

Hybrid capital also represents an undated floating rate subordinated note in the amount of CHF 50 million issued by Hero and sold to Schwartau International GmbH. This note has no fixed maturity date and Schwartau International has no right to call the note for its redemption. The note consititutes a direct, unconditional and subordinated obligation of Hero. Interest will be payable if Hero or any of its subsidiaries declared or paid a dividend. Interest payments are recorded directly in equity.

Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

Comparatives

Comparative information is included in the narrative and/or descriptive information when it is relevant to an understanding of the current period's financial statements where changes in presentation have occurred.

6. Financial Instruments

General

The Group classifies its investments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Assets in this category are classified as current assets if they are either held-for-trading or are expected to be realized within 12 months of the balance sheet date.

'Day 1' profit or loss

When the transaction price is different to the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable markets, the

Group immediately recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in 'finance income or expense'. In cases where fair value is determined using data which is not observable, the difference between the transaction price and model value is only recognized in the income statement when the inputs become observable, or when the instrument is derecognized.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the associated receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are included in receivables in the balance sheet.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. During the year the Group did not hold any investments in this category.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Purchases and sale of investments are recognized on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortized cost using the effective interest rate method. Realized and unrealized gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in other comprehensive income. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains or losses from investments securities.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's-length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models refined to reflect the issuer's specific circumstances.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss – is removed from other comprehensive income and recognized in the income statement. Impairment losses recognized in the income statement on equity instruments are not reversed through the income statement.

Accounting for Derivative Financial Instruments and Hedging Activities

Derivative financial instruments are initially recognized in the balance sheet at fair value on the date the contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. On the date a derivative contract is entered into, the Group designates certain derivatives as either (1) a hedge of the fair value of a recognized asset or liability (fair value hedge), or (2) a hedge of a forecasted transaction or of a firm commitment (cash flow hedge), or (3) a hedge of a net investment in a foreign entity.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that are highly effective, are recorded in the income statement, along with any changes in the fair value of the hedged asset or liability that is attributable to the hedged risk.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognized in other comprehensive income. The gain or loss relating to the ineffective portion is recognized immediately in the income statement within 'other financial result'. Gains and losses accumulated in other comprehensive income are included in the income statement when the foreign operation is partially disposed of or sold.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that are highly effective, are recognized in other comprehensive income. Where the forecasted transaction or firm commitment results in the recognition of an asset or of a liability, the gains and losses previously deferred in other comprehensive income are transferred from other comprehensive income and included in the initial measurement of the cost of the asset or liability. Otherwise, amounts deferred in other comprehensive income are transferred to the income statement and classified as revenue or expense in the same periods during which the hedged firm commitment or forecasted transaction affects the income statement.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognized immediately in the income statement.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in other comprehensive income at that time remains in other comprehensive income and is recognized, when the committed or forecasted transaction ultimately is recognized in the income statement. However, if a committed or forecasted transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately transferred to the income statement.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific firm commitments or forecast transactions. The Group also documents its assessment, both at the hedge inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

Fair Value Estimation

The fair value of publicly traded derivatives and trading and available-for-sale securities is based on quoted market prices at the balance sheet date. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

In assessing the fair value of non-traded derivatives and other financial instruments, the Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as option pricing models and estimated discounted value of future cash flows, are used to determine fair value for the remaining financial instruments.

The face values less any estimated credit adjustments for financial assets and liabilities with a maturity of less than one year are assumed to approximate to their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

7. Financial Risk Management

Financial Risk Factors

The Group's activities expose it to a variety of financial risks, including the effects of: changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group's overall risk management programme focuses on the unpredictability of financial markets and usually seeks to minimize potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain exposures. In selected cases the Group takes open positions in derivative or other financial instruments which are driven by other considerations than overall risk reduction.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board of Directors. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the operating units. The Board provides policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and liquidity management.

Foreign Exchange Risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures primarily with respect to EUR and USD. Companies in the Group use forward contracts, transacted with Group Treasury, to hedge their exposure to foreign currency risk in the local reporting currency. Group Treasury is responsible for hedging the net position in each currency by using currency borrowings and external forward currency contracts.

External foreign exchange contracts are generally designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions. The Group hedges between 50% and 100% of anticipated export sales in each major currency for the following 12 months. In 2010 and 2011, no sales in each major currency qualified as 'highly probable' for which hedge accounting was used.

Additionally, the Group hedges the foreign currency exposure from material purchases. The Group enters into forward rate agreements to protect against any adverse foreign currency movement. The forward contracts used in its programme mature in 18 months or less, consistent with the related purchase commitments.

The Group has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group tries to reduce the currency exposure through borrowings in the corresponding currencies where possible and economically prudent.

The Group uses a risk computation similar to Value-at-Risk (VAR). It includes financial instruments (mainly currency forwards) as well as balance sheet positions and future operative cash flows (non-discounted) in foreign currency. The estimates are made assuming normal market conditions, using a 97.7% confidence interval. The correlations between currency pairs and the volatilities are observed over a 360 day period. The estimated potential intraday loss in the VAR model amounts to TCHF 1'297 as per December 31, 2011.

Foreign currency risk table

The following table demonstrates the sensitivity to a reasonably possible change in the USD and EUR exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair value of forward foreign exchange contracts). There is no effect on the Group's equity as the Group does not apply hedge accounting.

	Increase/ (decrease) in USD rate	Increase/ (decrease) in EUR rate	Effect on profit before tax in CHF 1000.–	Effect on equity in CHF 1000.–
2011	5%	5%	2 727	–
	(5%)	(5%)	(2 727)	–
2010	5%	5%	1 706	–
	(5%)	(5%)	(7 138)	–

Interest Rate Risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group sometimes borrows at variable and fixed rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates or vice-versa. Interest rate swaps allow the Group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if borrowed at fixed rates directly or vice versa. Under interest rate swaps, the Group agrees with other parties to exchange, at specific intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

Interest Rate Risk Table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Effect on profit before tax in CHF 1000.–
2011	100	(1 900)
	(100)	1 875
2010	100	(1 256)
	(100)	1 256

Credit Risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparts and cash transactions are limited to highly creditworthy financial institutions. Other credit risk exposures are minimized by dealing only with a limited range of counterparties. Sometimes the Group uses the instrument of deferred consideration when disposing investments in subsidiaries or other operating assets.
In that case it is the Group's policy to obtain adequate pledges or guarantees until the outstanding receivables are settled. The Group also makes loans to related parties. Where material the Group seeks adequate pledges or guar-

antees. The maximum credit risk represents net carrying value of the loans and receivables included.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents [note 16]) on the basis of expected cash flows.

Liquidity risk table

The table summarises the maturity profile of the Group's financial liabilities at December 31 based on contractual payments.

in CHF 1000.– at December 31, 2011	Within 1 year	1–2 years	2–3 years	3–4 years	More than 4 years	Total
Derivative instruments	6 156	–	–	–	–	6 156
Borrowings	189 979	206 730	22 895	23 260	15 000	457 864
Other liabilities	–	7 474	4 750	4 411	17 080	33 715
Trade and other payables	298 198	–	–	–	–	298 198

in CHF 1000.– at December 31, 2010	Within 1 year	1–2 years	2–3 years	3–4 years	More than 4 years	Total
Derivative instruments	12 423	–	–	–	–	12 423
Borrowings	186 744	129 456	158 029	6 744	140 735	621 708
Other liabilities	–	3 867	2 775	1 398	4 520	12 560
Trade and other payables	307 250	–	–	–	–	307 250

8. Critical Accounting Estimates, Assumptions and Judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the valuation principles stated in Accounting Principle No. 5 Intangible Fixed Assets. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates (Note 9, Intangible Assets).

Hero's major single goodwill positions as well as management's key assumptions are summarized below:

Goodwill	Total in CHF million	Eternal growth	WACC pre Tax	Growth rates p.a. years 2012–2017	Profit margin between years 2012 and 2017	Impairment
Schwartauer Werke	179.5	2.0%	9.1%	between 0.1% and 2.8%	decreasing by –0.4%*)	no
Semper	102.4	2.0%	8.9%	between 4.3% and 18.1%	increasing by 1.1%*)	no
Signature Brands	63.9	1.7%	10.1%	between 4% and 8.4%	increasing by 0.4%*)	no
Friso	41.6	1.8%	8.9%	between –8.3% and 7.9%	constant 0%*)	no
Organix	28.6	2.0%	9.6%	between 9.9% and 11.3%	increasing by 0.8%*)	no
Vitrac	18.2	8.5%	22.7%	between 8.5% and 16.2%	increasing by 2.3%*)	no
Other	11.2					no
TOTAL	**445.4**					

*) Over the total period 2012–2017.

In 2011 Beech-Nut goodwill of CHF 13.8 million has been fully impaired. Goodwill of CHF 33.2 million relating to the Chinese operation has been reclassified to assets held for sale (see note 2).

Management based its growth assumptions on internal forecasts and on external data such as the current inflation rate at December 31, 2011 of the respective countries where the cash generating units are located. Other minor goodwill positions listed in the table do not show any impairment.

(b) Brands with indefinite life

The Group tests annually whether brands with indefinite life are impaired. These calculations require the use of estimates (Note 9, Intangible Assets).

Hero's major brands positions as well as management's key assumptions are summarized below:

Brands	Total in CHF million	Eternal growth	Growth rates p.a. years 2012 – 2017	Impairment
Semper	56.3	2.0%	between 4.3% and 15.4%	no
Signature Brands	38.9	1.7%	between 3.3% and 4%	no
Organix	24.3	2.0%	between 8.9% and 12%	no
Schwartau	22.2	2.0%	between 3% and 10.5%	no
Beech-Nut	16.8	1.7%	between 1.5% and 32.5%	no
Friso	15.7	1.2%	between –37.8% and 8.1%	yes*)
Other	11.8	2.0%	between –3.3% and 15.8%	no
TOTAL	**186.0**			

*) In 2011 Friso brand has been impaired by CHF 0.1 million.

Management based its growth assumptions on internal forecasts and on external data such as the current inflation rate at December 31, 2011 of the respective countries where the cash generating units (CGU) are located.

(c) Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Recognized tax loss carryforwards

The Group has recognized deferred tax assets in relation to the recoverability of net loss carryforwards (Note 13, Development of Deferred Tax Assets and Liabilities). The recoverability of such assets is based on the ability of the entity to which the losses relate to generate future taxable profits. These calculations require the use of estimates. In addition, the Group has a global tax planning strategy in place which would support that loss carryforwards could be realized in the event that there will not be sufficient future taxable profits. Management re-evaluates the recoverability at each balance sheet date.

