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OFFERING CIRCULAR

# U.S.$400,000,000

# Barry Callebaut Services NV
# 5.500% Senior Notes due 2023

*guaranteed on a senior basis by Barry Callebaut AG and certain of its material subsidiaries*

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Barry Callebaut Services NV, a limited liability company incorporated under the laws of Belgium (the "Issuer"), is offering U.S.$400,000,000 of its 5.500% Senior Notes due 2023 (the "Notes"). The Issuer will pay interest on the Notes semi-annually in arrear on June 15 and December 15 of each year, commencing on December 15, 2013. The Notes will mature on June 15, 2023. There will be a short first interest period for the period from, and including, June 20, 2013 to, but excluding, December 15, 2013. The interest rate payable on the Notes is subject to adjustment from time to time. In the event that the Notes are downgraded by one or more Rating Agencies, the interest rate payable on the Notes will be increased by 0.25% per Rating Notch per Rating Agency, with effect from the first Interest Payment Date following such downgrade, subject to a maximum aggregate increase of 1.00% per annum. In the event that the Notes are upgraded by one or more Rating Agencies, the interest rate payable will be decreased by 0.25% per Rating Notch per Rating Agency, with effect from the first Interest Payment Date following the date of such upgrade, provided that in no circumstances will the interest rate be lower than 5.500% per annum, as further described in this Offering Circular.

The Notes will be guaranteed on a senior basis (the "Guarantee") by the Issuer's direct parent company, Barry Callebaut AG (the "Company"), and, subject to limitations imposed by applicable law, certain of its material subsidiaries (together with the Company, the "Guarantors") on a joint and several basis.

The Issuer must offer to repurchase the Notes at a purchase price of 101% of the principal amount plus accrued and unpaid interest upon the occurrence of certain change of control events described in this Offering Circular.

At any time after June 20, 2013 (the "Issue Date") the Issuer may redeem all or part of the Notes at a price equal to 100% of the principal amount thereof plus the "applicable premium" described in this Offering Circular.

The Initial Purchasers (as defined below) will, concurrently with the issue of the Notes on the Issue Date, deposit the gross proceeds from the issue of the Notes into an escrow account in the name of the Issuer (the "Escrow Account"). The Escrow Account will be controlled by Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Singapore Branch) as escrow agent (the "Escrow Agent"). The release of the escrowed proceeds to the Issuer (the "Escrow Release") will be subject to the completion of the Acquisition and certain other conditions (as further described herein). If the conditions to the Escrow Release have not been satisfied on or prior to September 2, 2013 (the "Escrow Longstop Date"), the Notes will be subject to a special mandatory redemption. The special mandatory redemption price will be a price equal to 100% of the aggregate initial issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the special mandatory redemption date.

There is currently no public market for the Notes. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for trading on the Euro MTF Market (the "Euro MTF") of the Luxembourg Stock Exchange, which is not a regulated market (as defined by Article 1(13) of Directive 93/22/EEC).

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**Issue Price: 98.122%**

Delivery of the Notes in book-entry form will be made on June 20, 2013.

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**The Notes and the related Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), or the laws of any other jurisdiction and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. In the United States, the offering of the Notes (the "Offering") is being made only to "qualified institutional buyers" ("QIBs") (as defined in Rule 144A ("Rule 144A")) under the Securities Act in reliance on Rule 144A. Prospective investors are hereby notified that Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., London Branch, Jefferies International Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), RBS Securities Inc. or UBS Limited (each an "Initial Purchaser," and together, the "Initial Purchasers") may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. Outside the United States, the Offering is being made in reliance on Regulation S under the Securities Act. See "Notice to Investors," "Plan of Distribution" and "Transfer Restrictions" for additional information about eligible offerees and transfer restrictions.**

**The Notes that are being offered and sold in accordance with Regulation S under the Securities Act (the "Regulation S Notes") and the Notes that are being offered and sold in reliance on Rule 144A (the "Rule 144A Notes") will initially be represented by separate global certificates in bearer form (the "Regulation S Global Note" and the "Rule 144A Global Note", respectively, and together the "Global Notes") which will be deposited and immobilized with, and held by, the National Bank of Belgium (the "NBB"), as operator of the NBB Securities Settlement System (the "NBB SSS"), and its participants (including Euroclear Bank SA/NV ("Euroclear") and Clearstream Banking, société anonyme, Luxembourg ("Clearstream")). Except in certain limited circumstances, definitive notes in registered form (the "Definitive Notes") will not be issued in exchange for beneficial interests in the Global Notes.**

*Joint Bookrunners*

**Credit Suisse** | **Goldman Sachs International** | **ING**

**Jefferies|Rabobank International** | **RBS** | **UBS Investment Bank**

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The date of this Offering Circular is June 13, 2013.

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## NOTICE TO INVESTORS

No representation or warranty, express or implied, is made and no responsibility or liability is accepted by the Initial Purchasers as to the accuracy or completeness of any of the information set out in this Offering Circular and nothing in this Offering Circular is or shall be relied upon as a promise or representation by the Initial Purchasers.

Each of the Issuer and the Guarantors accepts responsibility for the information contained in this Offering Circular. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person is authorized to give any information or to make any representation not contained or incorporated by reference in this Offering Circular and any information or representation not contained or incorporated herein must not be relied upon as having been authorized by or on behalf of the Issuer or any of the Initial Purchasers. Neither the delivery of this Offering Circular nor any sale made hereunder at any time shall, under any circumstances, create any implication that the information herein is correct as of any time subsequent to the date hereof.

This Offering Circular constitutes a prospectus for the purpose of Article 5 of the Luxembourg Act dated July 10, 2005, as amended, and for the purpose of giving information regarding the Issuer and the Guarantors. This Offering Circular may only be used for the purposes for which it has been published.

No action has been taken in any jurisdiction that would permit a public offering of the Notes or possession or distribution of this Offering Circular or any other offering material in any jurisdiction where action for that purpose is required to be taken. This Offering Circular does not constitute an offer of or an invitation by or on behalf of the Issuer, the Guarantors or the Initial Purchasers or any affiliate or representative thereof to subscribe for or to purchase, any securities or an offer to sell or the solicitation of an offer to buy any securities by any person in circumstances or in any jurisdiction in which such offer or solicitation is unlawful. The distribution of this Offering Circular and the offering of the Notes in certain jurisdictions may be restricted by law. Persons in whose possession this Offering Circular comes must inform themselves about and observe any such restrictions.

This Offering Circular sets out the procedures of the NBB, as operator of the NBB SSS, Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interest in the Notes among participants of the NBB SSS, Euroclear and Clearstream. However, none of the NBB, Euroclear or Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued by any of them at any time. We will not, nor will any of our agents, have responsibility for the performance of the respective obligations of the NBB, Euroclear or Clearstream or their respective participants under the rules and procedures governing their operations.

No person has been authorized to give any information or to make any representation other than those contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorized by or on behalf of the Issuer, the Guarantors or the Initial Purchasers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, the Guarantors or the Group (as defined herein) since the date hereof, that there has been no adverse change in the financial position of the Issuer, the Guarantors or the Group since the date hereof or that the information contained herein or any other information supplied in connection with the Notes and the related Guarantee is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Recipients of this Offering Circular are authorized to use it solely for the purpose of considering an investment in the Notes and may not reproduce or distribute this Offering Circular, in whole or in part, and may not disclose any of the contents of this Offering Circular or use any information herein for any purpose other than considering an investment in the Notes. You are responsible for making your own examination of the Issuer, the Guarantors, and the Group and your own assessment of the merits and risks of investing in

the Notes. You should consult with your own advisers as needed to assist you in making your investment decision and to advise you whether you are legally permitted to purchase the Notes.

This Offering Circular is for distribution only to, and is directed solely at, persons who (i) are outside the United Kingdom, (ii) are investment professionals, as such term is defined in Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Financial Promotion Order"), (iii) are persons falling within Article 49(2)(a) to (d) of the Financial Promotion Order, or (iv) are persons to whom an invitation or inducement to engage in investment banking activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "FSMA") in connection with the issue or sale of any Notes may otherwise be lawfully communicated or caused to be communicated (all such persons together being referred to as "relevant persons")). This Offering Circular is directed only at relevant persons and must not be acted on or relied on by persons who are not relevant persons. Any investment or investment activity to which this Offering Circular relates is available only to relevant persons and will be engaged in only with relevant persons. Any person who is not a relevant person should not act or rely on this Offering Circular or any of its contents.

The Notes have not been and will not be registered under the Securities Act, and subject to certain exceptions, may not be offered within the United States.

The Notes and the related Guarantee are being offered and sold outside the United States in reliance on Regulation S and within the United States to QIBs in reliance on Rule 144A. You are hereby notified that sellers of the Notes and the related Guarantee may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Notes and the related Guarantee and distribution of this Offering Circular, see "Plan of Distribution".

The Notes and the related Guarantee have not been approved or disapproved by the U.S. Securities and Exchange Commission, any State securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Notes and the related Guarantee or the accuracy or adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States.

**IN CONNECTION WITH THE OFFERING, CREDIT SUISSE SECURITIES (EUROPE) LIMITED (THE "STABILIZING MANAGER") (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILIZING MANAGER (OR ANY PERSON ACTING ON BEHALF OF THE STABILIZING MANAGER) WILL UNDERTAKE STABILIZATION ACTION. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFERING IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE NOTES.**

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

## INTERNAL REVENUE SERVICE CIRCULAR 230 DISCLOSURE

**PURSUANT TO INTERNAL REVENUE SERVICE CIRCULAR 230, WE HEREBY INFORM YOU THAT THE DESCRIPTION SET OUT HEREIN WITH RESPECT TO US FEDERAL TAX ISSUES WAS NOT INTENDED OR WRITTEN TO BE USED, AND SUCH DESCRIPTION CANNOT BE USED, BY ANY TAXPAYER FOR THE PURPOSE OF AVOIDING ANY PENALTIES THAT MAY BE IMPOSED ON THE TAXPAYER UNDER THE US INTERNAL REVENUE CODE. SUCH DESCRIPTION WAS WRITTEN TO SUPPORT THE MARKETING OF THE NOTES. TAXPAYERS SHOULD SEEK ADVICE BASED ON THE TAXPAYER'S PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.**

## AVAILABLE INFORMATION

The Issuer and the Guarantors have agreed that, so long as any Notes are "restricted securities" within the meaning of Rule 144(a)(3) of the Securities Act, the Issuer and the Guarantors will, during any period in which it is neither subject to Section 13 or 15(d) of the United States Securities Exchange Act of 1934, as amended (the "Exchange Act"), nor exempt from reporting thereunder pursuant to Rule 12g3 2(b) under the Exchange Act, provide to any holder or beneficial owner of any such "restricted security", or to any prospective purchaser of such restricted security designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) of the Securities Act upon the request of such holder or beneficial owner.

## ENFORCEABILITY OF JUDGMENTS

The Issuer is a company incorporated under the laws of Belgium. The Guarantors are respectively incorporated under the laws of Switzerland, Belgium, France, the United Kingdom, and the United States. Except for Barry Callebaut U.S.A. LLC, the other guarantors are non-residents of the United States, and a substantial portion or all of the assets of each of such entities are located outside the United States. As a result, it may not be possible for investors to enforce against any of them, their directors, member, or officers judgments obtained in the courts of the United States, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any state or territory within the United States.

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## INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms "believes," "estimates," "anticipates," "expects," "intends," "envisage," "may," "will" or "should" or, in each case, their negative, or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Offering Circular and include statements regarding our intentions, beliefs or current expectations concerning, among other things, our results of operations, financial condition, liquidity, prospects, growth, strategies and the countries and industry in which we operate, as well as statements regarding estimated one-off costs in connection with the Acquisition (as defined herein) and envisaged targets after the Acquisition.

By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. We caution you that forward-looking statements are not guarantees of future performance and that the actual results of our operations, financial condition and liquidity, and the development of the countries and the industry in which we operate may differ materially from those made in or suggested by the forward-looking statements contained in this Offering Circular. In addition, even if our results of operations, financial condition and liquidity, and the development of the countries and the industry in which we operate are consistent with the forward-looking statements contained in this Offering Circular, those results or developments may not be indicative of results or developments in subsequent periods. Important factors that could cause those differences include, but are not limited to:

- we may experience difficulties in integrating the Petra Foods Cocoa Ingredients Business and its customers;
- we may not realize the growth opportunities, cost synergies, and commercial objectives that are anticipated from the Acquisition;
- the Acquisition of the Petra Foods Cocoa Ingredients Business may not be completed within the expected timeframe, or at all;
- regulatory agencies in certain jurisdictions may impose onerous conditions following the Acquisition;
- we may discover contingent or other liabilities with the Petra Foods Cocoa Ingredients Business or other facts of which we are not aware that could expose us to loss, and may incur significant charges to write down the goodwill recorded in connection with the Acquisition;
- we obtain cocoa beans, our primary raw material, from countries in West Africa and other emerging markets;
- fluctuations in the prices of cocoa bean could have a material adverse effect on our business and results of operations and affect our working capital requirements;
- diverse political, legal, economic and other factors affecting the markets in which we operate could adversely affect us;
- different cultural, political and economic environments we are expanding into could adversely affect us;
- one or more of our significant long-term outsourcing agreements and strategic partnerships may be terminated or may not be renewed, and we may not be able to enter new ones;
- there are risks arising from our recent and future acquisitions;
- the achievement of our business plan depends on our ability to manage our growth and to allocate scarce personnel resources to the management and integration of subsidiaries worldwide, and on favorable labor relations with our employees;
- competition within the markets in which we operate is strong and could adversely affect us;

- unfavorable currency exchange rate fluctuations could adversely affect us;
- our sustainability initiatives may fail to deliver the outcomes we anticipate or may deliver unanticipated negative outcomes;
- we may not be able to secure a sustainable supply of suitable quality cocoa;
- any environmental liabilities and capital costs in connection with our past, present and future operations could have an adverse effect on our profitability and cash flows;
- our products may contain ingredients or other substances which could cause injury to consumers and are subject to regulation;
- demand for our products could be affected by changes in consumer preferences and demands;
- our future growth depends in part on our ability to be innovative and on protecting our proprietary trade secrets;
- we may incur additional liabilities in connection with our pension plans;
- our reputation is one of our key assets and if that reputation is harmed, our business and results of operations may suffer;
- the control which our principal shareholder may exert over us may adversely affect us and the Noteholders;
- we may be affected by conflicts of interest when entering into transactions with related parties;
- our tax burden could increase due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits; and
- our compliance controls and procedures may not be sufficient to prevent or discover violations of anti-corruption and anti-fraud laws or group-wide policies.

We urge you to read the sections of this Offering Circular entitled “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business” for a more complete discussion of the factors that could affect our future performance and the countries and industry in which we operate. In light of these risks, uncertainties and assumptions, the forward-looking events described in this Offering Circular may not occur.

Except as required by law or applicable stock exchange rules or regulations, we undertake no obligation to update or revise publicly any forward-looking statement, whether as a result of new information, future events or otherwise. All subsequent written and oral forward-looking statements attributable to us or to persons acting on our behalf are expressly qualified in their entirety by the cautionary statements referred to above and contained elsewhere in this Offering Circular.

## MARKET SHARE AND INDUSTRY DATA

This Offering Circular contains information about our markets and our competitive position therein, including market size and market share information. We divide the chocolate industry into two markets: the "captive" market—comprised of semi-finished products and industrial chocolate processed from cocoa beans by fully vertically integrated companies, such as Nestlé, Kraft Inc., and Mars, for use in their own consumer products—and the "open" market—comprised of industrial chocolate processed from cocoa beans by companies such as us for sale to third parties for use in their own consumer products.

We are not aware of any exhaustive industry or market report that covers or addresses the open market. Therefore, in each jurisdiction in which we operate, we assemble information on the aggregate size of the open market and estimate our position in the open market based on our sales volumes and the estimated sales volumes of our major competitors. We derive this information from our local subsidiaries based on their formal and informal contacts with sales representatives, our customers and other participants in the local markets in question. To cross-check these estimates, we compare sales volume information with publicly available information regarding the size of each cocoa bean crop, export data concerning these crops and our estimates of competitors' cocoa bean processing capacities in our local markets.

We believe that the market share information contained in this Offering Circular provides fair and adequate estimates of the size of the open market and fairly reflects our competitive position within that market. However, our internal company surveys and management estimates have not been verified by any independent expert, and we can provide no assurance that a third party using different methods to assemble, analyze or calculate market data would obtain or generate the same results. Neither the Company nor any of the Initial Purchasers have independently verified the data and other information on which any third party reports are based.

We assume responsibility for the correct estimation of market share as well as the reproduction and extraction of industry data contained in this Offering Circular, except where we have cited an independent third party source.

We do not intend, and do not assume any obligations, to update industry or market data set forth in this Offering Circular, except as required by law. Behavior, preferences and trends in the marketplace tend to change. As a result, investors and prospective investors should be aware that data in this Offering Circular and estimates based on that data may be unreliable indicators of the future.

## PRESENTATION OF FINANCIAL AND CERTAIN OTHER DATA

### Financial Information

Barry Callebaut AG has prepared its consolidated financial information for the three years ended August 31, 2012, 2011 and 2010 in accordance with International Financial Reporting Standards ("IFRS") and for the six-months ended February 28, 2013 and February 29, 2012 in accordance with IAS 34—Interim Financial Reporting. Our financial year ends on August 31. References to "fiscal year 2012" refer to the financial information contained in our financial statements for the year ended August 31, 2012. References to "fiscal year 2011" refer to the comparative financial information contained in our consolidated financial statements for the year ended August 31, 2012, except as otherwise indicated. References to "fiscal year 2010" refer to the comparative financial information contained in our consolidated financial statements for the year ended August 31, 2011.

### *Non-IFRS Financial Information*

We have included certain measures in this Offering Circular that are not measures specifically defined by IFRS. These include EBITDA, net debt, and net working capital (the "Non-IFRS Financial Measures"). We have included these measures for the reasons described below. However, these measures should not be used instead of, or considered as alternatives to, our historical financial results based on IFRS.

We define EBITDA as operating profit (EBIT) plus depreciation of property, plant and equipment, plus amortization of intangible assets all from continuing operations. We define net debt as total debt less cash and cash equivalents and short-term deposits. Net working capital is defined as current assets less current liabilities, excluding cash and cash equivalents, short-term deposits, and derivative financial assets and liabilities in relation to financing activities.

We believe that the presentation of the Non-IFRS Financial Measures enhances an investor's understanding of our financial performance. Our management uses the Non-IFRS Financial Measures to assess our operating performance because we believe that the Non-IFRS Financial Measures are important supplemental measures of our operating performance. In addition, our management believes that the Non-IFRS Financial Measures are frequently used by securities analysts, investors and other interested parties in the evaluation of companies that operate in our industry. The Non-IFRS Financial Measures are not presentations specifically defined by IFRS and our use of the terms that comprise the Non-IFRS Financial Measures may vary from others in our industry due to differences in accounting policies or differences in the calculation methodology of these terms by others in our industry. The Non-IFRS Financial Measures have limitations as analytical tools, and should not be considered in isolation, or as substitutes for financial information as reported under IFRS. The Non-IFRS Financial Measures should not be considered as alternatives to operating profit (EBIT) for the year or any other performance measures derived in accordance with IFRS or as alternatives to net cash flow from operating activities or as measures of our liquidity.

### *Currencies*

In this Offering Circular:

- "CFA" or "CFA Franc" refer to the lawful currency of the African Financial Community;
- "CHF" or "Swiss francs" refer to the lawful currency of Switzerland;
- "€" or "euro" refer to the lawful currency of the European and Monetary Union of the Treaty Establishing the European Economic Community, as amended from time to time (the "EU");
- "£" or "pounds sterling" refer to the lawful currency of the United Kingdom;
- "tonne" and "tonnes" refer to a metric tonne or tonnes, respectively; and
- "U.S.$" or "U.S. dollars" refer to the lawful currency of the United States of America.

### *Rounding*

Certain figures included in this Offering Circular have been subject to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

### Definitions

In this Offering Circular, references to “we”, “us”, “our”, and “Group” refer to Barry Callebaut AG, its subsidiaries and its predecessors, and not to the Initial Purchasers. References to the “Issuer” refer to Barry Callebaut Services NV, the issuer of the Notes, and not to any of its subsidiaries. References to the “Enlarged Group” refer to the Group as enlarged by the acquisition of the Petra Foods Cocoa Ingredients Business (as defined herein) following completion of the Acquisition (as defined herein).

# OVERVIEW

*This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more extensive information contained elsewhere in this Offering Circular. Unless stated otherwise, the discussion below excludes the Enlarged Group and the Petra Foods Cocoa Ingredients Business, both as defined below. Therefore, this overview may not contain all of the information that you should consider before deciding to invest in the Notes. Accordingly, any decision by you to invest in the Notes should be based on a consideration of this Offering Circular as a whole. You should read this entire Offering Circular carefully, including the financial statements included elsewhere in this Offering Circular and the information set out in "Risk Factors" and "Information Regarding Forward-Looking Statements".*

## Our Company

### Overview

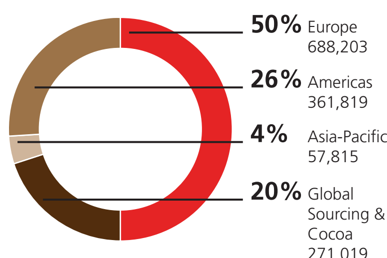
We are the largest manufacturer of cocoa and chocolate products in the world, measured by sales volumes in fiscal year 2012. Our principal product is industrial chocolate, which we supply to industrial food processors, such as chocolate manufacturers, biscuit manufacturers, confectioners, and dairy companies, as well as to artisanal users of chocolate, such as chocolatiers, pastry chefs, bakers and the food service industry. We are the largest manufacturer of industrial chocolate in the world, with an estimated market share of approximately 40% of the open market and the world leader in industrial chocolate production for external customers, measured by sales volume of fiscal year 2012. In addition, we manufacture semi-finished products, including cocoa liquor, cocoa butter, and cocoa powder. For the twelve months ended February 28, 2013 our sales volume was 1.4 million tonnes, our consolidated revenues were CHF 4,771.5 million, our EBITDA was CHF 438.8 million, our net profit was CHF 162.8 million, and our net profit from continuing operation was CHF 231.8 million. For the fiscal year 2012, our sales volume was 1.4 million tonnes, our consolidated revenues were CHF 4,829.5 million, our EBITDA was CHF 434.3 million, our net profit was CHF 142.6 million, and our net profit from continuing operation was CHF 241.1 million.

We are a vertically integrated business whose activities range from sourcing cocoa beans and other raw materials to producing and marketing a wide range of cocoa, chocolate, gourmet and specialty products. We have developed a strong position and significant experience in sourcing cocoa beans, particularly in the Ivory Coast, Ghana, and Cameroon, three of the most important cocoa bean producing countries. We are present in 30 countries, benefit from a global network of 42 production facilities, and sell our products in 113 countries. In fiscal year 2012 we purchased approximately 14% of the total volume of cocoa beans grown worldwide. We produce chocolate to the specifications of almost 6,000 recipes for approximately 4,000 industrial customers and several thousands of artisanal customers. We do not grow cocoa beans. We manufacture and sell semi-finished products and chocolate products; we do not produce consumer products.

Our business is organized in different regions ("Regions")—the Europe Region, the Americas Region and the Asia-Pacific Region. The globally managed Global Sourcing & Cocoa business, responsible for the global procurement and risk management of our high-quality raw materials such as cocoa, sugar, dairy products, oils and fats, nuts and other ingredients as well as packaging material, is reported as a separate segment similar to a Region.

With a total Group sales volume of around 1.4 million tonnes for fiscal year 2012, the Europe Region had a sales volume of 688,203 tonnes and accounted for 50% of our total sales volume, while the Americas Region had a sales volume of 361,819 tonnes and accounted for 26% of our total sales volume, Global Sourcing & Cocoa had a sales volume of 271,019 tonnes and accounted for 20% of our total sales volume, and the Asia-Pacific Region had a sales volume of 57,815 tonnes and accounted for 4% of our total sales volume. The following chart sets forth sales volume for our Regions for fiscal year 2012.

**SALES VOLUME BY REGION***
in tonnes




*Continuing operations

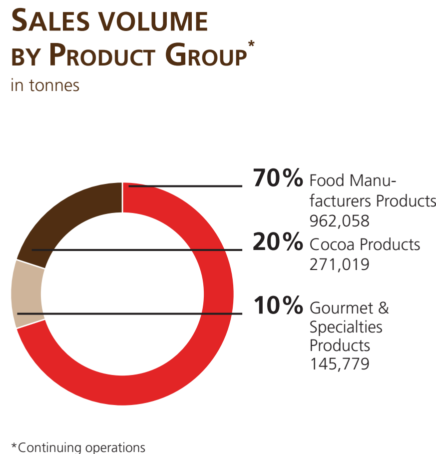
In addition to the Regions, our business is divided into the following three product groups ("Product Groups"):

- Food Manufacturers Product Group;
- Cocoa Product Group; and
- Gourmet & Specialties Product Group.