(e) Intangible assets acquired in business combinations

As a result of past acquisitons the Group has carried out purchase price allocations which resulted in the recognition of additional intangible assets mainly relating to brand, distribution networks, and customer relationships. These values are based on internal and third-party valuations. The calculations required the use of estimates. To the extent that future cash flows are not realized, a portion of such intangible assets may become impaired. Management re-evaluates this potential at each balance sheet date.

f) Reserve for bad debts

As described in note 15, the Group has provisions for bad debts based on estimates. Such estimates are based on analyses of ageing of customer balances, specific credit circumstances, historical trends and the Group's experience, taking also into account economic conditions.

Management believes that the total provision for these items is adequate, based upon currently available information. As these provisions are based on management estimates, they may be subject to change as better information becomes available. Such changes that arise could impact the provisions recognised in the balance sheet in future periods and consequently the expenses recognised in the income statement in future periods.

g) Valuation of financial instruments

As described in note 26, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 26 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments. Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

h) Valuation of inventory

The Group has provisions for inventories based on estimates. Such estimates are based on analyses of ageing of inventory balances and the Group's experience, taking also into account economic conditions. Management believes that the total provisions for these items is adequate, based upon currently available information. As these provisions are based on management estimates, they may be subject to change as better information becomes available. Such changes that arise could impact the provisions recognised in the balance sheet in future periods and consequently the expenses recognised in the income statement in future periods.

i) Provisions

The Group has provisions for various cases based on estimates. Such estimates are based on the Group's experience, taking also into account economic conditions. Management believes that the total provisions for these items is adequate, based upon currently available information. As these provisions are based on management estimates, they may be subject to change as better information becomes available. Such changes that arise could impact the provisions recognised in the balance sheet in future periods and consequently the expenses recognised in the income statement in future periods.

j) Non-current assets classified as held for sale

Management has started activities to sell certain manufacturing facilities. Based on mangagement's assessment the assets have been classified as held for sale (see note 2). Should the transaction not take place within one year, the assets would be reclassified out of held for sale and into current and non-current balances.

9. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

In connection with external financing the Group is required to maintain a minimum level of net equity. During 2011 and 2010 the Group complied with this requirement. See also comments in Note 18 on "Covenants".

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new capital. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. No changes were made in the objectives, policies or processes during the years ended December 31, 2011 and December 31, 2010.

This gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'current and non-current borrowings' as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as 'equity' as shown in the consolidated balance sheet plus net debt.

The gearing ratios at December 31, 2011 and 2010 were as follows:

in CHF 1000.–	2011	2010
Total borrowings	457 864	516 508
Less: cash and cash equivalents	(82 736)	(197 383)
Net debt	375 128	319 125
Total Equity	986 013	984 301
Total Capital (Equity plus net debt)	1 361 141	1 303 426
Gearing ratio	28%	24%

There was no significant change to the gearing ratio 2011 compared to 2010.

10. Risk Management disclosure in accordance with Swiss code of obligations

The Group has implemented a risk management system. Management carries out an annual risk assessment to identify material risks including their probability of occurrence and impact on the Group. The Board of Directors takes appropriate measures to avoid, mitigate or transfer these risks. Risks which are not mitigated are closely monitored by the Group. The latest risk assessment by the Board of Directors was approved in December 2011. Management may take ad-hoc initiatives in order to ensure a timely response to changes in the risk environment.

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1. Details on Other Income / Expense

in CHF 1000.–	Note	2011	2010
Amortization of brands	9, 24	(6 421)	(3 375)
Amortization of customer relationships	9, 24	(11 911)	(13 595)
Amortization of licences, patents and recipes	9, 24	(3 658)	(4 088)
Amortization of software	9, 24	(2 205)	(2 066)
Amortization of other assets	9, 24	(98)	(594)
Impairment charges on goodwill	9, 24	(13 831)	–
Impairment of intangible assets	9, 24	(3 042)	–
Impairment of fixed assets	8	(14 318)	(1 083)
Reversal of impairment of fixed assets	8	–	5 245
TOTAL AMORTIZATION / IMPAIRMENT		**(55 484)**	**(19 556)**
Restructuring		(30 253)	(27 623)
Disposals of subsidiaries and businesses	25	(2 428)	61 789
Other		(2 593)	645
TOTAL OTHER INCOME / (EXPENSE)		**(90 758)**	**15 255**

In 2011 restructuring expenses mainly relate to reorganizational changes in the scope of the business undertaken in the country organizations of the US, Switzerland and Scandinavia.

In 2010 restructuring expenses mainly relate to reorganizational changes in the scope of the business undertaken in the country organizations of the Netherlands, US, Switzerland and Scandinavia.

Where the costs are not yet incurred, a restructuring provision has been set up, see note 20 and note 23.

2. Non-current Assets held for Sale

A manufacturing facility within the segment "International" is presented as non-current assets held for sale following the commitment of the Group's management in December 2011 to a plan to sell the facility. Efforts to sell the non-current assets have commenced, and a sale is expected in 2012.

Part of a manufacturing facility within the segment "Europe" was presented as non-current assets held for sale in 2010. These assets were not sold in 2011 and have been reclassified to Property, Plant and Equipment.

Assets

in CHF 1000.–	Note	2011	2010
Property, plant and equipment	8	96 554	32 518
Intangible assets	9	34 034	–
Deferred tax assets		3 207	–
Inventories		1 066	–
Trade receivables, prepayments and other receivables		12 171	–
Cash and cash equivalents		8 876	–
ASSETS CLASSIFIED AS HELD FOR SALE		**155 908**	**32 518**

Liabilities

in CHF 1000.–	2011	2010
Trade and other payables	28 285	–
Borrowings	43 574	–
LIABILITIES DIRECTLY ASSOCIATED WITH ASSETS CLASSIFIED AS HELD FOR SALE	**71 859**	**–**

3. Financing Income / Expense

in CHF 1000.–	Note	2011	2010
Interest expense	24	(25 420)	(29 332)
Interest expense – finance leases	24	(222)	(453)
Net foreign exchange losses		(5 448)	(23 220)
Fair value losses on financial instruments held for trading		(34 330)	(16 806)
Other financial expense		(8 405)	(1 330)
TOTAL FINANCE EXPENSE		**(73 825)**	**(71 141)**

in CHF 1000.–		2011	2010
Interest income	24	9 265	16 135
Fair value gains on financial instruments held for trading		13 913	47 847
TOTAL FINANCE INCOME		**23 178**	**63 982**

4. Personnel Expense

in CHF 1000.–	Note	2011	2010
Wages and salaries		(189 786)	(206 603)
Social security costs		(38 046)	(43 714)
Pension costs – defined contribution plans		(5 218)	(3 830)
Pension costs – defined benefit plans	19	(4 926)	(5 300)
TOTAL PERSONNEL EXPENSE		**(237 976)**	**(259 447)**

The Group employed 4'144 employees in 2011 (2010: 3'952).

5. Government Grants deducted from Expense

in CHF 1000.–	2011	2010
Government grants for Beechnut Infant plant	3 552	–
Government grants for Signature Brands Popcorn plant	126	–
Netherlands workforce education grant	270	–
Export subsidies in Switzerland	16	34
Other	6	56
TOTAL GOVERNMENT GRANTS	**3 970**	**90**

Government grants are deducted from the following type of expense:

in CHF 1000.–	2011	2010
Government grants deducted from cost of sales	3 695	72
Government grants deducted from research and development	84	8
Government grants deducted from administative expense	5	10
Government grants deducted from other expence	186	–
TOTAL GOVERNMENT GRANTS	**3 970**	**90**

6. Income Tax

in CHF 1000.–	Note	2011	2010
Current income tax expense		(13 929)	(20 263)
Deferred tax (expense) / income – temporary differences		8 417	(41 881)
Deferred tax income – tax loss		38 204	9 557
Deferred tax income – changes in tax rates and tax laws		423	–
Tax income / (expense) relating to prior periods		1 032	(755)
TOTAL INCOME TAX INCOME / (EXPENSE)	24	34 147	(53 342)

Analysis of tax rate

The variation in the Group's average expected tax rate is caused by changes in volumes, product mix and profitability of the Group's subsidiaries in the various jurisdictions, as well as changes in local statutory tax rates.

The main elements contributing to the difference between the Group's overall expected tax rate (the weighted average tax rate based on the results before tax of each subsidiary) and the effective tax expense are:

in CHF 1000.–	2011	2010
Income / (loss) before taxes	(36 584)	195 810
Tax income / (expense) based on expected group tax rate	11 300 *30.9%*	(41 944) *21.4%*
Impact of expense not entitled for deduction for tax purposes	(2 729)	(13 923)
Impact of non taxable income	27 613	1 683
Impact of tax expense related to profits of other periods	1 032	(3 050)
Impact of past losses, for which no deferred tax asset is recognized	19	68
Impact of current loss, for which no deferred tax asset is recognized	(673)	(425)
Impact of past losses, for which a deferred tax asset is recognized	(2 572)	169
Impact of past tax losses, for which no deferred tax assets have been recognized, but which are reassessed and released in current period	(266)	18
Impact of changes in the local tax rates	423	4 062
EFFECTIVE GROUP TAX INCOME / (EXPENSE)	**34 147**	**(53 342)**

7. Dividend per Share

At the Annual General Meeting in 2011, no dividend is to be proposed in respect of 2011. The dividend declared in respect of 2010 was CHF 6.00 per share amounting to a total dividend of CHF 30.9 million.

On February 10, 2012 the Board of Directors resolved to pay the annual coupon of 6.5% on the CHF 500 million Hybrid Bond.