Our three Product Groups represent distinct customer categories along the value chain, and can be described as follows:

- Our **Food Manufacturers Product Group** is our largest Product Group, supplying industrial chocolate, fillings and compound coatings to chocolate manufacturers, biscuit manufacturers, ice cream manufacturers and others. In fiscal year 2012, it generated 70% of sales volume in tonnes by Product Group and revenue of CHF 2,774.0 million, which represented 57% of total group revenue;
- Our **Cocoa Product Group**, part of Global Sourcing & Cocoa, is the global production unit for semi-finished products such as liquor, cocoa butter and cocoa powder. The figures reported for the Cocoa Product Group include only sales of cocoa products to third-party customers in all our Regions. In fiscal year 2012, it generated 20% of sales volume in tonnes by Product Group and revenue of CHF 1,334.7 million, which represented 28% of total group revenue; and
- Our **Gourmet & Specialties Product Group** supplies specialty premium chocolate products to bakeries, artisanal customers such as chocolatiers, confectioneries, hotels, restaurants and caterers as well as vending mixes to vending machine operators. In fiscal year 2012, it generated 10% of sales volume in tonnes by Product Group and revenue of CHF 720.8 million, which represented 15% of total group revenue.

The following charts set forth sales volume by Product Groups for fiscal year 2012:




## Our Strengths

We believe that we have a number of core strengths that enable us to compete effectively in our markets.

### *Leading Market Share*

We are the largest manufacturer of industrial chocolate in the world, with an estimated market share of approximately 40% of the open market and the world leader in industrial chocolate production for external customers, measured by sales volume in fiscal year 2012. We also estimate that we have the largest share of industrial chocolate production for external customers in Europe and in North America, measured by sales volumes in fiscal year 2012, and that we are the world's largest supplier of gourmet chocolate for artisanal customers. Our market share is driven by our cost leadership, innovation, global manufacturing and distribution footprint, product quality, sustainability, flexibility in production and delivery and other value-added services.

### *Broad Customer Base*

We serve approximately 4,000 industrial customers worldwide and several thousands of artisanal customers. Our customers range from multinational food manufacturers who produce chocolate, confectionery, biscuits, dairy products, ice cream and breakfast cereals, to professional users of chocolate such as chocolatiers, hotels, restaurants, caterers, pastry chefs and bakers, as well as department stores and food wholesalers.

Over the past years, we have seen an increasing number of chocolate confectionery companies stop making all or part of their own chocolate, believing it to be more economical to buy chocolate from larger industrial partners and to focus on the final steps of the value chain, such as marketing and distribution. We believe we are the leading outsourcing partner for such customers, offering a broad range of high-quality products, dedicated know-how and innovation, and a global manufacturing and service network that can assist customers throughout every stage of the chocolate making process. Since 2007 large multinational chocolate makers have also started to outsource certain parts of their production on a long-term basis, and we have capitalized on this trend by entering into long-term outsourcing agreements with global leading companies such as Mondelez (formerly Kraft Foods), Hershey, Unilever and Nestlé, as well as regional and local leaders such as Grupo Bimbo, Morinaga, Arcor, Baronie, amongst others, to supply them with products, including cocoa products and chocolate products. We expect this trend to continue and believe that we are in an excellent position to further gain a share of such outsourcing opportunities.

### *Global Manufacturing and Distribution Footprint*

We are present in 30 countries and have 42 factories worldwide in an effort to be relatively close to our principal customers and centers where many customers are located, which we believe ensures that we can deliver products in the most efficient way and at the time when they are needed, consistent with our "just-in-time" strategy.

We have sourcing and manufacturing operations located in many countries with significant cocoa bean harvests. Unlike many of our competitors who source cocoa beans from commodity traders, we source cocoa beans directly from local farmers, local traders, cooperatives, and administrative bodies for our operations in Ivory Coast, Ghana, Indonesia, Cameroon, and Brazil. We also have manufacturing operations at those locations.

We have a worldwide distribution network that complements our global production facilities and enables us to meet our customers' needs across a wide range of geographies and product sectors. We seek to strengthen our ties with customers both locally and globally by using our 13 Barry Callebaut Chocolate Academies. These academies are dedicated to assisting our customers in the use of our products, introducing product innovations, and helping to promote our gourmet brands.

### *Wide Range of Products and Services of Consistent Quality at Competitive Prices*

We believe that the wide range of products and services we offer is one of our greatest competitive advantages. We are vertically integrated, with activities ranging from sourcing raw materials through production of semi-finished cocoa, chocolate, gourmet and specialty products. Our broad range of activities and products enables us to offer our customers a "one-stop" source for their cocoa and chocolate related product needs. Furthermore, we believe that our ability to produce a broad range of specifically tailored products at competitive prices—manufactured from almost 6,000 recipes—that meet our customers' specifications at locations convenient to our customers throughout the world sets us apart from our competition. Our broad product range is complemented by a comprehensive range of support services in the fields of research and product development, processing, training and marketing.

We believe the quality of our products is also one of our greatest competitive advantages. We are directly involved in cocoa bean sourcing in the countries of origin, thereby maximizing our ability to control the quality of our products. Through the development and use of standardized manufacturing equipment and processes, we also aim to ensure the consistency and quality of our products across our manufacturing facilities.

### *Leading in Research and Development*

We believe that Barry Callebaut is the only cocoa and chocolate manufacturer with an extensive global research and development ("R&D") network, covering cocoa bean fundamental research and chocolate, compounds, fillings and cocoa powder development work in those countries that consume most of our products. R&D within Barry Callebaut drives both a pro-active innovation agenda (where we present innovations to customers) as well as a customer driven development program (where we respond to the needs of our customers).

We operate 20 R&D centers worldwide where we conduct applied R&D for our customers. Our innovative and applied R&D teams use 14 pilot facilities and 17 application labs to conduct small-scale test runs producing high-quality cocoa and chocolate products, to make end applications, and to improve products and recipes for our customers and their production processes.

In response to the growing sophistication of chocolate and related products, we dedicate significant resources to R&D. We believe we are a leader in the use of state-of-the-art technology in cocoa processing and chocolate production. Through our in-house R&D efforts, we have developed our own processes and some proprietary machinery, which we believe enable us to consistently produce the broad spectrum of

products demanded by our customers to their quality specifications. In addition, we develop new products in close co-operation with our customers, enabling us to further strengthen our relations with these customers. Products resulting from our R&D activities include more complex forms of existing products, such as recipe optimization, new types and flavors of fillings, and entirely new products based on technological advancements, including healthier alternatives such as sugar and fat-reduced chocolate. Our core R&D efforts are focused on adding special properties and functionalities to our chocolate products. However, we also look beyond chocolate and are exploring new areas, such as cocoa ingredients for applications in other industries.

### *Leader in Sustainability*

With more than 20 years of experience in certified cocoa and chocolate, we believe that we are a leading global supplier of certified products for the food industry. To ensure future cocoa supply and to satisfy the demands of our customers, we work directly with farmers and farmer organizations in countries including Ivory Coast, Ghana, Cameroon, Malaysia, Tanzania, Sierra Leone and Brazil to grow cocoa in a sustainable, responsible way. In the last couple of years we have increased our activities in this area. In 2012, we launched our "Cocoa Horizon" initiative with an investment of CHF 40 million over 10 years. The aim of the program is to further boost farm productivity, increase quality and improve family livelihoods in key cocoa producing countries. Higher crop yields per hectare and better quality cocoa can help increase farmer incomes and increase family livelihoods. As a member of the International Cocoa Initiative and through other actions, we support child labor sensitization activities and fund programs that work towards eradicating child labor abuses in cocoa.

### *Experienced Management with Significant Industry Knowledge and Strong Track Record*

Our management team has significant experience and a proven track record of success in the chocolate industry. Our senior management team has been with us for an average of 10 years, and excluding the two recent additions to the board of directors, the members of our board of directors have been with us for an average of 8 years. Reflecting our international operations, our management team has an international background with a broad range of experience in the food industry and with large public multinational corporations where they also gained significant experience in business-to-business operations.

## Our Strategy

Our strategy is to be the heart and engine of the chocolate industry. We aim to outperform the global chocolate confectionery market. Our consistent growth strategy over the past several years is based on four pillars: expansion, innovation, cost leadership and sustainable cocoa.

### *Expansion*

We intend to continue the expansion of our business based on three key growth drivers:

- **Geography**: we aim to strengthen our position in the mature markets of Western Europe and North America, because they represent the biggest parts of our business. We want to achieve full potential in recently entered markets such as Russia, Brazil, China, and Mexico. We seek to expand in the emerging markets that drive the growth of the chocolate industry, such as in Asia-Pacific, Eastern Europe, and South America, as demonstrated by the Acquisition, which is intended to broaden and deepen our foothold in Asia and South America;
- **Long-term outsourcing & strategic partnerships**: these are an important part of our growth and will continue to gain in importance in the future. In fiscal year 2012, 19% of our total sales volume was attributable to long-term outsourcing agreements and strategic partnerships. We aim to strengthen our current partnerships as well as gain new outsourcing relationships with both local and global players; and

- **Gourmet & Specialties:** this is a business-to-business activity in which we market premium products. In fiscal year 2012, the Gourmet & Specialties business accounted for 10% of our total sales volume but it has a stronger contribution to revenue from sales and services and operating profit (EBIT). We seek to accelerate the growth of the Gourmet & Specialties business through the expansion of our distribution and products offering, as well as selective acquisitions.

Currently our exposure to emerging markets represents about one quarter of our sales volume, with further expansion potential in Asia-Pacific, South America, Eastern Europe and the Middle East. Through the proposed acquisition of the Petra Foods Cocoa Ingredients Business (as defined below) our objective is to boost sales in fast growing emerging markets, mainly in Asia and Latin America, by 65% to almost one-third of our sales volume.

### *Innovation*

We believe innovation to be essential in the chocolate industry. Through innovation we are able to gain new customers, as well as help our customers introduce newly innovated or renovated products to the market, such as rebalanced recipes. We believe that we are recognized as the innovation leader in the chocolate industry—in both R&D and product trends. Our dedicated global R&D teams focus on two areas: fundamental research into the health-enhancing properties of the cocoa bean and applied research leading to cutting-edge cocoa and chocolate products such as the development of our patented controlled fermentation technology. We hold 40 patent families. Our applied R&D teams support our customers to improve their products and recipes as well as their production processes on their own production lines. We have focused programs to improve the production processes and develop new or upgraded equipment. The programs are focused on output improvement, cycle time reduction and increasing flexibility.

Our product innovation is driven by the trends we observe among end consumers and also among our industrial and artisanal customers. Consumer awareness of health issues, and of the impact that nutrition may have on health is growing. Functional products and “healthy” products with wholesome ingredients, less sugar, less fat and less salt are increasingly popular.

Our innovation strategy is built upon our value chain advantage and has one prime focus: the cocoa bean. The cocoa bean contains hundreds of different natural components with health-enhancing attributes that are largely destroyed during the chocolate-making process. With our “Back to the Bean” approach, we analyze the health benefits of the cocoa bean and preserve them to the highest degree possible in the final chocolate product by using proprietary technology. Two premises serve as our guide: the new products have to offer a better nutritional profile but retain chocolate’s traditional taste qualities, and they must be 100% natural, without any additives. As part of this strategy, we have launched new chocolate products that contain less sugar and higher levels of polyphenols; organic and fair trade products; and dark chocolate from exclusive growing areas. We were the first company in the EU to receive a positive Scientific Opinion on a health claim regarding cocoa flavanols from the European Food Safety Authority. We were able to provide evidence that the intake of flavanols positively influence human blood circulation.