8. Property, Plant and Equipment

in CHF 1000.–	Land	Buildings	Plant and machinery	Other equipment	Total
Cost or valuation					
JANUARY 1, 2010	**51 157**	**293 085**	**370 713**	**33 569**	**748 524**
Additions	1 201	60 344	51 241	2 843	115 629
Acquisitions of subsidiaries	496	22 760	6 727	128	30 111
Disposals of subsidiaries	(145)	(14 918)	(26 033)	(1 081)	(42 177)
Disposals of assets and businesses	–	(158)	(2 601)	(823)	(3 582)
Reclassifications / Borrowing costs	–	161	9 296	–	9 457
Reclassification to held for sale *)	(5 399)	(18 242)	(25 651)	(56)	(49 348)
Foreign exchange differences	(7 211)	(41 185)	(49 837)	(4 620)	(102 853)
BALANCE AT DECEMBER 31, 2010 / JANUARY 1, 2011	**40 099**	**301 847**	**333 855**	**29 960**	**705 761**
Additions	500	42 594	20 217	4 590	67 901
Disposals of assets	–	(103)	(52 346)	(458)	(52 907)
Reclassifications / Borrowing costs **)	20 908	(48 705)	56 252	(3 298)	25 157
Reclassification from held for sale *)	5 399	18 242	25 651	56	49 348
Reclassification to held for sale *)	(19 857)	(28 682)	(46 368)	(1 965)	(96 872)
Foreign exchange differences	(1 669)	(5 220)	(5 144)	(566)	(12 599)
BALANCE AT DECEMBER 31, 2011	**45 380**	**279 973**	**332 117**	**28 319**	**685 789**
Accumulated depreciation					
JANUARY 1, 2010	**356**	**52 355**	**235 574**	**23 639**	**311 924**
Additions	21	5 413	21 405	2 002	28 841
Reclassification to held for sale *)	–	(9 493)	(7 292)	(45)	(16 830)
Impairments / Reversal	–	263	(4 587)	162	(4 162)
Disposals of subsidiaries	–	(10 234)	(17 650)	(679)	(28 563)
Disposals of assets and businesses	–	(64)	(1 710)	(416)	(2 190)
Foreign exchange differences	(40)	(7 631)	(28 548)	(3 176)	(39 395)
BALANCE AT DECEMBER 31, 2010 / JANUARY 1, 2011	**337**	**30 609**	**197 192**	**21 487**	**249 625**
Additions	10	4 312	20 668	1 994	26 984
Impairments / Reversal	–	–	14 318	–	14 318
Disposals of assets	–	(93)	(51 515)	(390)	(51 998)
Reclassifications	–	1 522	(21 482)	(3 333)	(23 293)
Reclassification from held for sale *)	–	9 493	7 292	45	16 830
Reclassification to held for sale *)	(55)	–	–	(263)	(318)
Foreign exchange differences	(39)	(889)	(3 690)	(415)	(5 033)
BALANCE AT DECEMBER 31, 2011	**253**	**44 954**	**162 783**	**19 125**	**227 115**
Carrying amount					
At January 1, 2011	39 762	271 238	136 663	8 473	**456 136**
At December 31, 2011	45 127	235 019	169 334	9 194	**458 674**

*) See note 2

**) Reclassifications include re-assignment of US Infant facility CIP among asset classes, reclassification of US government grants as related to income rather than assets and reclassification of Chinese government grants due to incomplete fulfillment of grant conditions.

The Group capitalised borrowing costs incurred in 2011 for eligible assets of TCHF 6'287 (2010: TCHF 9'420).

The Group received government grants in 2011 of TCHF 1'757 (2010: TCHF 18'588) for the purchase of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

If land were stated on the historical cost basis, the amounts would be as follows:

in CHF 1000.–	2011	2010
Land at historical cost	23 697	23 220
Land at historical depreciation	(253)	(337)
NET BOOK AMOUNT	**23 444**	**22 883**

Land is carried at revalued amounts. Revalued amounts of land mainly relate to Spain and the Netherlands.

The last external valuation was carried out as per December 2010.

9. Intangible Assets

in CHF 1000.–	Goodwill	Brands	Customer Relations/ Distribution networks	Other intangible assets	Total
Cost					
BALANCE AT JANUARY 1, 2010	**561 579**	**271 535**	**60 198**	**92 159**	**985 471**
Acquisitions of subsidiaries	37 307	–	–	–	37 307
Additions	–	411	–	5 154	5 565
Disposals of subsidiaries *)	(6 440)	–	–	(3 498)	(9 938)
Disposals of assets and businesses *)	(27 499)	(10 880)	–	(372)	(38 751)
Foreign exchange differences	(63 832)	(17 758)	(6 558)	(8 825)	(96 973)
BALANCE AT DECEMBER 31, 2010 / JANUARY 1, 2011	**501 115**	**243 308**	**53 640**	**84 618**	**882 681**
Acquisitions of subsidiaries	–	–	3 272	–	3 272
Additions	113	–	–	5 775	5 888
Disposals of assets and businesses	–	–	–	(69)	(69)
Reclassifications	–	–	–	(988)	(988)
Reclassifications to held for sale **)	(33 222)	–	–	(812)	(34 034)
Foreign exchange differences	(7 985)	(3 255)	340	3 330	(7 570)
BALANCE AT DECEMBER 31, 2011	**460 021**	**240 053**	**57 252**	**91 854**	**849 180**

*) See note 25
**) See note 2

In CHF 1000.–	Goodwill	Brands	Customer Relations/ Distribution networks	Other intangible assets	Total
Accumulated amortization					
BALANCE AT JANUARY 1, 2010	–	20 590	28 717	39 690	88 997
Additions	–	3 375	13 595	6 748	23 718
Disposals of subsidiaries	–	–	–	(1 903)	(1 903)
Disposals of assets and businesses	–	(10 880)	–	(5)	(10 885)
Reclassifications	–	(975)	–	975	–
Foreign exchange differences	–	(866)	(3 205)	(3 666)	(7 737)
BALANCE AT DECEMBER 31, 2010 / JANUARY 1, 2011	–	11 244	39 107	41 839	92 190
Additions	–	6 421	11 912	5 961	24 294
Impairments	13 831	3 042	–	–	16 873
Reclassifications	–	(411)	188	(765)	(988)
Foreign exchange differences	833	(591)	666	789	2 697
BALANCE AT DECEMBER 31, 2011	14 664	19 705	51 873	47 824	134 066
Carrying amount					
At January 1, 2011	501 115	232 064	14 533	42 779	790 491
At December 31, 2011	445 357	220 348	5 379	44 030	715 114

Development costs of TCHF 1'782 (2010: 2'500) were capitalized in 2011.

Other intangibles

Other intangibles mainly include licenses, software, patents and recipes.

Intangible assets with indefinite lives

The carrying amount of brands with indefinite useful lives is CHF 186.0 million in 2011 (CHF 187.8 million in 2010). Brands are deemed to have an indefinite life if the brand has sufficient history. Hero has no intention of re-branding and there is no foreseeable limit to the period over which the brands are expected to generate net cash inflows.

Impairment tests for goodwill

Goodwill is allocated to the respective cash-generating units (CGUs), which primarily represents the legal entity. See accounting policies no. 8. Annual goodwill impairment tests are performed in December.

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management and forecasts covering a five-year period. Cash flows beyond the five-year period are projected using the estimated growth rates stated below. The growth rates generally correspond to the inflation rates plus general real gross domestic product (GDP) growth of the corresponding country. They are individually assessed and in case where management expects a significant deviation from general economic conditions they might be adjusted. Management determined budgeted growth rates based on past performance and its expectations for the market development. Where general industry forecasts do not reflect the growth expecations of management for specific businesses, the growth rates used depart from forecasts included in such industry reports in order to better reflect the specific growth potentials expected by management.

Key assumptions used for value-in-use calculations:

in %	Eurozone	Middle East	US	Nordic	Other
Growth rate [1]	1.2–2.0	8.5	1.7	2.0	2.0–5.0
Discount rate [2]	7.1–7.6	19.9	7.1	7.1	7.5–14.3

[1] Growth rate used to extrapolate cash flows beyond the budget.
[2] Pre-tax discount rate applied to cash flow projections.

These assumptions have been used for the analysis of each CGU. The discount rates used are pre-tax and reflect specific risks relating to the relevant country.

The growth rate used to extrapolate cash flows beyond the budget and the pre-tax discount rate have a significant impact on the sensitivity of the impairment test. For Vitrac, if the growth rate used to extrapolate cash flows beyond the budget declines by 3.3% and the pre-tax discount rate increases by 2.3% the value in use approximates the carrying amount. For Ülker-Hero Turkey, if the growth rate used to extrapolate cash flows beyond the budget declines by 1.7% and the pre-tax discount rate increases by 1.3% the value in use approximates the carrying amount. For all other goodwill positions, recoverable amounts exceeded carrying amounts by a sufficient margin to indicate that no reasonably possible change in assumptions could cause an impairment.

10. Investments in Associates and Joint Ventures

Investments in associated companies

in CHF 1000.–	Hero WhiteWave	Other	Total
BALANCE AT JANUARY 1, 2010	**15 036**	**126**	**15 162**
Share of profit	(9 113)	–	(9 113)
Capital contributions	8 355	–	8 355
Other adjustments	–	(12)	(12)
Foreign exchange differences	(3 775)	(13)	(3 788)
BALANCE AT DECEMBER 31, 2010 / JANUARY 1, 2011	**10 503**	**101**	**10 604**
Share of profit	(10 317) [1]	–	(10 317)
Capital contributions	5 998	–	5 998
Foreign exchange differences	(1 549)	(3)	(1 552)
BALANCE AT DECEMBER 31, 2011	**4 635**	**98**	**4 733**

[1] Aditional reveivables and costs directly associated with Hero WhiteWave of TCHF 1'299 were expensed and foreign exchange differences in other comprehensive income relating to Hero WhiteWave of TCHF 6'956 were directly recycled through the income statement.

The Group's share of current assets, non-current assets, current liabilities, non-current liabilities, revenues and net income of its interests associated and joint-ventures amounts to CHF 0 million (2010: 3 million), CHF 7 million (2010: CHF 16 million), CHF 3 million (2010: CHF 4 million), CHF 0 million (2010: CHF 0 million) CHF 4 million (2010: CHF 7 million) and CHF –10 million (2010: CHF –9 million) respectively.

In 2011 the Hero WhiteWave joint-venture ceased operations.

11. Segment Reporting

For management purposes, the Group is organized in business units based on their geographical areas, and has three reportable operating segments: Europe, North America and International.

The segment Europe produces and sells mainly consumer food products such as fruit, infant & nutrition and other consumer foods such as cereals and decoration.

The segment North America primarily produces and sells consumer food products in the infant nutrition and baking decoration categories.

The segment International produces and sells mainly consumer food products such as fruit and infant & nutrition and includes the region Middle East and Asia and countries such as Russia, Ukraine, Belarus and China.

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies.

The Group accounts for intersegmental sales and transfers as if the sales or transfers were to third parties, i.e. at current market prices.

Year ended December 31, 2011

in CHF 1000.–	Europe	North America	International	Consolidation entries	Consolidated
Net sales					
External customer	1 015 564	280 640	134 897	–	1 431 100
Inter-segment [1]	30 924	1 156	2 397	(34 477)	–
TOTAL NET SALES	**1 046 488**	**281 796**	**137 294**	**(34 477)**	**1 431 100**
Results					
Depreciation and amortization	(32 839)	(17 670)	(3 811)	–	(54 320)
Share of profit of associates	–	(18 573)	–	–	(18 573)
(LOSS) / INCOME BEFORE TAX	**66 832**	**(81 449)**	**(21 967)**	**–**	**(36 584)**
Impairment of assets	(8 999)	(19 150)	–	–	(28 149)
Capital expenditure (tangible)	34 863	15 807	17 232	–	67 901

in CHF 1000.–	Infant & Nutrition	Fruit	Other consumer foods	Consolidated
Net sales from external customers by products	651 451	415 869	363 780	1 431 100

[1] Inter-segment net sales are eliminated on consolidation.

Net sales from external customers in Switzerland amount to TCHF 103'512. Non-current assets excluding deferred tax assets and financial instruments located in Switzerland amount to TCHF 558'270.

Year ended December 31, 2010

in CHF 1000.–	Europe	North America	Inter-national	Consoli-dation entries	Consoli-dated
Net sales					
External customer	1 146 771	355 244	163 227	–	1 665 242
Inter-segment [1]	31 594	–	2 164	(33 758)	–
TOTAL NET SALES	**1 178 365**	**355 244**	**165 391**	**(33 758)**	**1 665 242**
Results					
Depreciation and amortization	(63 096) [2]	(19 608)	(3 794)	–	(86 498)
Share of profit of associates	–	(9 113)	–	–	(9 113)
INCOME / (LOSS) BEFORE TAX	**204 333**	**(3 817)**	**(4 706)**	**–**	**195 810**
Impairment of assets / Reversal	5 245	–	(1 083)	–	4 162
Capital expenditure (tangible)	31 939	40 107	43 583	–	115 629

in CHF 1000.–	Infant & Nutrition	Fruit	Other consumer foods	Consoli-dated
Net sales from external customers by products	746 865	494 418	423 959	1 665 242

[1] Inter-segment net sales are eliminated on consolidation.
[2] Includes goodwill charge of TCHF 33'939 due to disposal.

Net sales from external customers in Switzerland amount to TCHF 108'520. Non-current assets excluding deferred tax assets and financial instruments located in Switzerland amount to TCHF 416'361.

12. Non-current Receivables

in CHF 1000.–	Note	2011	2010
Loans to third parties		12 158	–
Loans to related and associated parties	27	–	5 189
Other non-current receivables		7 869	6 463
TOTAL NON-CURRENT RECEIVABLES	26	**20 027**	**11 652**

Non-current receivables include pension assets of TCHF 4'054 (see note 19).

Loans to third parties reflects a credit linked loan which serves as a default guarantee on a joint venture credit facility. This instrument is expected to terminate July 1, 2013 and does not bear interest.

13. Development of Deferred Tax Assets and Liabilities

in CHF 1000.–	Deferred tax assets 2011	Deferred tax liabilities 2011	Deferred tax assets 2010	Deferred tax liabilities 2010
Assets				
Property, plant and equipment	517	48 374	1 463	36 841
Intangible assets	28 022	18 727	21 095	28 023
Financial assets	227	5 471	7 169	13 519
Trade receivables, prepayments and other receivables	4 159	283	1 232	17
Inventories	2 218	1 078	1 894	727
Liabilities				
Provisions	14 304	21 876	15 445	26 741
Trade and other payables	683	–	1 026	–
Financial liabilities	1 241	–	2 803	–
CAPITALIZED UNUSED TAX LOSSES AND TAX CREDITS	**76 914**	**–**	**37 357**	**–**
TOTAL DEFERRED TAXES	**128 284**	**95 810**	**89 487**	**105 869**

Maturities

in CHF 1000.–	2011	2010
Deferred tax assets to be recovered after more than 12 months	125 555	88 015
Deferred tax liabilities to be settled after more than 12 months	(92 179)	(96 806)

Unused Tax Losses

in CHF 1000.–	2011	2010
Items for which no deferred tax asset is recognized in balance sheet expire in:		
reporting year +1	–	99
reporting year +2	1 252	–
reporting year +3	381	1 440
reporting year +4	472	438
reporting year +5 and beyond	634	543
TOTAL UNUSED TAX LOSSES	**2 740**	**2 520**

Net deferred tax assets / (liabilities)

in CHF 1000.–	2011	2010
BALANCE AT JANUARY 1	**(16 381)**	**13 812**
Deferred tax income / (expense)	47 204	(32 324)
Deferred taxes reclassified to held for sale	(3 207)	–
Deferred taxes directly recognized in equity	135	(40)
Foreign exchange differences and other	4 419	2 171
BALANCE AT DECEMBER 31	**32 170**	**(16 381)**

14. Inventories

in CHF 1000.–	2011	2010
Raw materials and supplies	87 409	78 140
Work-in-progress	13 764	11 974
Finished goods	138 064	128 212
TOTAL INVENTORIES	**239 237**	**218 326**
Write down of inventories	11 086	9 884
Inventory expensed in cost of sales	907 188	1 035 276

15. Trade Receivables, Prepayments and other Receivables

in CHF 1000.–	Note	2011	2010
Trade receivables from customers		178 074	161 430
Less: Allowance for bad and doubtful trade receivables		(4 535)	(3 944)
TRADE RECEIVABLES NET		**173 539**	**157 486**
Prepayments		7 529	8 562
Loans to third parties		830	–
Other receivables		36 394	39 801
TOTAL RECEIVABLES AND PREPAYMENTS	26	218 292	205 849

Allowance for bad and doubtful trade receivables

in CHF 1000.–	2011	2010
At January 1	(3 944)	(3 520)
Charge for the year	(952)	(1 282)
Amounts written off	275	288
Unused amounts reversed	(6)	124
Exchange rate differences	92	446
AT DECEMBER 31	**(4 535)**	**(3 944)**

Maturity of trade receivables

in CHF 1000.–	2011	2010
Neither past due nor impaired	96 430	93 719
< 30 days	41 392	34 526
30–60 days	22 829	11 900
60–90 days	10 262	13 736
90–120 days	614	2 036
> 120 days	2 012	1 542
TOTAL TRADE RECEIVABLES	**173 539**	**157 486**

16. Cash and Cash Equivalents

in CHF 1000.–	Note	2011	2010
Bank balances		82 736	195 950
Cash equivalents		–	1 433
CASH AND CASH EQUIVALENTS		**82 736**	**197 383**

Cash and cash equivalents at the end of the period include deposits with banks of CHF 3.4 million (2010: CHF 15.2 million) held by some subsidiaries which are not freely remissible to the holding company because those deposits are used to secure bank facilities and guarantees.

Cash equivalents contain cash deposits in cash pools with other entities and cheques.

The weighted average effective interest rate on cash and cash equivalents in 2011 was 0.07% (2010: 0.18%).

17. Shares, Hybrid Capital and Other Reserves

a) Number of shares	2011	2010
Common stock	5 151 600	5 151 600
Treasury shares	–	(125 000)
TOTAL SHARES AT DECEMBER 31	**5 151 600**	**5 026 600**

The following table illustrates the number (No.) and weighted average purchase price (WAPP) of, and movement in, treasury shares during the year:

in CHF 1000.–		2011 No.	2011 WAPP	2010 No.	2010 WAPP
AT JANUARY 1		**125 000**	**134.49**	**225 000**	**157.21**
AT JANUARY 1	**HELD BY KEY MANAGEMENT**	**50 000**	–	**175 000**	–
	Exercised	(50 000)	268.50	(125 000)	240.30
AT DECEMBER 31	**HELD BY KEY MANAGEMENT**	–	–	**50 000**	–
AT JANUARY 1	**HELD IN ESCROW BY HERO**	**75 000**	–	**50 000**	–
	Exercised	50 000	268.50	125 000	240.30
	Sold	(125 000)	216.65	(100 000)	185.61
AT DECEMBER 31	**HELD IN ESCROW BY HERO**	–	–	**75 000**	–
AT DECEMBER 31		–	–	**125 000**	**134.49**
Exercisable at December 31		–	–	–	–

Treasury shares in 2011 and 2010 are held in connection with the executive share compensation plan. Treasury shares held by key management are not available for distribution. 50'000 shares were exercised by key management, 125'000 shares were sold to Schwartau International GmbH. The executive share compensation plan was terminated in 2011.

Common stock represents all of the registered and authorized shares with a par value of CHF 10 per share. All issued shares are fully paid.

In 2011 and 2010 no new shares were granted in connection with the executive share option plan. No shares are held in connection with the executive share compensation plan (2010: 50'000 shares). The weighted average fair value of these shares at December 31, 2011 is TCHF 0 (2010: TCHF 10'893). Dividends have no impact on the fair value calculation of the shares. The impact of vested shares at December 31, 2011 is TCHF 0 (2010: TCHF 0).

b) Hybrid capital	2011	2010
Hybrid capital	540 315	490 315
Tax effect	1 827	1 827
TOTAL HYBRID CAPITAL AT DECEMBER 31	**542 142**	**492 142**

In 2011 Hero issued an undated Floating Rate Subordinated Note of CHF 50 million which was purchased by Schwartau International GmbH, Bad Schwartau. The terms and conditions of the note are such, that in accordance with IAS 32, the note qualifies for treatment as equity in the financial statements of the Group. Payments of the interest relating to the note are recorded as dividend payments to shareholders. The note bears interest on its principal amount at a floating rate of the one-year CHF Libor plus 5.0% p.a.

In 2010 Hero issued CHF 100 million Undated Fixed to Floating Rate Subordinated Bonds in addition to the CHF 400 million Undated Fixed Rate Subordinated Bonds issued in October 2009. The terms and conditions of the bonds are such, that in accordance with IAS 32, the bonds qualify for treatment as equity in the financial statements of the Group. Payments of the coupons relating to the bonds are recorded as dividend payments to shareholders. In 2011 there were no transaction costs directly deducted from hybrid capital (2010: CHF 0.7 million). The coupon of the bond is 6.5% p.a.

c) Other reserves **for the year ended December 31** in CHF 1000.–	Revaluation reserve	Legal reserves	Equity loans translation reserve	Foreign currency translation reserve	Total
BALANCE AT JANUARY 1, 2010	**36 112**	**25 758**	**(1 755)**	**(56 155)**	**3 960**
Tax effect on equity loans	–	–	(393)	–	(393)
Foreign exchange differences	(4 584)	–	543	(57 368)	(61 409)
BALANCE AT DECEMBER 31, 2010 / JANUARY 1, 2011	**31 528**	**25 758**	**(1 605)**	**(113 523)**	**(57 842)**
Tax effect on equity loans	–	–	135	–	135
Foreign exchange differences	(311)	–	(995)	(885)	(2 191)
BALANCE AT DECEMBER 31, 2011	**31 217**	**25 758**	**(2 465)**	**(114 408)**	**(59 898)**

Revaluation reserve
The revaluation reserve is used to record increases in the fair value of assets and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in other comprehensive income.

Legal reserves
Legal reserves are not available for distribution.

Equity loans translation reserve
The equity loans translation reserve is used to record exchange differences arising from the translation of equity loans.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

18. Borrowings

in CHF 1000.–	Note	2011	2010
Current			
Bank overdrafts		140 784	62 469
German Promissory Note		–	63 110
Loan liabilities third parties		49 106	37 923
Finance lease liabilities		89	312
TOTAL CURRENT BORROWINGS		**189 979**	**163 814**
Non-current			
Bank borrowings		183 575	166 040
Loan liabilities third parties		6 000	12 518
US put Bond		–	93 530
German Promissory Note		78 310	80 606
TOTAL NON-CURRENT BORROWINGS		**267 885**	**352 694**

Analysis of non-current borrowings 2011 (excl. Finance liabilities)

in CHF 1000.–	Unsecured	Total
Expiring in		
2013	177 557	177 557
2014	37 664	37 664
2015	37 664	37 664
2016	15 000	15 000
TOTAL NON-CURRENT BORROWINGS AT THE YEAR END 2011	**267 885**	**267 885**
TOTAL NON-CURRENT BORROWINGS AT THE YEAR END 2010	**352 694**	**352 694**

The carrying amounts of non-current borrowings approximate the their fair values.