### *Cost Leadership*

Cost leadership is an important reason why our international customers outsource chocolate production to us. Innovation and geographic expansion will only be possible if we succeed in maintaining cost leadership over the long term. Industrial customers will only transfer and outsource production to us if we are able to offer cost competitive terms. We are continuously improving our operational and cost efficiency by upgrading our technology and achieving higher scale effects through better capacity utilization, by optimizing product flows, logistics and inventory management, as well as by reducing our energy consumption and lowering fixed costs. We are using the “dedicated factory” approach to achieve these objectives, meaning that each one of our 42 factories has a clear focus and a particular role within our production network. This allows us to benefit from economies of scale and to develop a high level of

specialist know-how in each factory. All our standard products are produced as close to customers as is possible and we also seek to have the optimal manufacturing footprint in all major regions. For every major standard product, there is a factory providing back-up production capacity. Specialty products are manufactured centrally in a limited number of appropriately equipped factories. We believe that our factories and presence in the origin countries give us first-hand access to cocoa beans. Instead of buying cocoa beans from the terminal market or international trade houses we buy cocoa beans from local farmers, local traders, cooperatives, and administrative bodies. In addition, we believe that such factories also allow us to optimize the cocoa supply chain. In our "Centres of Excellence", which are focused on specific product groups or production technologies, we are constantly refining production processes and technologies and improving our use of energy, whilst targeting a reduction in manufacturing costs per tonne of activity by 2% per year. In total, manufacturing costs per tonne of activity in fiscal year 2012 decreased by 3% (in local currencies) compared to fiscal year 2011.

***Sustainable Cocoa***

Because cocoa is a crucial part of our supply chain we added Sustainable Cocoa as our fourth strategic pillar. It aims to secure enough long-term supply of cocoa beans in order to support our future growth in chocolate and to improve the livelihoods of cocoa bean farmers.

We source our cocoa beans from suppliers across many countries in the equatorial belt, in an industry that is mainly built upon a smallholder farming system. We support farmers in their communities in origin countries where we have established programs with farmer organizations, but we neither own the farms nor any plantations, and we do not employ workers for the farms or plantations. We believe it is in our mutual interest that farmers earn an equitable income to enable them to provide for the basic health and education needs and general well-being of their families. We also believe that farmers ought to engage in responsible labor practices and safeguard the environment. Farmers can achieve these benefits by both complying with Good Agricultural Practices ( "GAP") that have been developed by the industry, governments and non-governmental organizations and introducing modern farming techniques.

Our work with farmers is intended to benefit the local communities and is designed to strengthen the supply of high-quality raw material available to our business. We work with our customers to meet their requirements and needs for cocoa and chocolate products including products from specific origin countries or with an independent certification such as Fairtrade, Fair for Life, Rainforest Alliance and UTZ Certified. We have offered customers Fairtrade products since 1993 and organic products since 1995. Among our customers, interest in certified products has continued to increase. Since 2001, we have been working with cooperatives and farmers interested in obtaining independent certifications by providing training in both GAP and technical support to set up internal control systems that are required by the certification systems.

We launched our own cocoa sustainability initiative, the "Quality Partner Program", in 2005, and announced a new global sustainability initiative during fiscal year 2012. "Cocoa Horizons", a cocoa sustainability initiative with an investment of CHF 40 million over ten years, aims to achieve sustainable cocoa production, to inspire the next generation of modern cocoa farmers, and to provide basic healthcare and education directly to cocoa farmers. We actively support sustainable cocoa initiatives worldwide through our international industry partnerships, including memberships in the World Cocoa Foundation, the Cocoa Livelihoods Program and African Cocoa Initiative. As a member of the International Cocoa Initiative and through other actions, we also support child labor sensitization activities and fund programs that work towards eradicating child labor abuses in cocoa.

## The Acquisition

On December 12, 2012, Barry Callebaut AG and Barry Callebaut Belgium NV entered into a share purchase agreement (the "Acquisition Agreement") with Petra Foods Limited, Singapore ("Petra Foods") relating to the acquisition of Petra Foods' cocoa ingredients business (the "Petra Foods Cocoa Ingredients Business"), which we believe is, in all material respects, identical to the cocoa ingredients division of Petra Foods (the "Petra Foods Cocoa Ingredients Division") as reported under discontinued operations in the audited consolidated financial statements of Petra Foods as of and for the year ended December 31, 2012 (the "Acquisition"). The Acquisition is expected to be completed in July 2013, subject to satisfaction of certain conditions precedent as discussed under "The Acquisition—Summary of the Acquisition Agreement—Conditions to Completion". We plan to fund the Acquisition with the proceeds from the offering of the Notes and a planned offering of new registered shares by Barry Callebaut AG in an amount of CHF 279 million (U.S.$300 million at the CHF/U.S.$ exchange rate on February 28, 2013) (the "Equity Offering") as well as funds drawn under a bridge term facility agreement in the amount of U.S.$207.5 million.

The Petra Foods Cocoa Ingredients Business has a significant global footprint with seven production sites in Indonesia, Germany, Malaysia, Brazil, Thailand, Mexico, and France having a total cocoa bean-grinding capacity of 405,000 tonnes as at December 31, 2012. The Petra Foods Cocoa Ingredients Business also includes the four sales offices and their staff located in the Netherlands, the Philippines, Singapore, and the United States.

We believe the Acquisition is in line with our four pillar strategy.

*Expansion*. We believe that the Acquisition will support the growth of our chocolate business, accelerate our presence in emerging markets (namely Asia and Latin America) and also strengthen the growth of our current and future strategic partnerships. We estimate that the combined business will increase our overall exposure in emerging markets from 24% to 31% of total volume, growing the sales volumes by 65%. We believe that this will give us the basis for additional chocolate growth and combined business opportunities.

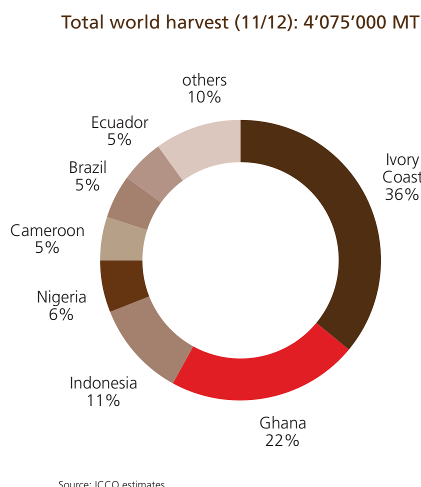
*Innovation*. We believe that the Acquisition will significantly expand our cocoa processing and cake and powder blending expertise and give us valuable market and management know-how in Asia. It will allow us to become a more pro-active player in the cocoa powder business with access to a new customer base.

*Cost Leadership*. We believe that the Acquisition will strengthen our cost leadership in cocoa processing by enlarging our footprint in cost-competitive production countries, partially replacing future investments in production capacities and enabling product flow optimizations.

*Sustainable Cocoa*. We believe that the Acquisition will strengthen and further diversify our cocoa sourcing and processing activities in origin countries by creating a second strong sourcing base in Asia, besides West Africa.

## Industry

Cocoa constitutes the most significant ingredient in chocolate. Originally grown in Latin America, cocoa has been grown on a large scale in West Africa, which is the predominant source of the global supply of cocoa since the beginning of the twentieth century, and in Southeast Asia for the last 25 years. According to estimates by the International Cocoa Organisation ("ICCO"), cocoa is heavily concentrated in seven countries that in aggregate represented approximately 90% of global harvest in the 2011/2012 growing season—the Ivory Coast, Ghana, Indonesia, Nigeria, Cameroon, Brazil, and Ecuador.




### Cocoa Bean Pricing

The price of cocoa beans is dependent on world supply and demand. The price of cocoa beans is quoted on two commodity exchanges. The London International Financial Futures Exchange ("LIFFE") covers the European and Middle Eastern markets, trades in £/tonne and includes mainly fermented beans from West Africa, and the Intercontinental Exchange Futures US ("ICE Futures US") covers the North and South American markets as well as the Asia-Pacific market, which trades in U.S.$/tonne and offers mainly unfermented beans from Asia. The price of cocoa beans has fluctuated significantly over the last ten years, primarily driven by weather and political conditions in the cocoa growing countries.

### Market Demand for Chocolate

Chocolate consumption is influenced by tradition, food habits, and weather. Per capita consumption is higher in colder climates than in warmer climates, and per capita consumption is also higher in areas with higher per capita income levels.

According to Euromonitor, over the last 10 years the global chocolate confectionery market grew around 2% on average per year in volume. The total chocolate confectionery market had a volume of 7.3 million tonnes in 2012. Of the total volume, Western Europe represented 35%, North America 21% and the rest of the world 44% in 2012. There is an increasing demand from emerging markets in recent years, although the major markets Western Europe and North America remain constant. According to Euromonitor, between 2007 and 2012, the worldwide chocolate confectionery market increased by 4% in volume to a total of 7.3 million tonnes, and in 2013 is expected to increase to 7.5 million tonnes.

### Open and Captive Market

Historically, the majority of companies in the chocolate industry were fully vertically integrated, purchasing and processing cocoa beans into semi-finished products and industrial chocolate, and using the

industrial chocolate to produce consumer products. Since the early 1970s, however, the majority of fully vertically integrated companies have shifted their focus to producing consumer products from semi-finished and industrial chocolate purchased from third parties. This evolution has created an "open market" for industrial chocolate in addition to the "captive market" comprising industrial chocolate produced by fully vertically integrated companies.

**Trends**

***Outsourcing***

In the last few years, the distinction between the open market and the captive market has become less clearly defined. We estimate that from the total global industrial chocolate market approximately 48% is open market and 52% is captive market. Some fully vertically integrated consumer products companies have begun to sell their excess seasonal production of industrial chocolate in the open market. Other fully vertically integrated consumer products companies, such as Mondelez, Nestlé, and Hershey have begun to buy some semi-finished and industrial chocolate from companies like Barry Callebaut who supply the open market, in order to focus more resources on the consumer products. Furthermore, we believe that fully vertically integrated companies will increasingly outsource production of their industrial chocolate needs as a consequence of a number of factors, including:

- the capital intensive nature of industrial chocolate production;
- the strategy of food manufacturers of focusing on their core competencies (marketing, branding and distribution);
- increased access to the most recent innovations and new technology;
- a reduction in the complexity of production;
- greater cost competitiveness;
- access to specific types of cocoa beans;
- access to competitive raw material prices; and
- increasing focus on certification and to promote a sustainable cocoa supply chain.

We are also seeing a consolidation in the food manufacturing industry, which includes our top customers. This is an important area where Barry Callebaut can benefit from the outsourcing trend. The globalization of the food supply chain and the shift from captive or integrated to more open and competitive markets in the chocolate industry means that customers are comparing the offerings of different suppliers more closely. We believe that an open and competitive market is an advantage to us, because we are uniquely positioned with our global footprint, innovative power and cost leadership position.

***Premium, Niche, and Health Products***

In Western Europe and North America, the market for standard chocolates is mature, and growth can be attributed mainly to premium products such as dark, single origin, organic, health enhancing and certified chocolates. During periods of economic decline, demand for premium products decreases, but as the global economy may be recovering, demand for premium products begins to rebound. In consequence, the market has begun to grow both in the premium and the value for money categories. Nevertheless, generally the volume of chocolate consumption has proved to be resilient during periods of economic volatility, and the global market for chocolate has over the past 10 years not contracted more than 2% in volume (Euromonitor).

We experience faster growth in chocolate confectionery in developing regions; with less emphasis on sustainable and premium cocoa in these areas.

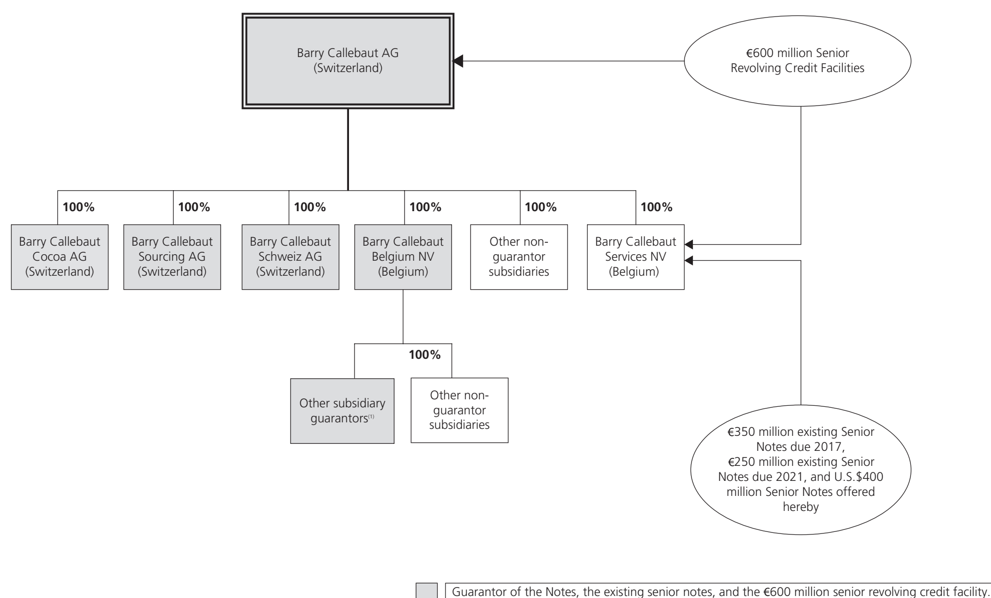
Demand for healthier products has also increased in recent years, based on more consciousness about health and wellness, but also based on certain country regulations, which demand innovations and alternative solutions, such as sugar reduced chocolate, with higher content of polyphenols, reduced fat, etc. This demand comes mainly from developed markets with a higher income per capita. The Health & Wellness category in chocolate confectionery has increased 10% since 2006 in volume according to Euromonitor, with subcategories such as reduced fat, organic and fortified and functional.