Finance lease liabilities

in CHF 1000.–	Minimum payment	Future interest	Total liability
Year 2011			
Less than one year	89	–	89
TOTAL 2011	**89**	**–**	**89**
Year 2010			
Less than one year	312	–	312
TOTAL 2010	**312**	**–**	**312**

The carrying value of future finance lease liabilities approximates the present values.

Assets under finance leases

in CHF 1000.–	2011	2010
Plant and machinery	44	233
TOTAL ASSETS UNDER FINANCE LEASE	**44**	**233**

German Promissory Note

Effective August 11, 2008 Hero, through its fully owned subsidiary Hero España SA raised EUR 115 million of additional funding by means of two German Promissory Notes with a duration of 3 and 5 years and a fixed interest rate of 5.68% and 5.75% respectively. One note of EUR 50.5 million was repaid on August 11, 2011. The other note of EUR 64.5 million will be due August 11, 2013.

Covenants

Hero is engaged in different kind of financings and most of them are related to certain covenants. The main covenants are Net Debt / EBITDA and interest coverage. As per December 31, 2011 no covenant was breached.

Bank and loan liabilities

The weighted average effective interest expense rate for bank and loan liabilities in 2011 was 3.6% (2010: 3.8%).

The interest rates for the majority of current bank overdrafts and loan liabilities were between 0.94% and 4.4% fixed interest rates. Non-current bank borrowings had fixed interest rates between 0.92% and 4.3%.

19. Pensions and Other Post-Retirement Obligations

Depending on the legal, economic and fiscal circumstances in each country, different retirement benefit systems are provided for the employees of the Group. As a rule, these systems are based on length of service and salary of the employees. Pension obligations in the Group relate to both defined benefit and defined contribution plans. Defined benefit plans are funded and unfunded. Most Group companies sponsor defined benefit pension schemes which are funded by payments to separate trustee-administered funds. The obligations of our German companies, which account for almost all of our pension liabilities, are unfunded. The latest actuarial valuations under IAS 19 were carried out as at December 31, 2011 for all significant pension plans. The valuation of most plan assets was performed as of December 31, 2011. All cumulative net unrecognized actuarial gains and losses at the end of the previous reporting period outside the prescribed 10% corridor are recognized in the income statement of the following year in which they occur. Actuarial gains relating to the German pension plan of CHF 0.373 million have been recognized in 2011 (2010: CHF 0.529 million).

The Group's largest pension schemes are Pensionskasse Hero Schweiz, the unfunded obligations of Schwartauer Werke GmbH & Co. KGaA, Schoenauer IAV and Beech-Nut Retirement Plan.

Pension benefits

in CHF 1000.–	2011	2010
Present value of funded obligations	104 658	102 103
Fair value of plan assets	(88 875)	(91 095)
	15 783	11 008
Present value of unfunded obligations	47 568	46 404
Unrecognized actuarial gains/(losses)	(13 510)	(6 844)
NET LIABILITY IN THE BALANCE SHEET	49 841	50 568

In the consolidated balance sheet, obligations from defined benefit plans are recorded in "non-current provisions" and the current portion under "current provisions". Where pensions are overfunded, the corresponding assets are recorded in "other non-current receivables". Additional liabilities amounting to CHF 3.092 million (2010: CHF 3.103 million) relating to other smaller defined benefit schemes have been recognized in the financial statements.

The amounts recognized in the income statement are as follows:

in CHF 1000.–	2011	2010
Current service cost	2 175	2 696
Interest cost	5 301	6 136
Expected return on plan assets	(3 398)	(3 620)
Net actuarial (gains)/losses recognized in the year	1 747	(779)
(Gain)/Loss on curtailments/settlements	–	396
Effect of the limit in par. 58(b)	(985)	–
TOTAL, INCLUDED IN PERSONNEL EXPENSE	4 840	4 829

The expense is recognized in the following line items in the income statement:

in CHF 1000.–	2011	2010
Cost of sales	2 627	2 796
Distribution expenses	74	80
Research and development	48	53
Marketing and sales	785	857
Administration and other expenses	1 306	1 043
TOTAL, INCLUDED IN THE INCOME STATEMENT	**4 840**	**4 829**
Actual return on reimbursement rights	4 054	3 914
Expected rate of return on reimbursement rights (in %)	4.0%	4.0%

Additional pension costs totaling CHF 0.087 million (2010: CHF 0.471 million) relating to other smaller defined benefit plans have been recognized in the Group income statement.

For the pension scheme of Schwartauer Werke GmbH & Co. KGaA there are reimbursement rights in place which are disclosed from 2003 onwards as an asset. Those rights to reimbursement are under an insurance policy that exactly matches the amount and timing of some of the benefits payable under the above mentioned pension scheme.

Movements in the plan assets at fair value:

in CHF 1000.–	2011	2010
Assets at January 1	91 095	102 095
Expected return on plan assets	3 398	3 620
Actuarial gains / (losses)	(2 250)	1 053
Exchange differences	45	(622)
Contributions by employer	2 269	2 129
Contributions by plan participants	1 432	1 413
Benefits paid	(7 114)	(7 640)
Settlements	–	(10 953)
PLAN ASSET AT DECEMBER 31	**88 875**	**91 095**

Movements in the liability:

in CHF 1000.–	2011	2010
Liability at January 1	153 627	166 481
Current service cost	2 175	2 696
Interest cost	5 302	6 136
Contributions by plan participants	1 432	1 413
Actuarial gains/(losses)	2 924	9 357
Exchange differences	(1 267)	(10 679)
Benefits paid	(9 935)	(10 824)
Increase/(Decrease) due to settlements	–	(10 953)
LIABILITY AT DECEMBER 31	**154 258**	**153 627**

in CHF 1000.–	2011	2010	2009	2008	2007
Present value of obligations (funded and unfunded)	152 226	148 507	159 948	226 600	262 434
Fair value of plan assets	(88 875)	(91 095)	(102 095)	(160 568)	(197 424)
DEFICIT/(SURPLUS)	**63 351**	**57 412**	**57 853**	**66 032**	**65 010**

in CHF 1000.–	2011	2010	2009	2008	2007
Experience adjustments on plan liabilities	2 745	9 669	5 087	(4 489)	2 019
Experience adjustments on plan assets	(1 942)	672	8 684	(22 682)	2 572
Actual return on plan assets	1 148	4 386	14 487	(15 188)	4 943

Plan assets are comprised as follows:

in CHF 1000.–	2011	2010
Equity	18 487	15 787
Debt	47 075	45 116
Other *)	23 313	30 192
FAIR VALUE OF PLAN ASSETS	**88 875**	**91 095**

*) incl. real estate and hedge funds

The principal actuarial assumptions used were as follows:

in % (weighted average)	2011	2010
Discount rate	3.4	3.7
Expected return on plan assets	3.4	3.8
Future salary increases	1.0	0.6
Future pension increases	0.8	0.4

The Group expects to contribute CHF 2.1 million
to its defined benefit plans in 2011.

Total amounts recognized in the income statement are as follows:

in CHF 1000.–	Note	2011	2010
Pension costs – defined benefits plans		4 840	4 829
Pension costs – other smaller defined benefits plans		86	471
TOTAL, INCLUDED IN PERSONNEL EXPENSE	4	**4 926**	**5 300**

Total amounts recognized in the balance sheet are as follows:

in CHF 1000.–	Note	2011	2010
Net liability in the balance sheet		49 842	50 568
Net liability in the balance sheet – other smaller plans		2 732	3 103
NET LIABILITY IN THE BALANCE SHEET		52 574	53 671
Current/non current provisions – defined benefit plans		52 574	53 671
Current/non-current provisions – other plans		4 349	5 704
CURRENT/NON-CURRENT PROVISIONS – PENSION SCHEMES	20/23	56 923	59 375

20. Non-current Provisions

in CHF 1000.–	Taxes	Litigation	Pension schemes	Social Security	Other	Total
Balance at January 1, 2011	2 163	64	55 376	2 007	12 971	72 581
Additional provisions	–	28	2 218	–	1 255	3 501
Utilized	–	(6)	(288)	–	(12 525)	(12 819)
Unused amounts reversed / reclassifications	(84)	–	(2 655)	(332)	–	(3 071)
Foreign exchange differences	(62)	(1)	(1 396)	(49)	(16)	(1 524)
BALANCE AT DECEMBER 31, 2011	2 017	85	53 255	1 626	1 685	58 668

Litigation

The amounts represent a provision for certain legal claims brought against the Group.

For further narratives refer to note 23 (Current Provisions).

21. Other Non-current Liabilities

in CHF 1000.–	Note	2011	2010
Other liabilities	26	33 715	12 560
TOTAL OTHER NON-CURRENT LIABILITIES		33 715	12 560

Other non-current liabilities consist primarily of deferred government grant income and license fees, royalties and management fees payable after one year.

CHF 20.4 million was reclassified to other non-current liabilities in 2011 to reflect an alternative classification of US government grants as related to income rather than assets. This classification was due to a change in estimation regarding the economic substance of the relevant agreements based on new information and additional experience. There was no impact to Shareholders' Equity, Other Comprehensive Income or the Income Statement.

22. Trade and Other Payables

in CHF 1000.–	Note	2011	2010
Trade payables		145 099	155 196
Amounts due to related and associated companies	27	8 677	553
Social security		5 130	4 404
Accrued expense		93 717	102 565
Other payables		45 575	44 532
TOTAL TRADE AND OTHER PAYABLES	26	**298 198**	**307 250**

Other payables consist primarily of obligations arising from factored receivables and restructuring arrangements.

23. Current Provisions

in CHF 1000.–	Taxes	Discounts	Pension schemes	Personnel	Restruc-turing/ social security	Other	Total
Balance at January 1, 2011	8 166	12 857	3 999	5 425	7 607	14 097	52 151
Additional provisions	1 479	5 533	19	4 326	1	3 090	14 448
Utilized	(5 769)	(5 519)	(2 081)	(4 781)	(7 513)	(4 623)	(30 286)
Unused amounts reversed / recl.	(477)	(1 537)	2 216	210	–	(667)	(255)
Foreign exchange differences	(68)	(321)	(74)	(141)	(95)	(238)	(937)
BALANCE AT DECEMBER 31, 2011	**3 331**	**11 013**	**4 079**	**5 039**	**–**	**11 659**	**35 121**

Taxes
The provision covers the tax liabilities of the Group.

Discounts
The amounts represent a provisions for sales discounts and similar transactions.

Pension schemes
Refer to note 19 (Pensions and Other Post-Retirement Obligations).

Personnel
This position mainly comprises provisions for overtime and vacation and an accrual for “time credits” in relation to Schwartauer Werke GmbH & Co. KGaA.

Restructuring / Social Security
The amounts represent a provision for social security obligations as well as redundancy payments and other costs in the course of restructurings.

Other
Other provisions are set up for obligations which do not fall into one of the before mentioned group of provisions, including performance bonus accruals, untaken holidays and deferred wages.

24. Cash Generated from Operations

in CHF 1000.–	Note	2011	2010
Net income (attributable to equity holders of the company)		**4 287**	**143 130**
Adjustments for:			
Non-controlling interests		(6 724)	(662)
Tax (income) / expense	6	(34 147)	53 342
Depreciation / Impairment	8, 11	41 303	24 679
Amortization / Impairment	1, 9, 11	41 166	57 657
Net (gain) / loss on sale of property, plant and equipment and businesses		(164)	(93 951)
Fair value gains, net		12 755	(31 041)
Interest income	3	(9 265)	(16 135)
Interest expense	3	25 641	29 785
Share of result before tax of associates and joint-ventures	10	18 573	9 113
Net loss in foreign exchange		10 008	21 910
Changes in working capital (excluding the effects of acquisitions and disposals of subsidiaries)			
Inventories		(26 032)	(12 239)
Trade and other receivables		(27 205)	(17 355)
Trade and other payables		11 559	(32 891)
Provisions		(29 336)	(12 381)
CASH GENERATED FROM OPERATIONS		32 419	122 961

25. Business Combinations, Acquisition of Minority Interests and Disposals

Major Acquisitions in 2011

Effective October 3, 2011 the Group acquired certain assets of the Beauvais baby food business in Denmark.

The acquisition had the following effect on the Group's assets and liabilities:

in CHF 1000.–	Beauvais baby food business
FAIR VALUE OF INTANGIBLE ASSETS ACQUIRED	3 272
TOTAL PURCHASE CONSIDERATION	3 272
CASH OUTFLOW ON ACQUISITIONS	3 272
Revenues contributed to the Group in 2011 after acquisition	1 259
Net income contributed to the Group in 2011 after acquisition	192
Revenues, if acquisition had occurred on January 1, 2011	4 928
Net income, if acquisition had occurred on January 1, 2011	287

The carrying amount immediately before the acquisition of the intangible asset acquired was zero. Acquisition related costs incurred in 2011 amounted to TCHF 150.

Major Acquisitions in 2010

Effective April 16, 2010 the Group acquired 50% of the share capital of Orient Link Holdings Limited, British Virgin Islands, a holding company which owns 100% of Hero-Huishan (Shenyang) Nutrition Food Co., Ltd. a start-up company which will be specialized in the manufacturing and selling of infant nutrition products in China. Based on the joint-venture agreement Hero has control over the company.

The acquisition had the following effect on the Group's assets and liabilities at fair values:

in CHF 1000.–	Orient Link Holdings Group*)
Property, plant and equipment	30 111
Receivables and equivalents	6 178
Cash and Cash equivalents	29 793
Borrowings	(13 204)
Trade and other payables	(2 836)
NET ASSETS	**50 042**
Non-controlling interests	(25 021)
FAIR VALUE OF NET ASSETS ACQUIRED	**25 021**
Goodwill	37 307
TOTAL CASH CONSIDERATION	**62 328**
Cash and Cash equivalents in subsidiaries acquired	(29 793)
CASH OUTFLOW ON ACQUISITIONS	**32 535**
Revenues contributed to the Group in 2010 after acquisition	–
Net income contributed to the Group in 2010 after acquisition	(3 128)
Revenues, if acquisition had occurred on January 1, 2010	–
Net income, if acquisition had occurred on January 1, 2010	(4 171)

*) A provisonally determined purchase price allocation was presented in 2010. The purchase price allocation was finalized in 2011 with no change.

The goodwill on the acquisition is attributable to the profitability of the acquired business and its leverage on the existing business. None of the goodwill recognized is expected to be deductible for income tax purposes.

Acquisition-related costs incurred in 2010 amounted to CHF 2.8 million.

Acquisition of Non-controlling interests

On March 31, 2010, the Group acquired an additional 49% of the voting shares of Schwartauer Werke GmbH & Co. KGaA, increasing its ownership to 100%. A cash consideration of TCHF 164'083 was paid to non-controlling interest shareholders.

The carrying value of the net assets of Schwartauer Werke GmbH & Co. KGaA (excluding goodwill on the original acquisition) at this date was TCHF 105'896, and the carrying value of the additional interest acquired was TCHF 51'889. The difference of CHF 112'194 between the consideration and the carrying value of the interest acquired has been recognised in retained earnings within equity.

Major Disposals in 2010

Effective March 17, 2010, the Group's German subsidiary, Schwartauer Werke GmbH & Co. KGaA, sold certain assets relating to one of its lines of business.

Effective September 8, 2010, the Group sold its 100% investment in Hero France.

Details of disposal consideration at fair value

in CHF 1000.–	Schwartau assets	Hero France	Total
Net assets disposed	(42 770) *)	(30 220) **)	(72 990)
(Gain) / loss on disposal of subsidiaries and businesses, net	(66 143)	(1 610)	(67 753)
TOTAL DISPOSAL CONSIDERATION	**(108 913)**	**(31 830)**	**(140 743)**
Deferred payment	–	1 384	1 384
Cash disposed with subsidiaries	–	2 325	2 325
CASH INFLOW ON DISPOSALS	**(108 913)**	**(28 121)**	**(137 034)**
Revenues contributed to the Group in 2010	18 741	34 171	52 912
Operating profit contributed to the Group in 2010	2 326	3 471	5 797
Revenues contributed to the Group in 2009	61 612	54 980	116 592

*) Includes goodwill charge of CHF 27.5 million.
**) Includes goodwill charge of CHF 6.4 million.

26. Financial Instruments

Fair values

Set out below is a comparison by category of carrying amounts and fair values of all the Group's financial instruments that are carried in the financial statements:

in CHF 1000.–		Carrying amount		Fair value	
	Note	2011	2010	2011	2010
Financial assets at fair value through profit or loss – held for trading					
Non-current					
Financial assets at fair value		16 657	34 893	16 657	34 893
Current					
Financial assets at fair value		1 488	14 322	1 488	14 322
Loans and receivables					
Non-current					
Non-current receivables	12	20 027	11 652	20 027	11 652
Current					
Trade receivables, prepayments and other receivables	15	218 292	205 849	218 292	205 849
Cash and cash equivalents	16	82 736	197 383	82 736	197 383
Financial liabilities at fair value through profit or loss – held for trading					
Current					
Derivative financial liability		6 156	12 423	6 156	12 423
Other financial liabilities					
Non-current					
Borrowings	18	267 885	352 694	267 697	352 694
Other liabilities*)	21	33 715	12 560	33 715	12 560
Current					
Trade and other payables	22	298 198	307 250	298 188	307 250
Borrowings	18	189 979	163 814	189 979	163 814

*) The carrying values of other non-current liabilities approximate their fair values.

The fair value of derivatives has been calculated by discounting the expected future cash flows at prevailing interest rates. The fair value of financial assets has been calculated using market interest rates.

The fair values of cash and cash equivalents, trade receivables, prepayments, other receivables and current financial liabilities are approximate to their carrying amounts largely due to the short-term maturities of these instruments.

The fair values of non-current borrowings is estimated by discounting future cash flows using rates currently available for debt on similar terms, credit risk and remaining maturities.

Derivative financial instruments

in CHF 1000.–

at December 31, 2011	Assets	Liabilities
Non-current		
Interest-Rate Swap	16 657	–
TOTAL NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	**16 657**	**–**
Current		
Forward foreign exchange contracts	1 488	6 156
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	**1 488**	**6 156**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS AT DECEMBER 31, 2011	**18 145**	**6 156**

at December 31, 2010	Assets	Liabilities
Non-current		
Interest-Rate Swap	34 893	–
TOTAL NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	**34 893**	**–**
Current		
Forward foreign exchange contracts	14 322	12 423
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	**14 322**	**12 423**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS AT DECEMBER 31, 2010	**49 215**	**12 423**

Interest-Rate Swap

The Group entered into a structured CHF Interest-Rate Swap linked to Deutsche Bank's Trends USD Index. Starting 28 October 2009 and ending at 28 October 2016 Hero receives in the first two years 6.5% and pays 5.5% interest p.a. on the underlying amount of CHF 500 million. From the 3rd year until the end of the instrument Hero receives 6.5% interest and pays interest in the range of 0% – 8% p.a. on the underlying amount of CHF 500 million depending on the performance of the underlying Deutsche Bank's Trends USD Index. This Interest-Rate Swap will be fair valued every year using a Monte-Carlo-Simulation with the resulting profit or loss being recognized in the income statement. While applying this Monte-Carlo valuation technique the longest available historical data set of the underlying index has been used to determine parameters such as volatility and average performance of the index. The discount rate is based on a 7 year risk free interest rate. In 2011 a loss of CHF 13.2 million (2010: profit of CHF 20.2 million) has been recognized in the financial result.

Forward foreign exchange contracts

The notional amounts of the outstanding foreign exchange contracts include commitments to sell for a notional amount of CHF 81.3 million (2010: CHF 187.2 million) and commitments to buy for a notional amount of CHF 431.8 million (2010: CHF 654.7 million).

in CHF 1000.–	2011	2010
Contracts with positive fair values		
Forward foreign exchange contracts	80 320	188 645
Contracts with negative fair values		
Forward foreign exchange contracts	(435 770)	(642 771)

Derivative liabilities related parties

See note 28 (Contigent Liabilities).