### *High Population Growth and Rising Incomes in Emerging Markets*

In recent years we have seen significant growth rates in chocolate consumption in the emerging markets, while the growth in consumption in developed markets has been rather slow. The growth in chocolate consumption coming from emerging markets is driven by population growth coupled with rising income per capita. We expect that most of these emerging markets, with chocolate consumption per capita below the world average, including India, Turkey, Brazil, China, Indonesia and Ukraine will become increasingly important in the future for the global chocolate confectionery market.

## Summary Corporate and Financing Structure

The following diagram, in simplified form, summarizes our group structure.




**Notes:**

(1) Barry Callebaut France SAS, Barry Callebaut Manufacturing France SAS, Barry Callebaut Manufacturing (UK) Limited, Barry Callebaut USA LLC.

## Risk Factors

Investing in the Notes involves risks. See “Risk Factors” for a discussion of certain risks you should carefully consider before investing in the Notes.

## The Offering

*The following is an overview of the terms of the Notes. This overview is derived from, and should be read in conjunction with, the full text of the terms and conditions of the Notes (the "Conditions") and the Guarantee, which prevail to the extent of any inconsistency with the terms set out in this overview. Capitalized terms used herein and not otherwise defined have the respective meanings given to such terms in the Conditions.*

| | |
|---|---|
| **The Issuer** | Barry Callebaut Services NV. |
| **Securities Offered** | U.S.$400,000,000 principal amount of 5.500% Senior Notes due 2023. |
| **Initial Purchasers** | Credit Suisse Securities (Europe) Limited, Goldman Sachs International, ING Bank N.V., London Branch, Jefferies International Limited, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International), RBS Securities Inc. and UBS Limited. |
| **Maturity** | June 15, 2023. |
| **Issue Price** | 98.122%. |
| **Issue Date** | June 20, 2013. |
| **Interest Rate** | 5.500% per annum. |
| **Interest Payment Dates** | June 15 and December 15 of each year, commencing on December 15, 2013. There will be a short first interest period for the period from, and including, June 20, 2013 to, but excluding, December 15, 2013. |
| **Reset Interest Rate** | The interest rate payable on the Notes is subject to adjustment from time to time. In the event that the Notes are downgraded by one or more Rating Agencies, the interest rate payable on the Notes will be increased by 0.25% per Rating Notch per Rating Agency, with effect from the first Interest Payment Date following such downgrade, subject to a maximum aggregate increase of 1.00% per annum. In the event that the Notes are upgraded by one or more Rating Agencies, the interest rate payable will be decreased by 0.25% per Rating Notch per Rating Agency, with effect from the first Interest Payment Date following the date of such upgrade, provided that in no circumstances will the interest rate be lower than 5.500% per annum, as further described in "Terms and Conditions of the Notes—Interest—Reset Interest Rate". Notice of any change of the interest rate payable on the Notes or any such ratings upgrade or downgrade (such notice to include the new rating, the Reset Interest Rate and the effective date of such Reset Interest Rate) will be made to the NBB SSS for the accounts of its participants and to the Luxembourg Stock Exchange and will be published on the website of the Luxembourg Stock Exchange, at www.bourse.lu. |
| **Ranking** | The Notes constitute direct, unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsubordinated obligations of the |

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| | Issuer. The Notes will be subordinated in right of payment to the Issuer's secured debt to the extent of the value of the assets securing such debt. The Notes will be senior to all future senior subordinated or subordinated debt of the Issuer. |
| **Guarantee** . . . . . . . . . . . . . . . . . . . . . . | The due payment of all sums expressed to be payable by the Issuer under the Notes will be unconditionally and irrevocably guaranteed (the "Guarantee"), on a joint and several basis, by Barry Callebaut AG (the "Company") and, subject to limitations imposed by applicable law, each of Barry Callebaut Sourcing AG, Barry Callebaut Schweiz AG, Barry Callebaut Cocoa AG, Barry Callebaut Belgium NV, Barry Callebaut France SAS, Barry Callebaut Manufacturing France SAS, Barry Callebaut U.S.A. LLC and Barry Callebaut Manufacturing (UK) Limited (together with the Company, the "Guarantors"). The payment obligations of the Guarantors under the Guarantee constitute direct, unsecured and unconditional obligations of each of the Guarantors and will at all times rank at least *pari passu* in right of payment with all of their respective other present and future unsubordinated obligations, save for such obligations as may be preferred by mandatory provisions of law. See "Terms and Conditions of the Notes—Guarantee and Status". The Guarantee may be released in certain limited circumstances, as described in "Terms and Conditions of the Notes—Guarantee and Status—Release of Guarantees".<br><br>In the fiscal year ended August 31, 2012 the Issuer and the Guarantors represented 74.3% of operating profit (EBIT) and 82.4% of net sales of the Group on a consolidated basis. |
| **Change of Control** . . . . . . . . . . . . . . . . | In the event of a Change of Control of the Company (as defined in the Conditions), each holder of the Notes (each, a "Noteholder" or a "holder") will have the right to require the Issuer to redeem all or part of such holder's Notes at 101% of their principal amount, plus accrued and unpaid interest. See "Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of Noteholders upon a Change of Control". |
| **Redemption at the Option of the Issuer** . . . . . . . . . . . . . . . . . . . . . . . . | The Notes may be redeemed at any time at the option of the Issuer in whole or in part at an amount equal to the principal amount of the Notes plus accrued interest to the relevant Call Settlement Date plus the Applicable Premium, as further described and defined in "Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the option of the Issuer". |
| **Escrow of Proceeds; Special Mandatory Redemption** . . . . . . . . . . | Concurrently with the issue of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from the issue of the Notes into the Escrow Account. The Escrow Account will be controlled by the Escrow Agent. The Escrow Release will be subject to the satisfaction of certain conditions, as further described herein.<br><br>In the event that, among other things, the closing of the Acquisition does not take place on or prior to the Escrow Longstop Date, the Acquisition is abandoned, the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date or any of the |

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| | conditions to Escrow Release described herein become incapable of being satisfied on or prior to the Escrow Longstop Date, the Issuer will redeem all of the Notes at a price equal to 100% of the aggregate initial issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the special mandatory redemption date.<br><br>Except as described in "Redemption at the Option of the Issuer" and "Escrow of Proceeds; Special Mandatory Redemption" above, early redemption will only be permitted for tax reasons, as described in "Terms and Conditions of the Notes—Redemption and Purchase—Redemption for tax reasons". |
| **Additional Amounts** | Currently none of the jurisdictions in which any of the Issuer or the Guarantors is located, engaged in business or resident for tax purposes or any political subdivision thereof or any authority therein or thereof having power to tax (each a "Tax Authority") imposes any withholding or deduction for taxes in respect of payments on the Notes or under the Guarantee, as the case may be, except as otherwise disclosed herein. In the event that any withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature is required by law in any Tax Authority, the Issuer or the Guarantors, as the case may be, shall pay such additional amounts so that Noteholders will receive after such withholding or deduction such amounts as would have been received by them had no such withholding or deduction been required, subject to exceptions. See "Tax Considerations" and "Terms and Conditions of the Notes—Taxation". |
| **Fiscal Agent, Transfer Agent** | The Bank of New York Mellon, acting through its London branch. |
| **Luxembourg Paying Agent, Transfer Agent, Listing Agent and Registrar** | The Bank of New York Mellon (Luxembourg) S.A. |
| **Principal Paying Agent, Domiciliary Agent and Transfer Agent** | ING Belgium SA/NV (and described herein, where the context permits, as the "Belgian Agent"). |
| **Escrow Agent** | Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Singapore Branch). |
| **Book-Entry and Form** | The Notes will initially be represented by Global Notes in bearer form which will be deposited and immobilized with, and held by, the NBB, as operator of the NBB SSS, and 100% of the interests therein will be held through the NBB SSS and its participants (including Euroclear and Clearstream). Except in certain limited circumstances, Definitive Notes will not be issued in exchange for beneficial interests in the Global Notes. Any such Definitive Notes issued in exchange for interests in the Global Notes will not be eligible for settlement through the NBB SSS or Euroclear or Clearstream as direct participants in the NBB SSS. Under no circumstances will definitive bearer notes be issued to individual holders of interests in the Global Notes. It is expected that delivery of the Notes will be made against payment on June 20, 2013. |

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| **Clearance and Settlement** . . . . . . . . . | The Notes will be accepted for clearance and settlement in the NBB SSS and Euroclear and Clearstream as direct participants in the NBB SSS.<br><br>Transfers of book entry interests in the Global Notes will be on the basis of book-entry transfers through the book entry facilities of Euroclear and Clearstream. Such transfers will be conducted and settled in accordance with the usual rules and operating procedures of Euroclear and Clearstream. Such transfers will in principle be settled in same day funds in the same manner as conventional eurobonds.<br><br>The Notes will be traded on a fungible basis in accordance with the Belgian Coordinated Royal Decree No. 62 of November 10, 1967, governing the custody of transferable financial instruments and the settlement of transactions on these instruments. The Notes may be held by eligible investors ("Eligible Investors") in an exempt securities account with a qualifying clearing system.<br><br>The Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax, holding their securities in an exempt securities account that has been opened through Euroclear Bank SA/NV and Clearstream Banking, *société anonyme*, Luxembourg.<br><br>Eligible Investors include, among others, non-Belgian resident investors and do not include, among others, Belgian resident investors who are individuals or not for profit organizations other than qualifying pension funds.<br><br>Opening an exempt securities account with an NBB SSS participant triggers certain identification requirements. However, these identification requirements do not apply to participants that do not reside in Belgium ("non-resident participants"), Eligible Investors or beneficial owners who hold their Notes through Euroclear or Clearstream. Euroclear and Clearstream must report the amount of any payment made to a non-resident participant, together with the identity and address of such non-resident participant, if requested by the Belgian tax authorities. |
| **Listing and Trading** . . . . . . . . . . . . . . . | Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and for admission of the Notes to trading on the Luxembourg Stock Exchange's Euro MTF Market. There is currently no public market for the Notes. |
| **Negative Pledge** . . . . . . . . . . . . . . . . . . | The Issuer, the Guarantors and the Material Subsidiaries (as defined in the Conditions) have undertaken certain restrictions on the creation or subsistence of security over any of their present or future undertakings, assets or revenues to secure certain indebtedness without securing the Notes equally and rateably therewith, subject to certain exceptions, as further described in "Terms and Conditions of the Notes—Negative Pledge". |
| **Cross Acceleration** . . . . . . . . . . . . . . . | The Notes contain a cross acceleration provision in respect of any Indebtedness of the Group (as defined in the Conditions) subject |

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| | to a threshold of €15,000,000 (or its equivalent in any other currency or currencies), as further described and defined in "Terms and Conditions of the Notes—Events of Default—Cross-acceleration". |
| **Denominations** . . . . . . . . . . . . . . . . . . | Each Note will have a minimum denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof. |
| **Rating** . . . . . . . . . . . . . . . . . . . . . . . . . . . | Barry Callebaut AG's current corporate family rating is Ba1 (outlook stable) by Moody's and BB+ (outlook negative) by S&P. A rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal at any time by the assigning rating organization. |
| **Use of Proceeds** . . . . . . . . . . . . . . . . . . | The gross proceeds from the issue of the Notes will be used to fund the Acquisition. |
| **Governing Law** . . . . . . . . . . . . . . . . . . . | The Notes, the Agency Agreement, the Guarantee and the Escrow Agreement and any non-contractual obligations arising out of or in respect thereof will be governed by the laws of England and Wales, except for Condition 12(a) (*Meetings of Noteholders*) and Schedule 5 (*Provisions for Meetings of Noteholders*) of the Agency Agreement, which will be governed by the laws of Belgium. The Services Agreement (as defined herein) will be governed by the laws of Belgium. |
| **Risk Factors** . . . . . . . . . . . . . . . . . . . . . | For a discussion of certain considerations that investors should take into account in deciding whether to purchase the Notes, see the section titled "Risk Factors". |
| **Selling Restrictions** . . . . . . . . . . . . . . . | There are selling restrictions in relation to the United States, the United Kingdom, Belgium, Switzerland and France. See "Plan of Distribution". |
| **Regulation S ISIN** . . . . . . . . . . . . . . . . . | BE6254003252 |
| **Regulation S Common Code** . . . . . . . | 094298032 |
| **Rule 144A ISIN** . . . . . . . . . . . . . . . . . . . | BE6254004268 |
| **Rule 144A Common Code** . . . . . . . . . | 094343321 |