Fair value hierarchy

As at 31 December 2011, the Group held the following financial instruments measured at fair value:

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

During the reporting period ending 31 December 2011, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

Assets measured at fair value

at December 31, 2011

in CHF 1000.–	Level 1	Level 2	Level 3	Total
Interest-Rate Swap	–	–	16 657	16 657
Forward foreign exchange contracts	–	1 488	–	1 488

at December 31, 2010

in CHF 1000.–	Level 1	Level 2	Level 3	Total
Interest-Rate Swap	–	–	34 893	34 893
Forward foreign exchange contracts	–	14 322	–	14 322

Liabilities measured at fair value

at December 31, 2011

in CHF 1000.–	Level 1	Level 2	Level 3	Total
Forward foreign exchange contracts	–	6 156	–	6 156

at December 31, 2010

in CHF 1000.–	Level 1	Level 2	Level 3	Total
Forward foreign exchange contracts	–	12 423	–	12 423

Day 1 profit

The table below shows the movement in the aggregate profit not recognized when financial instruments were initially recognized ('Day 1 profit'), because of the use of valuation techniques for which not all the inputs were market observable data.

in CHF 1000.–	2011	2010
Balance at January 1	–	–
New transactions	–	10 624
Recognized in the income statement during the period:		
Subsequent to observability	–	(10 624)
BALANCE AT DECEMBER 31	**–**	**–**

27. Related and Associated Party Transactions

in CHF 1000.–	Note	2011	2010
Sales of Goods			
to associated companies		44 077	63 801
Purchases			
from AOH Nahrungsmittel Group		–	(7 969)
from associated companies		17 757	33 392
Other income / expenses			
Interest income from AOH Nahrungsmittel Group		–	966
Capital gain on disposal of treasury shares to parent entity		7 663	–
Interest expense to AOH Nahrungsmittel Group		(1 267)	(394)
Receivables			
Trade receivables from associated companies		10 829	9 606
Other short-term receivables from associated companies		11 478	–
Payables			
Trade payables to AOH Nahrungsmittel Group	22	9	553
Trade payables to associated companies		3 928	4 207
Other short-term liabilities to associated companies		8 327	3 973
Short-term loan liabilities to AOH Nahrungsmittel Group		36 888	–
Other long-term liabilities to associated companies		1 892	3 115
Executive share compensation plan			
Long-term loans granted to participants		–	5 189
Long-term compensation liability (provision) recognized		–	10 833
Net compensation income / (expense) recognized		(2 105)	2 774
Key management compensation *)			
Salaries and other short-term employee benefits		(5 328)	(4 882)
Termination benefits		(339)	(339)
Post-employment benefits		(442)	(385)

*) Key management compensation reflects the enlarged Executive Board as of July 1, 2011.

Details of the executive share compensation plan are laid down in the accounting principles. The plan was terminated during 2011.

Transactions with AOH Nahrungsmittel Group, which also belongs to the ultimate parent of Hero, are conducted on commercial terms and conditions and at market prices. Transactions with AOH Nahrungsmittel Group include exchange of goods and administration services.

Transactions with associated companies are conducted on commercial terms and conditions and at market prices. Transactions with associated companies include exchange of goods and administration services.

28. Contingent Liabilities

in CHF 1000.–	2011	2010
Contingent liabilities in favour of third parties	6 668	16 426

Contingent liabilities are composed primarily of a third-party guarantee granted in connection with the relocation of the Lenzburg site and various bank guarantees in Sweden.

One element of the Lenzburg site guarantee is an amount of up to CHF 4.0 million, which could be payable in the event that contaminated material must be removed from the site. A provision has been recognized for a portion of this amount.

29. Commitments

in CHF 1000.–	2011	2010
Commitments for the acquisition of tangible fixed assets	19 334	8 779
Commitments for raw materials	57 722	66 473
TOTAL CAPITAL COMMITMENTS	**77 056**	**75 252**

Commitments for operating lease are as follows:

in CHF 1000.–	2011	2010
Amount due within one year	7 526	7 907
Between one and five years	12 905	12 525
After five years	637	644
TOTAL OPERATING LEASE COMMITMENTS	**21 068**	**21 076**
TOTAL OPERATING LEASE EXPENSE RECOGNIZED IN THE INCOME STATEMENT	**(6 707)**	**(7 934)**

30. Earnings per Share

Calculation of basic earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares issued during the year, excluding ordinary shares purchased by the company and held as treasury shares.

		2011	2010
Net profit attributable to owners of the parent of the company	in CHF 1000.–	4 287	143 130
Weighted average number of ordinary shares issued	in 1000 shares	5 027	5 027
Basic earnings per share	in CHF	0.85	28.47

Weighted average number of ordinary shares

in 1000 shares	2011	2010
Issued ordinary shares at January 1	5 152	5 152
Effect on own shares held *)	(125)	(125)
WEIGHTED AVERAGE NUMBER OF ORDINARY SHARES AT DECEMBER 31	**5 027**	**5 027**

*) Own shares were sold to Schwartau International on December 20, 2011.

There is no difference between basic and diluted earnings per share as there are no convertible instruments.

31. Events after the Balance Sheet Date

Effective February 29, 2012, the Group disposed of its 100% interest in Cap' Fruit SAS, France for a disposal consideration of CHF 10.2 million. The provisionally determined net asset value at this time was CHF 4.6 million.

Corporate Governance

Introduction

Hero interprets Corporate Governance to include the totality of all governing principles and regulations aimed to defend the interests of its shareholders which, within the context of decision-making abilities and efficiency, ensure that management's leadership and control of the enterprise are undertaken focused on value-creation with full knowledge of its responsibilities.

Hero's corporate regulations fully incorporate the recommendations of "Swiss Code of Best Practices" in addition to the provisions of Swiss law. Hero's Board of Directors and the Executive Board are separate decision-making bodies, each with distinct functions and responsibilities. No member of the Board of Directors is a member of the management team. Further, a member of the Board of Directors may sit on the Board of no more than six other quoted Swiss companies.

Board of Directors

Hero's Board of Directors consists of between three and seven members who are elected by the Annual General Meeting for a period of three years.

The Board of Directors convenes its own meetings at least four times each year. The Board of Directors has delegated individual tasks to two sub-committees, which analyze specific issues in more depth on behalf of the Board:

– Finance & Audit Committee
  Dr. Arend Oetker
  Herbert J. Scheidt
  Dr. Hagen Duenbostel (since January 1, 2012)
  Dr. Hasso Kaempfe (since January 1, 2012)
  Dr. Lutz Peters (until December 31, 2011)

– Compensation Committee
  Dr. Arend Oetker
  Werner Holm (until Decmber 31, 2011)
  Herbert J. Scheidt
  Dr. Hasso Kaempfe (since January 1, 2012)

The Board of Directors elects from its own members those Directors sitting on these Committees. The Chairmen of the Committees inform the Board of Directors at each meeting about the issues dealt with by the Committees and any corresponding Board resolutions. The Board of Directors has delegated all operative management functions to the Executive Board with the exception of those tasks assigned to other bodies as prescribed by law, the Articles of Incorporation or other corporate regulations.

Executive Board

The Executive Board is ultimately responsible for the operational management of the business. The Executive Board's responsibility encompasses the execution and achievement of the Company's strategies, the direction of Group companies, as well as extracting maximum synergies from the Group's structures.

The leaders of the business divisions and the heads of the subsidiary companies are responsible for the development and achievement of their commercial and financial targets and for the leadership of their areas. The Chairman of the Executive Board, as well as the whole Executive Board, is answerable to the Board of Directors for the results of the Group.

Auditors

In general the auditors participate in two Finance & Audit Committee Meetings per year to report verbally and in writing on audit planning, execution and recommendations.

Report of the Statutory Auditor

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Hero AG, which comprise the balance sheet, income statement, statement of comprehensive income, cash flow statement, statement of changes in equity and notes (pages 8 to 62) for the year ended 31 December 2011.

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 and 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 31 December 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with 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.

Ernst & Young Ltd.

Philip Klopfenstein	David Haldimann
Licensed audit expert (Auditor in charge)	Licensed audit expert

Zurich, 22 March 2012

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Income Statement

for the year ended December 31

Hero AG

in CHF 1000.–

	2011	2010
NET SALES	225 181	234 254
Material	(132 215)	(141 495)
Personnel	(37 791)	(46 215)
Depreciation	(32 768)	(5 801)
Production and distribution	4 301	9 380
Advertising and promotion	(23 831)	(25 921)
Sales and general administration	(18 313)	(19 098)
Total operating expenses	(240 617)	(229 150)
OPERATING PROFIT / LOSS	(15 436)	5 104
Financial income	70 326	68 718
Financial expense	(97 555)	(97 619)
Financial result	(27 229)	(28 901)
Participation income	35 612	14 397
Other income	50 405	31 482
Total other income	86 017	45 879
Loss on fixed assets disposed	–	(4 415)
Other expense	(2 103)	(4 228)
Total other expenses	(2 103)	(8 643)
PROFIT BEFORE TAXES	41 249	13 439
Taxes	(4 798)	(7 471)
NET INCOME	36 451	5 968

Balance Sheet

as at December 31, before appropriation of profit

Hero AG

in CHF 1000.–

Assets	2011	2010
Cash	12	11
Banks	44 149	130 296
Liquid funds	**44 161**	**130 307**
Trade receivables	23 888	11 106
Receivables from subsidiaries	156 874	219 065
Other short-term receivables	16 372	3 822
Prepaid expenses	371	1 910
Receivables	**197 505**	**235 903**
Raw material and supplies	10 883	13 151
Work-in-progress and finished goods	2 717	2 731
Inventories	**13 600**	**15 882**
CURRENT ASSETS	**255 266**	**382 092**
Land	4 749	4 249
Buildings	26 896	10 455
Plant and machinery	11 799	5 683
Other equipment and vehicles	664	75
Tangible fixed assets	**44 108**	**20 462**
Financial investments	91	6 071
Long-term loans bank	12 158	–
Long-term loans to subsidiaries	430 168	280 591
Other long-term receivables to shareholders	–	5 579
Investments in subsidiaries	441 247	305 220
Intangible assets	89 354	113 961
Financial and intangible assets	**973 018**	**711 422**
FIXED ASSETS	**1 017 126**	**731 884**
TOTAL ASSETS	**1 272 392**	**1 113 976**

Liabilities and shareholders' equity	2011	2010
Banks	165 656	50 000
Trade payables	11 600	19 236
Payables to subsidiaries	166 708	181 929
Other short-term liabilities	10 702	2 416
Accruals	11 367	8 876
Short-term provisions	12 975	12 746
Current liabilities	**379 008**	**275 203**
Long-term bank liabilities	150 000	150 000
Long-term loans from subsidiaries	9 499	8 261
Other long-term liabilities	878	920
Long-term provisions	7 969	10 547
Debentures	550 000	500 000
Medium and long-term liabilities	**718 346**	**669 728**
TOTAL LIABILITIES	**1 097 354**	**944 931**
Share capital	51 516	51 516
Legal reserve	25 758	25 758
Reserve for treasury shares	–	5 980
Retained earnings	97 763	85 792
SHAREHOLDERS' EQUITY	**175 037**	**169 046**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1 272 392**	**1 113 976**

Notes to the Statutory Accounts of Hero AG

1.
Guarantees amounting to CHF 107 million (2010: CHF 274 million) exist in favour of third parties. Included here is among others, a guarantee of CHF 78 million given to lenders associated with the promissory note bond issued by Hero Spain in August 2008.

2.
Hero AG is a party to certain legal actions arising in the ordinary course of its business. Provisions have been recorded for such litigation risks based on best estimates. Because judicial process for such cases is complex, management cannot estimate the amount of any additional losses which might be incurred in excess of the amounts provided. In the opinion of management, the ultimate outcome of these situations will not have a material impact on the financial position and results of operations.

3.
Hero AG has committed itself to compensate any current or future asset under-coverage in relation to the senior management pension scheme.