## Summary of Our Historical Financial Information

*The following table sets forth our summary consolidated financial information as of and for the fiscal years ended August 31, 2012, 2011 and 2010 and our summary unaudited interim consolidated financial information as of and for the six-month periods ended February 28, 2013 and February 29, 2012.*

*Our consolidated financial information as of and for the fiscal years ended August 31, 2012, 2011 and 2010 has been prepared and presented in accordance with IFRS. Our unaudited condensed consolidated interim financial information as of and for the six-months ended February 28, 2013 and February 29, 2012 has been prepared in accordance with IAS 34.*

*For the fiscal years ended August 31, 2012 and 2011, the summary historical financial information in this section has been derived from our 2012 consolidated financial statements. The financial information for the fiscal year ended August 31, 2011, in the 2012 consolidated financial statements, was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012.*

*For the fiscal year ended August 31, 2010, the summary historical financial information in this section has been derived from our 2011 consolidated financial statements. The financial information for the fiscal year ended August 31, 2010, in the 2011 consolidated financial statements, was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the fiscal year ended August 31, 2011. The financial information for the fiscal year ended August 31, 2010 has not been restated to conform with the discontinued operations accounting treatment for the Dijon operations as presented in our 2012 consolidated financial statements.*

*For the six-month periods ended February 28, 2013 and February 29, 2012, the summary consolidated financial information in this section has been derived from our unaudited 2013 condensed consolidated interim financial statements. The financial information for the six-month period ended February 29, 2012 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the six-month period ended February 28, 2013.*

*All key figures presented in the following tables are based on continuing operations, except for net profit for the period, total assets, and cash flow related figures.*

*The following summary historical financial information is only a summary and should be read in conjunction with the information set out in "Our Selected Consolidated Financial and Other Data" and our consolidated financial statements included elsewhere in this Offering Circular.*

| | As of and for the fiscal year ended August 31 | | | As of and for the six months ended February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011[1] (Restated) | 2010[2] (Restated) | 2013 | 2012[3] (Restated) |
| | (CHF in millions, except ratios and per tonne data) | | | | |
| **Historical Consolidated Income Statement Data:** | | | | | |
| Revenue from sales and services | 4,829.5 | 4,459.9 | 4,524.5 | 2,391.6 | 2,449.6 |
| Cost of goods sold | (4,156.9) | (3,800.9) | (3,875.0) | (2,034.3) | (2,110.8) |
| Marketing and sales expenses | (94.5) | (87.2) | (95.1) | (52.5) | (47.2) |
| General and administration expenses | (231.6) | (216.8) | (217.7) | (130.5) | (118.8) |
| Other income and expenses, net | 6.7 | 7.3 | 4.4 | (0.5) | 4.8 |
| **Operating profit (EBIT)** | **353.2** | **362.3** | **341.1** | **173.8** | **177.6** |
| Financial income and expenses, net | (74.9) | (71.5) | (71.0) | (35.4) | (31.0) |
| Income tax expenses | (37.2) | (28.4) | (32,4) | (21.7) | (21.2) |
| Net profit from continuing operations | 241.1 | 263.6 | 237.5 | 116.4 | 125.7 |
| **Net profit for the period** | **142.6** | **176.8** | **251.7** | **110.3** | **90.1** |
| Depreciation and amortization included in expenses | (81.1) | (68.0) | (73.5) | (46.3) | (38.0) |
| **Historical Balance Sheet Data (at end of period)**:[1] | | | | | |
| Cash and cash equivalents | 53.9 | 42.0 | 17.4 | 39.3 | 83.7 |
| Net working capital[4] | 1,039.2 | 888.1 | 964.9 | 1,026.2 | 1,045.1 |
| Total assets | 3,576.6 | 3,263.1 | 3,570.8 | 3,556 | 3,875.7 |
| Net debt[5] | 942.9 | 789.8 | 870.8 | 993.9 | 965.5 |
| Shareholders' equity | 1,357.1 | 1,217.1 | 1,302.3 | 1,386.0 | 1,301.0 |
| **Other Historical Financial and Operating Data**: | | | | | |
| Gross profit | 672.6 | 659.0 | 649.5 | 357.3 | 338.8 |
| EBITDA[6] | 434.3 | 430.3 | 414.6 | 220.1 | 215.6 |
| Operating profit (EBIT) per tonne (in CHF)[7] | 256.2 | 285.5 | 282.0 | 233.2 | 257.0 |
| Capital expenditure | 217.8 | 173.8 | 145.1 | 92.3 | 100.6 |
| Ratio of net debt[5] to EBITDA[6] | 2.2x | 1.8x | 2.1x | 4.5x | 4.5x |
| Ratio of EBITDA[6] to financial income and expenses, net | 5.8x | 6.0x | 5.8x | 6.2x | 7.0x |
| **Historical Cash Flow Data**: [1] | | | | | |
| Operating cash flow before working capital changes | 440.2 | 450.7 | 457.8 | 235.6 | 223.9 |
| Net cash flow from operating activities | 164.5 | 172.8 | 177.7 | 86.8 | (54.5) |
| Net cash flow from investing activities | (100.5) | (182.8) | (156.1) | (139.2) | 25.4 |
| Net cash flow from financing activities | (70.2) | 33.2 | (23.0) | 21.7 | 70.8 |
| Net increase (decrease) in cash and cash equivalents | (5.0) | 20.8 | (0.8) | (30.6) | (42.4) |

Notes:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. Balance sheet and cash flow statement information has not been restated. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

(2) The financial information for the year ended August 31, 2010 was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the year ended August 31, 2011. Balance sheet and cash flow statement information has not been restated. See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2011 for more information regarding discontinued operations. Our factory and the related business in Dijon, France that were part of our consumer activities are included in the presentation for the fiscal year ended August 31, 2010.

(3) The financial information for the six-month period ended February 29, 2012 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the six-month period ended February 28, 2013. Balance sheet and cash flow statement information has not been restated. See note 4 to our consolidated interim financial statements as of and for the six-month period ending February 28, 2013 for more information regarding discontinued operations.

(4) Net working capital is defined as current assets less current liabilities, excluding cash and cash equivalents, short-term deposits, and derivative financial assets and liabilities in relation to financing activities.

(5) Net debt represents total debt less cash and cash equivalents and short-term deposits.

(6) EBITDA is equal to operating profit plus depreciation of property, plant and equipment, plus amortization of intangible assets all from continuing operations.

(7) Operating profit (EBIT) per tonne is equal to operating profit (EBIT) divided by sales volume of our continuing operations.

The following table shows how we calculate EBITDA:

| | For the fiscal year ended August 31 | | | For the six months ended February 28/29 | |
|---|---|---|---|---|---|
| | **2012[(1)]** | **2011[(1)]** | **2010[(1)]** | **2013[(1)]** | **2012[(1)]** |
| | | | *(CHF in millions)* | | |
| **Operating profit (EBIT)** | **353.2** | **362.3** | **341.1** | **173.8** | **177.6** |
| Depreciation of property, plant, and equipment | 62.1 | 53.8 | 59.4 | 35.0 | 29.0 |
| Amortization of intangible assets | 19.0 | 14.2 | 14.1 | 11.3 | 9.0 |
| EBITDA | 434.3 | 430.3 | 414.6 | 220.1 | 215.6 |

Notes:
(1) All figures are based on the continuing operations.

The following table shows how we calculate net debt:

| | As of August 31 | | | As of February 28/29 | |
|---|---|---|---|---|---|
| | **2012** | **2011** | **2010** | **2013** | **2012** |
| | | | *(CHF in millions)* | | |
| Bank overdrafts | 34.3 | 17.3 | 13.5 | 50.3 | 16.6 |
| Short-term debt | 117.3 | 130.0 | 175.9 | 213.6 | 318.2 |
| Long-term debt | 845.9 | 684.9 | 699.5 | 770.3 | 716.1 |
| **Total debt** | **997.5** | **832.2** | **888.9** | **1,034.2** | **1,050.9** |
| Cash and cash equivalents | (53.9) | (42.0) | (17.4) | (39.3) | (83.7) |
| Short-term deposits | (0.7) | (0.4) | (0.7) | (1.0) | (1.7) |
| **Net debt** | **942.9** | **789.8** | **870.8** | **993.9** | **965.5** |

The following table shows how we calculate net working capital:

| | As of August 31 | | | As of February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | | | *(CHF in millions)* | | |
| Trade receivables and other current assets | 570.2 | 462.8 | 587.4 | 641.5 | 674.6 |
| Inventories | 1,108.2 | 1,065.7 | 1,186.2 | 1,111.5 | 1,149.2 |
| Current income taxes | 4.7 | 2.1 | 2.8 | 5.7 | 2.5 |
| Derivative financial assets | 414.2 | 245.9 | 370.6 | 268.6 | 610.9 |
| Trade payables and other current liabilities | (657.6) | (657.2) | (769.5) | (770.9) | (901.4) |
| Current income tax payables | (38.3) | (70.2) | (42.0) | (44.5) | (72.9) |
| Derivative financial liabilities | (362.4) | (143.5) | (371.1) | (195.5) | (416.1) |
| – Net derivative financial assets and liabilities, related to financing activities and other | 12.4 | (10.0) | 16.1 | 17.4 | 7.0 |
| Provisions | (12.2) | (7.5) | (15.6) | (7.6) | (8.7) |
| **Net working capital** | **1,039.2** | **888.1** | **964.9** | **1,026.2** | **1,045.1** |

## Summary of Our Twelve Month Financial Information

| | **As of and for the twelve months ended February 28, 2013[1]** *(in millions, except ratios)* |
|---|---|
| | *(CHF)* |
| **Key Financial Data:** | |
| Revenue from sales and services | 4,771.5 |
| Total operating expenses | (4,422.1) |
| Operating profit (EBIT) | 349.4 |
| Financial income and expenses, net | 79.2 |
| Net profit | 162.8 |
| EBITDA[2] | 438.8 |
| Capital expenditure | 209.5 |
| Net debt[3] | 993.9 |
| Ratio of net debt[3] to EBITDA[2] | 2.3x |
| Ratio of EBITDA[2] to financial income and expenses, net | 5.5x |

Notes:

(1) Figures for the twelve months ended February 28, 2013 have been calculated by adding the six-month results for the periods ended August 31, 2012 and February 28, 2013. These figures are for information purposes only and do not form part of any published audit, review or other report.

(2) EBITDA is equal to operating profit plus depreciation of property, plant and equipment, plus amortization of intangible assets all from continuing operations.

(3) Net debt represents total debt less cash and cash equivalents and short-term deposits.

## Summary of the Historical Financial Information of the Petra Foods Cocoa Ingredients Division

*The following table sets forth summary financial information of the Petra Foods Cocoa Ingredients Division for the years ended December 31, 2012 and 2011, which has been derived from the notes to the audited consolidated financial statements of Petra Foods as of and for the year ended December 31, 2012, (prepared in accordance with Singapore Financial Reporting Standards), where the Petra Foods Cocoa Ingredients Division is presented as discontinued operations, unless otherwise stated.*

| | For the year ended December 31 | |
|---|---|---|
| | **2012** | **2011** |
| | *(U.S.$ in millions unless otherwise stated)* | |
| **Historical Income Statement Data**: | | |
| Revenue | 1,029.4 | 1,276.3 |
| Expenses | (1,019.2) | (1,226.9) |
| Finance costs | (28.3) | (25.5) |
| (Loss)/Profit before exceptional items and before income tax | (18.1) | 23.9 |
| Exceptional items | (13.3) | _ |
| (Loss)/Profit before income tax from discontinued operations | (31.4) | 23.9 |
| Income tax | 2.8 | (2.7) |
| Total (Loss)/Profit from discontinued operations | (28.6) | 21.2 |
| **Other Financial and Operating Data**: | | |
| Sales volume (in tonnes)(1) | 255,872 | 265,053 |
| EBITDA(2) | 23.1 | 65.8 |
| EBITDA per tonne (in U.S.$)(3) | 90.3 | 248.1 |

Notes:

(1) Derived from the Petra Foods annual report for the year ended December 31, 2012.

(2) Defined as profit before tax plus interest expense, fair value result on interest rate derivatives, exceptional items, interest income, depreciation of property, plant and equipment and amortization of intangible assets.

(3) Derived from the Petra Foods annual report for the year ended December 31, 2012.

The following table shows how EBITDA for the Petra Foods Cocoa Ingredients Division is calculated.(1)

| | For the year ended December 31 | |
|---|---|---|
| | **2012** | **2011** |
| | *(U.S.$ in millions)* | |
| (Loss)/profit before tax | (31.4) | 23.9 |
| Interest expense | 28.3 | 25.5 |
| Fair value gain on interest rate derivatives | (0.6) | (0.6) |
| Exceptional items | 13.3 | - |
| Interest income | (0.1) | (0.1) |
| Depreciation and impairment of property, plant, and equipment | 13.4 | 16.6 |
| Amortization of intangible assets | 0.2 | 0.4 |
| **EBITDA** | **23.1** | **65.8** |

Notes:

(1) Derived from the Petra Foods unaudited financial statements and dividend announcement for the fourth quarter and full year ended December 31, 2012, as published by Petra Foods.

## RISK FACTORS

*We believe that the following factors may affect our ability to fulfill our obligations under the Notes. Some of these factors are contingencies and we are not in a position to express a view on the likelihood of any such contingency occurring or not occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with the Notes are also described below. If any of the risks described below materializes, the Group's business, prospects, financial condition, cash flows or results of operations may be materially adversely affected. If that were to happen, the trading price of the Notes may decline or we may be unable to pay interest, principal or other amounts on or in connection with the Notes and you may lose all or part of your investment. Furthermore, the Notes will have no established trading market when issued and one may never develop. If a market does develop, it may not be liquid. Therefore, you may not be able to sell your Notes easily or at prices that will provide you with a yield comparable to the yield on the Notes.*

*We believe that the factors described below represent the principal risks inherent in investing in the Notes, but our inability to pay interest, principal or other amounts on or in connection with the Notes or otherwise perform our obligations under the Notes may occur for other reasons which may not be considered significant risks by us based on information currently available to us or for reasons which we may not currently be able to anticipate. You should also read the detailed information set out elsewhere in this Offering Circular and reach your own views prior to making any investment decision.*

*The order in which the risk factors are presented does not necessarily reflect the likelihood of their occurrence or the magnitude of their potential impact on our business, prospects, financial condition, cash flows or results of operations.*

### Risks Relating to the Acquisition

#### *We may experience difficulties in integrating the Petra Foods Cocoa Ingredients Business, including its arrangements with customers*

Our ability to achieve the benefits we anticipate from the Acquisition will depend in large part upon whether we are able to integrate the Petra Foods Cocoa Ingredients Business into our business in an efficient and effective manner. We may not be able to integrate the Petra Foods Cocoa Ingredients Business smoothly or successfully and the process may take longer or cost more than expected. The integration of certain operations and the differences in operational culture following the Acquisition will require the dedication of significant management resources, which may distract management's attention from day-to-day business operations. Integration planning has already required significant management resources. If we are unable to successfully integrate the operations of the Petra Foods Cocoa Ingredients Business into the Group, we may be unable to realize the anticipated benefits we expect to achieve as a result of the Acquisition and our business and results of operations could be adversely affected.

Successfully integrating the Petra Foods Cocoa Ingredients Business will depend on our ability to manage a variety of issues, including the following:

- customers of the Petra Foods Cocoa Ingredients Business may reduce, delay or defer decisions concerning their purchase of our products as a result of the Acquisition or uncertainties related to the consummation of the Acquisition;
- integrating the Petra Foods Cocoa Ingredients Business with our existing operations will require us to integrate various information technology platforms, management information and quality control systems, marketing, and customer service operations and product offerings, as well as address possible differences in corporate culture and management philosophies; and
- loss of key personnel or higher than expected employee attrition rates could adversely affect the performance of the Petra Foods Cocoa Ingredients Business and our ability to integrate that business successfully.

***We may not realize the growth opportunities and cost synergies that are anticipated from the Acquisition***

The benefits that are expected to result from the Acquisition will depend, in part, on our ability to realize the anticipated growth opportunities and cost synergies as a result of the Acquisition. See "The Acquisition—Rationale for the Acquisition" for a discussion of the strategic and financial rationale of the Acquisition. Our success in realizing the anticipated growth opportunities and synergies, and the timing of this realization, depends on the successful integration of the Petra Foods Cocoa Ingredients Business. Even if we are able to integrate the Petra Foods Cocoa Ingredients Business smoothly and successfully, this integration may not result in the realization of the full benefits of the growth opportunities and cost synergies that we currently expect, nor can we give assurances that these benefits will be achieved within anticipated time frames or at all. While it is anticipated that certain expenses will be incurred to achieve synergies, such expenses are difficult to estimate accurately and may exceed current estimates. Accordingly, the benefits from the Acquisition may be offset by costs incurred or delays in integrating the businesses.

***The Acquisition may not achieve the commercial objectives that we intend***

We are paying a significant purchase price for the Petra Foods Cocoa Ingredients Business, but there is no assurance that the Acquisition will achieve its commercial objectives. We believe the purchase price is justified in part because of the commercial objectives we expect to achieve by acquiring the Petra Foods Cocoa Ingredients Business. See "The Acquisition—Rationale for the Acquisition". Expected commercial benefits may not develop and other assumptions on which we based the purchase price may prove to be incorrect. Moreover, normal integration difficulties, or the absence of additional growth, may be seen in the capital markets as a failure of the Acquisition, which may have a material adverse effect on us. Similarly, our failure to achieve our commercial objectives of the Acquisition could permit competitors to gain market share based on the fact or perception that our products and services have declined after the Acquisition.

***If the Petra Foods Cocoa Ingredients Business does not perform well or we do not integrate it successfully, we may incur significant charges to write down the goodwill recorded in connection with the Acquisition***

As a result of the Acquisition, goodwill will increase substantially. Under IFRS, we are required to test the carrying value of our assets for impairment at least annually and more frequently if we have reason to believe that our expectations for the future cash flows generated by these assets may no longer be valid. If we determine that the goodwill has been impaired, we must write down the goodwill by the amount of the impairment, with a corresponding charge to net income. If the Petra Foods Cocoa Ingredients Business does not perform well or we do not integrate it successfully, the reporting segments containing parts of the Petra Foods Cocoa Ingredients Business may have fair values lower than their respective carrying values, which would result in a write down of goodwill. This could have a material adverse effect on our results of operations.

***The Acquisition of the Petra Foods Cocoa Ingredients Business may not be completed within the expected timeframe, or at all***

Completion of the Acquisition is subject to the satisfaction (or waiver) of a number of conditions precedent, including restructuring of the Indonesian business of the Petra Foods Cocoa Ingredients Business. See "The Acquisition—Summary of the Acquisition Agreement—Conditions to Completion". While we expect to complete the Acquisition in July 2013, there is no guarantee that the Acquisition will be completed or that there will not be delays. Failure to complete the Acquisition would, and any delay in completing the Acquisition could, prevent us from realizing the benefits that we expect from the Acquisition. See "—Risks Relating to the Notes—Release of the gross proceeds from the issue of the Notes from escrow is subject to the satisfaction of certain conditions, and we will be required to redeem the Notes if such conditions are not satisfied on or before the Escrow Longstop Date".

### *Regulatory agencies in certain jurisdictions may impose onerous conditions following the Acquisition*

In certain jurisdictions, although consent may not be required from the relevant regulator, there is a risk that the regulator may impose onerous requirements on us following the Acquisition. These conditions could have the effect, among other things, of imposing significant additional costs, limiting our revenues, requiring divestitures of certain assets, reducing the anticipated benefits of the Acquisition or imposing other operating restrictions.

### *We may discover contingent or other liabilities with the Petra Foods Cocoa Ingredients Business or other facts of which we are not aware that could expose us to loss*

Although under the terms of the Acquisition Agreement, Petra Foods has given certain representations, warranties and indemnities regarding the Petra Foods Cocoa Ingredients Business in our favor and we have conducted general due diligence in connection with the Acquisition, we may discover issues during the course of the integration into our group of the Petra Foods Cocoa Ingredients Business, including legal, regulatory, control, compliance and operational problems that may have a material adverse effect on our reputation as well as on the business, results of operations or financial condition of the Enlarged Group. In addition, liabilities associated with the Petra Foods Cocoa Ingredients Business may be substantial and may exceed the amount of liabilities we anticipate. Our ability to recover any amounts in respect of the representations, warranties and indemnities given by Petra Foods is subject to certain exceptions. The matters giving rise to the losses may not be recoverable under the representations, warranties and indemnities.

## Risks Relating to Our Business

### *We obtain cocoa beans, our primary raw material, from countries in West Africa and other emerging markets*

Cocoa beans, our primary raw material, are grown predominantly in West Africa. We estimate that West Africa accounted for approximately 70% of the world's cocoa bean supply in the October 2011 to September 2012 growing season, with the Ivory Coast accounting for approximately 36% of the world's supply. We are, like all other companies in the industry, substantially dependent on Ivory Coast and, to a lesser extent, Ghana, Cameroon, and Nigeria for the supply of cocoa beans. We also source cocoa beans from Brazil, Ecuador and Indonesia. As a result, we are exposed to political, economic and other uncertainties in West African and other emerging market countries, which could limit or disrupt the supply of cocoa beans or increase the cost of cocoa beans. These uncertainties include political instability, the imposition of trade barriers, foreign exchange restrictions and other significant changes in governmental policy, including nationalization.

The Ivory Coast entered a period of political instability triggered by the presidential elections in 2010. An EU-commissioned export ban resulted in a reduced output from the Ivory Coast for a period of five months and forced us to secure additional sourcing from other geographies. Although the Ivory Coast now has a government that is recognized by the international community, the new government will face several challenges to restore political stability and to restart the economy. Should instability in the Ivory Coast reoccur, the supply of our key raw material could be severely disrupted for extended periods, the prices at which we purchase cocoa beans would likely increase significantly, and we could be forced to increase our use of cocoa beans from other regions in which our operations may be less extensive or less cost-efficient. This could have a material adverse effect on our business, financial condition, results of operations and cash flows.

Countries from which we source cocoa beans may also institute mechanisms that materially alter the way in which we obtain cocoa beans from them or unilaterally set prices for cocoa beans to the detriment of cocoa bean processors such as ourselves. Most recently, we have experienced and continue to experience the effects of the transition in the Ivory Coast from a liberal cocoa bean procurement system to a regulated system, where an administrative body issues cocoa bean export licenses that are sold through an auction process. The system was introduced last year and certain legal, financial and procedural aspects have only

recently been set and many are still unclear. This has led to uncertainty and additional costs to cocoa bean processors such as ourselves. In addition, the Ivory Coast's cocoa regulatory reform eliminated export duty discounts for companies processing cocoa beans in the Ivory Coast, like us. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—New Procurement System in the Ivory Coast" for a description of the cocoa reform in the Ivory Coast.

We own and operate cocoa bean processing infrastructure in West Africa and other emerging markets. Our production facilities in these countries could be subject to disruption as a result of political instability or the expropriation or nationalization of our assets situated there. We cannot assure you that we will not experience shut-downs or that any of our processing facilities, warehouses or inventories will not be nationalized, expropriated or damaged as a result of civil and political disturbances, any of which could result in the long-term loss of one or more of our facilities and result in significant future costs or losses to us.

We have taken steps to mitigate many of the uncertainties we face from operating in the countries from which we source cocoa beans. We are further diversifying our sourcing activities so that a greater proportion of our cocoa beans come from outside of West Africa. The Acquisition will add Southeast-Asia and South America as important sources of cocoa beans. We maintain a policy of fast shipments out of the Ivory Coast in order to minimize local product stocks. In addition, we hold strategic stocks of cocoa beans at locations outside of cocoa bean growing countries. Although we believe that we can reduce the risks associated with our sources of supply through these measures, we cannot eliminate these risks.