4.
The fire insurance value of tangible assets amounts to CHF 71.2 million (2010: CHF 88.8 million).

5.
There are no payables outstanding with the pension funds.

6.
The bond issued in 2010 of CHF 500 million has a coupon rate of 6.5% and is perpetual and subordinated. The terms and conditions of these bonds are such, that in accordance with IAS 32, the bonds qualify for treatment as equity in the financial statements of the Group.

7.
The note issued in 2011 of CHF 50 million has a coupon rate of annual Libor plus 5% and is perpetual and subordinated. The terms and conditions of this note are such, that in accordance with IAS 32, the note qualifies for treatment as equity in the financial statements of the Group.

8.
An overview of the significant group companies can be found on pages 72 to 75.

9.
As of December 31, 2011, Schwartau International GmbH, Bad Schwartau, Deutschland, holds 100% (2010: 97.6%) of the share capital of Hero AG ranking for dividends.

10.
Movements in treasury shares for the current period are summarized as follows:

Movements in treasury shares	Number	in CHF 1000.–
Balance at January 1, 2011	**75 000**	**5 980**
Additions	50 000	13 425
Sales	125 000	(27 081)
Value adjustments	–	7 676
Balance at December 31, 2011	**–**	**–**

11.
Net release of excess reserves:
During 2011 excess reserves amounting to CHF 3.9 million (2010: 0.8 million) have been released.

12.
The company has implemented a risk management system. Management carries out an annual risk assessment to identify material risks including their probability of occurrence and impact on the group. The board of directors takes appropriate measures to avoid, mitigate or transfer these risks. Risks which are not mitigated are closely monitored by the group. The latest risk assessment by the board of directors was approved in December 2011. Management is entitled to take ad-hoc initiatives in order to ensure a timely response to changes in the risk environment.

Proposal of the Board of Directors concerning the distribution of a Dividend

in CHF 1000.–	2011
Amount carried forward from last year	54 882
Not paid out dividend on treasury shares	450
Reserve for treasury shares	5 980
Net profit for the current year	36 451
TOTAL AVAILABLE FOR DISTRIBUTION	**97 763**

DIVIDEND 60%

CHF –.– on 5'151'600 registered shares of CHF 10.– par value Dividends on treasury shares will not be paid out	–
TOTAL DIVIDEND PAYMENT	**–**
BALANCE CARRIED FORWARD	**97 763**

In the name of the Board of Directors:
Chairman:
Dr. Arend Oetker

Report of the Statutory Auditor of Hero AG

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Hero AG, which comprise the balance sheet, income statement and notes (pages 66 to 69) for the year ended 31 December 2011.

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 31 December 2011 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 (Art. 728 Code of Obligations [CO] 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.

Ernst & Young Ltd.

Philip Klopfenstein	D. Haldimann
Philip Klopfenstein	David Haldimann
Licensed audit expert (Auditor in charge)	Licensed audit expert

Zurich, 22 March 2012

Subsidiaries and Participations

Company	Address	Telephone Fax Internet	Owner-ship	Consoli-dation*	Remarks
Hero AG	Karl Roth-Strasse 8 5600 Lenzburg Switzerland	T +41 62 885 51 11 F +41 62 885 54 30 www.hero.ch			
Beech-Nut Nutrition Corporation	100 Hero Drive Amsterdam, NY 12010 USA	T +1 518 839 0300 F +1 518 839 0301 www.beechnut.com	100%	F	
Cap' Fruit SAS	Zone artisanale Rapon 26140 Anneyron France	T +33 475 31 40 22 F +33 475 31 59 72 www.capfruit.com	100%	F	Disposed February 29, 2012
Citron Export Inc.	Puerto Rico		97.4%	E	Dormant
Friso Nederland BV	Teteringsedijk 227 Postbus 3243 4817 ME Breda Netherlands	T +31 76 57 98 000 F +31 76 57 14 903 www.hero.nl	100%	F	
Hero Beteiligungen AG	c/o Hero AG Karl Roth-Strasse 8 5600 Lenzburg Switzerland	T +41 62 885 51 11 F +41 62 885 55 28	100%	F	
Hero Drinks BV	Teteringsedijk 227 Postbus 3243 4817 ME Breda Netherlands	T +31 76 57 98 000 F +31 76 57 14 903 www.hero.nl	100%	F	
Hero Czech s.r.o.	Radlicka 751 / 113e 158 00 Praha 5 Czech Republic	T +420 227 031 311 F +420 227 031 330 www.hero.cz	100%	F	
Hero España SA	Avenida de Murcia 1 30820 Alcantarilla (Murcia) Spain	T +34 968 898 900 F +34 968 800 727 www.hero.es	100%	F	
Hero Foods Canada Inc.	Canada		100%	F	Dormant
Hero Gida San.ve Tic. AS	Kisikli Mah. Ferah cad. No: 1 BuyukCamlica 34692 Istanbul Turkey	T +90 216 524 26 30 F +90 216 481 77 25 www.ulkerhero.com	50%	F	
Hero GmbH & Co. KG **	Werner-Bock-Strasse 23 33602 Bielefeld Germany	T +49 521 96469 0 F +49 521 96469 50	100%	F	

* Consolidation: F = fully consolidated, E = equity consolidated

** For the purpose of German commercial law, these consolidated Group financial statements release these companies from their obligation to publish their own financial statements in Germany, in accordance with Section 264 sub-section 3 of the German HGB (commercial code).

Company	Address	Telephone Fax Internet	Owner-ship	Consoli-dation*	Remarks
Hero Huishan (Shenyang) Nutrition Food Co., Ltd	Bajiazi Village, Xiushuihe Town, Faku, Shenyang, China	T +86 024 88045977 F +86 024 88045977	50%	F	
Hero Hungary Ltd.	Soroksári út 160 1095 Budapest Hungary	T +420 227 031 311 F +420 227 031 330	100%	F	
Hero Inc.	100 Hero Drive Amsterdam, NY 12010 USA	T +1 518 839 0300 F +1 518 839 0301	100%	F	
Hero Italia SpA	Via Leoni 4 Casella Postale 492 37121 Verona Italy	T +39 045 8060 911 F +39 045 8060 900 www.hero.it	100%	F	
Hero Japan Co., Ltd.	Japan		51%	F	Dormant
Hero Nederland BV	Teteringsedijk 227 Postbus 3243 4817 ME Breda Netherlands	T +31 76 57 98 000 F +31 76 57 14 903 www.hero.nl	100%	F	
Hero North America LLC	100 Hero Drive Amsterdam, NY 12010 USA	T +1 518 839 0300 F +1 518 839 0301 www.heronorthamerica.com	100%	F	Dormant
Hero Nutritional Food Industries SAE (Vitrac)	Plot No. 2/6S, Zone 6, 1st District 5th Settlement New Cairo Egypt	T +20 2 275 97 900 F +20 2 261 830 86 www.hero.com.eg	100%	F	
Hero Polska Sp. z o.o.	Ul. Pilchowicka 9/11 02-175 Warszawa Poland	T +48 22 574 23 20 F +48 22 574 23 30 www.hero.pl	100%	F	
Hero Portugal Lda	Avenida das Laranjeiras, No 6a Urbanização da Quinta Grande Alfragide 2720-333 Amadora Portugal	T +351 21 472 18 80 F +351 21 472 18 88 www.hero.pt	100%	F	
Hero Rus OOO	Kremenchugskaya 9 Moscow 121352 Russia	T +7 495 988 34 82 F +7 495 988 34 82 www.semper-info.ru	100%	F	
Hero Slovakia s.r.o.	Murgasova 2 949 01 Nitra Slovak Republic	T +421 377 784 005 F +421 377 784 006 www.hero.cz	100%	F	

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Company	Address	Telephone Fax Internet	Owner-ship	Consoli-dation*	Remarks
Hero UA LLC	Voziednania pr. 19 Office 414 Kiev 02160 Ukraine	T +38 044 498 02 95 F +38 044 498 02 95 www.semper.com.ua	100%	F	
Hero UK Ltd.	19 De Havilland Drive Speke, Liverpool, L24 8RN UK	T +44 1514 325 300 F +44 1514 325 335	100%	F	
Hero White Wave LLC	12002 Airport Way Broomfield, CO 80021 USA	T +1 303 635 46 30 F +1 303 635 56 30 www.fruit2day.com	50%	E	
Houston Harvest Inc.	808 S.W. 12th Street Ocala, FL 34478-0279 USA	T +1 352 622 31 34 F +1 352 622 31 64	100%	F	
Liaoning Chengrui Trading Co., Ltd	Bajiazi Village, Xiushuihe Town, Faku, Shenyang, China	T +86 024 88045977 F +86 024 88045977	50%	F	
Milnot Holding Corp.	100 Hero Drive Amsterdam, NY 12010 USA	T +1 518 839 0300 F +1 518 839 0301	100%	F	
Organix Brands Ltd.	The Greenhouse 120-122 Commercial Road Bournemouth, Dorset BH2 5LT UK	T +44 120 258 61 00 F +44 120 231 10 96 www.organix.com	100%	F	
Orient Link Holdings Ltd.	Offshore Incorporations Centre, Road Town, Tortola, British Virgin Islands		50%	F	
OY Semper ab	Klubbekrigarevägen 3A 00401 Helsingfors Finland	T +35 850 516 09 51	100%	F	
Schönauer IAV AG **	Lübecker Strasse 49-55 23611 Bad Schwartau Germany	T +49 451 204 0 F +49 451 204 108	100%	F	
Schwartauer Werke GmbH & Co. KGaA **	Lübecker Strasse 49-55 23611 Bad Schwartau Germany	T +49 451 204 0 F +49 451 204 385 www.schwartau.de	100%	F	
Semper AB	Allén 5 172 22 Sundbyberg Sweden	T +46 8 505 931 00 F +46 8 505 931 01 www.semper.com	100%	F	
Semper AS	Vollsveien 9 1366 Lysaker Norway	T +47 80 03 05 80	100%	F	

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Company	Address	Telephone Fax Internet	Ownership	Consolidation*	Remarks
Signature Brands LLC	808 S.W. 12th Street Ocala, FL 34478-0279 USA	T +1 352 622 31 34 F +1 352 622 31 64 www.signaturebrands.com	100%	F	
SP HoldCo AB	Allén 5 172 22 Sundbyberg Sweden	T +46 8 505 931 00 F +46 8 505 931 01	100%	F	
Wealth Come Investments Ltd	Room 1201, Huachuang Tower, No. 303 Hennessy Rd, Wan Chai Rd Hong Kong		50%	F	

* Consolidation: F = fully consolidated, E = equity consolidated

Contact

HERO AG
Karl Roth-Strasse 8
CH-5600 Lenzburg
Phone: +41 (0)62 885 51 11
Fax: +41 (0)62 885 54 30
Internet: www.hero.ch
E-Mail: investor@hero.ch

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