***Cocoa bean and other raw material prices impact our profitability and cash flows. Cocoa bean prices have fluctuated significantly in the past and could have a material adverse effect on our business and results of operations***

Our results of operations are influenced by market prices for cocoa beans and, to some extent, dairy, sugar, nuts and other volatile raw materials. Fluctuations in the price of raw materials can result from poor harvests due to unfavorable weather conditions, disease, political instability and other factors (e.g., terminal market speculations). Supply and demand in the chocolate industry changes in a dynamic manner, which can impact prices. Historically, poor harvests of cocoa beans in 2000 and 2001 and political instability in the Ivory Coast resulted in an increase of approximately 130% in the price of cocoa beans during that period. The political situation in the Ivory Coast in 2011 resulted in a large increase in cocoa price volatility. After that period, the volatility has significantly reduced. We do mitigate exposure to raw material price fluctuation by generally passing on such prices to our customers. Nonetheless we cannot assure you that we are always able to fully hedge our sales commitments and completely eliminate the impact of raw material price changes on our profitability and cash flows.

We attempt to mitigate the impact of volatility in our raw material costs through "cost-plus" pricing in our Food Manufacturers Product Group, through cocoa bean and other raw material hedging arrangements and (where possible) price increases in our Gourmet & Specialties Group. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Overview of the Business". We execute cocoa bean hedging transactions by purchasing and selling forward contracts on the London and New York Cocoa Terminal Markets. For raw materials with no terminal market, hedging is done by physical forward contracts, if feasible. For certain raw materials that we use in our products, we may stay exposed to unfavorable price movements. As a result of the short useable lifespan of certain of the raw materials we use, such as dairy, sugar and nuts, it is not possible to store such materials for long periods of time before they are used in the production of chocolate. For this and other reasons, longer-term forward contracts are not always available, or only at substantial high risk premiums.

In our Food Manufacturers Product Group, we believe our exposure to movements in cocoa bean and other volatile raw material prices is somewhat limited, as contract prices and volumes are normally fixed at the same date, enabling us to hedge our exposure to price movements after the contract date. In our Gourmet & Specialties Group (10% of our total sales volume in fiscal year 2012), our customers normally specify contract volumes on the basis of price lists, which we issue at regular intervals (typically every six to

12 months). However, as customer contract volumes are not committed at the date our price lists are issued, we must hedge exposure to cocoa bean and other raw material price movements on the basis of forecasted customer demand. Our policy is to fully hedge our forecasted cocoa bean and other volatile raw material requirements for the validity of our issued price lists.

Notwithstanding our hedging practices, we cannot fully eliminate the risks of movements in volatile raw material prices. For instance, if cocoa bean prices increase following the issuance of a price list, our margins will be adversely impacted to the extent we have not hedged underlying volumes, unless we reissue price lists that reflect the increased cost to us of purchasing cocoa beans at the higher price. In addition, our customer contracts typically permit our customers to demand deliveries of chocolate at intervals, which do not correspond exactly to our forward purchase contracts. Furthermore, if customers delay purchasing our products, we may incur additional financing and storage costs. Finally, if we under-forecast actual sales volumes (and, consequently, do not hedge 100% of actual sales during the period of a price list) and raw material prices increase after the date we issue the relevant price list, our margins can be adversely affected. Conversely, if we over-forecast actual sales volumes and raw material prices decrease below those at which we have hedged expected volumes, we will not generate margins that we could have achieved had we purchased the goods after the raw material price decrease.

We can provide no assurance that our hedging policy will be successful or that structural changes in the raw materials markets will not themselves give rise to losses on our hedging activities. Due to our business model, to buy cocoa beans during the crop and sell them in the future, we are structurally exposed to carry costs that we may not be able to cover using available hedging instruments. As a result, changes in the prices of cocoa beans and other raw materials could have a material adverse effect on our business, financial condition, results of operations and cash flows. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risks—Commodity Price Risk” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Significant Accounting Policies”.

In addition, certain countries such as Ghana, Cameroon and Indonesia offer tax incentives for local processors, which reduce our average cost of cocoa beans. In the event that we were to cease processing cocoa beans (or reduce processing volume) in such countries or local governments decide to change or eliminate tax incentives or other advantages from which we benefit, our average cost of cocoa beans could increase. We can provide no assurance that the current levels of export duty discounts will be maintained or will not be reduced significantly or removed completely in the future. Any reduction in export duty discounts or other advantages from which we benefit would result in the increase in the average cost of our cocoa beans. The Ivory Coast has recently eliminated export duty discounts for companies processing cocoa beans in the Ivory Coast, which has negatively affected our results for the six-month period ended February 28, 2013. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Factors Affecting Our Results of Operations—New Procurement System in the Ivory Coast” for a description of the cocoa reform in the Ivory Coast.

### *Volatility in cocoa bean prices affects our working capital requirements*

The purchase of cocoa beans is our most significant operating expense, representing in excess of CHF 1,400 million in each of our last three fiscal years. The majority of our inventories are also based on cocoa beans or cocoa based products. The price of cocoa beans affects our net working capital, in particular inventory, derivative financial assets and liabilities, trade receivables, and trade payables. As the largest part of value is related to cocoa, the value of the inventory is not only subject to fluctuations of volume but also the cocoa price volatility. Because of cocoa price volatility, it is crucial for us to have access to financing for working capital needs. Access to such financing is particularly critical for the main cocoa bean harvest season, when our working capital requirements are highest. If our financing arrangements were cancelled or we were not permitted to borrow thereunder, we would be unable to finance required purchases of cocoa beans unless we could arrange alternative financing arrangements. We cannot assure you that we would be able to arrange alternative financing facilities on terms that would be acceptable to us or at all. Any disruption to our working capital financing could have a material adverse effect on our business, financial condition, results of operations and/or cash flows.

### *Diverse political, legal, economic and other factors affecting the markets in which we operate could adversely affect us*

We are present in 30 countries, operate 42 production facilities and sell our products across the world. As a consequence, our business is subject to risks related to differing political, legal, regulatory and economic conditions and regulations. These risks include:

- varying tax regimes which could adversely affect our results of operations or cash flows, including regulations relating to transfer pricing and withholding taxes on remittances and other payments by our subsidiaries;
- differences and unexpected changes in regulatory environments, including environmental, health and safety and labor laws and rules and regulations;
- the introduction or application of more stringent product norms and standards and associated costs;
- insufficient provisions for retirement obligations; and
- recessionary trends, inflation and instability of the financial markets.

We cannot ensure that we will be able to develop and implement systems, policies and practices to insure effectively against or manage these risks, or that we will be able to ensure compliance with all the applicable regulations without incurring additional costs. If we are not able to do so, our business, financial condition, results of operations and cash flows could be adversely affected.

### *We are expanding into territories with different cultural, political and economic environments*

We are currently increasing our presence in emerging markets, such as Turkey, Chile, Indonesia, Eastern Europe, Latin America and Asia. We are aware that doing business in these markets might be different from doing business in the territories that we traditionally cover. We try to reduce potential risks by working closely with experienced consultants and skilled local employees and by planning for contingencies. Nonetheless, it is possible that projects could be delayed or experience costs overruns and we are exposed to political and cultural uncertainties. Such developments could adversely affect our global expansion plans, business, financial condition, results of operations, cash flows or our relationships with customers.

### *One or more of our significant long-term outsourcing agreements and strategic partnerships may be terminated or may not be renewed, and we may not be able to enter new ones*

In the past several years we have entered into a number of important, long-term outsourcing agreements and strategic partnerships with our customers. These are limited in time, and may be subject to early termination rights. Volumes sold under long-term outsourcing agreements or strategic partnerships are a key driver of our results of operations. Failure to renew, or early termination of, existing long-term outsourcing agreements or strategic partnerships, or failure to enter into new agreements or failure to negotiate terms that are attractive to us, could have a material impact on our results of operations.

In fiscal year 2012, our single largest customer accounted for approximately 15.1% (CHF 730.8 million) of our revenues. No other single customer contributed more than 10% of total consolidated revenues. In fiscal year 2012, our top 15 customers accounted in aggregate for approximately 37% (CHF 1,799 million) of our total sales revenue. The loss of one or more of our largest customers could have a material impact on our results of operations.

### *There are risks arising from our recent and future acquisitions*

From time to time, we may seek to complement the organic growth of our business with both opportunistic and strategic acquisitions of other companies or businesses. Furthermore, we plan to continue to lock-in additional sales volumes through outsourcing agreements with strategic partners, which might require the integration of acquired assets into our own operations, as well as the construction of new factories associated with long-term outsourcing agreements.

We may assume liabilities (including contingent liabilities) when we acquire companies. Furthermore, the integration of any business that we acquire or long-term agreements that we conclude will be subject to a number of conditions beyond our control, including the possibility of adverse general and regional economic conditions, general negative industry trends and competition. We may be unable to achieve the anticipated synergies (including cost savings) from such acquisitions. In addition, the profitability of any business that we acquire and the profitability of our Group may decline as we integrate a newly-acquired business. As a result, we cannot assure you that any future acquisitions and the integration of acquired businesses will not adversely affect our business, financial condition, results of operations or cash flows.

***The achievement of our business plan depends on our ability to manage our growth and to allocate scarce personnel resources to the management and integration of subsidiaries worldwide.***

Our success as a business depends upon our management and key personnel. Our constant expansion and the global nature of our business will create pressure on our management personnel and other resources and their ability to maintain control over our global operations, and our future performance will depend upon their continued services and their ability to continue the smooth integration, management, and control of our subsidiaries worldwide. If we are unable to manage our growth in this way, our business could be adversely affected.

Additionally, our global growth depends on the availability of educated and dedicated people and our ability to retain them, as well as to integrate new staff into our organization. A significant part of our future growth may be in regions and countries which might culturally be very different to markets in which we currently operate. We cannot assure that we will be able to find and retain enough qualified staff at all levels. We might also lack knowledge of how to operate and integrate activities in new countries. If we are unable to hire educated and dedicated people our business could be adversely affected.

***Our performance depends on favorable labor relations with our employees***

As of August 31, 2012, we had approximately 6,100 employees, the majority of whom are covered by collective bargaining agreements or are members of labor unions. Our operations depend on the availability, retention and relative costs of labor and on maintaining satisfactory relations with employees and the labor unions. Labor relations issues arise from time to time, including issues in connection with union efforts to represent employees at our plants and with the negotiation of new collective bargaining agreements as well as with issues associated with factory closures and restructurings. If we fail to maintain satisfactory relations with our employees or with the unions, we may experience labor strikes, work stoppages or other labor disputes. Negotiation of collective bargaining agreements could also result in higher ongoing labor costs. Any significant increase in labor costs, deterioration of employee relations, slowdowns or work stoppages at any of our locations, whether due to union activities, employee turnover or otherwise, could have a material adverse effect on our business, financial condition, results of operations and cash flow.

***Competition within the markets in which we operate is strong and could adversely affect us***

The global cocoa and chocolate industry is undergoing a period of consolidation. Competition in the chocolate production, processing and retailing industries has increased as a number of companies in the industry have gained market share by acquiring other companies, expanding into new territories or entering into partnerships or joint ventures.

With respect to sales of semi-finished products, such as cocoa liquor and cocoa butter, we compete primarily against large industrial companies, such as Archer Daniel Midlands Company (“ADM”) and Cargill Inc. (“Cargill”). Competition in these markets is based on price, especially for cocoa butter. For cocoa liquor and especially for cocoa powder, product quality, branding, innovation, and range as well as customer service represent key competitive factors.

Regarding industrial chocolate, we compete with a number of global and regional players, such as ADM, Cargill, and Puratos Group as well as Altin Marka (Europe), Blommer (US), and Cémoi (Europe). We

generally do not consider large branded consumer chocolate producers such as Hershey's, Mars, Mondelez, and Nestlé our competitors, as we do not operate in the branded consumer chocolate market and many of these companies are our customers. We compete to a limited extent with fully vertically integrated consumer chocolate producers who primarily meet their own industrial chocolate needs and sell any excess production into the open market (e.g., Cémoi, Meiji, Natra, Ülker Gida).

Competition in the industrial chocolate market is based upon various factors, including customer service and technical support, product innovation, quality, and specifications, distribution capabilities and reliability as well as price. Global customers in the biscuit and ice cream sectors of the industrial chocolate market, which account for a significant portion of our sales, principally differentiate among suppliers on the basis of product quality, specifications, and price. Price competition in certain of our target markets has been intense in recent years, mainly due to industry overcapacity. Pricing pressure within these markets has also largely been driven by intense competition among food manufacturers, who constitute a significant portion of our customer base.

In the gourmet and specialties market, competition is based on product quality, customer service and, to a lesser extent, price. In this market, we face competition from market participants, such as Valrhona, Belcolade and Felchlin, who benefit from local affiliations, geographical proximity to their customers and chocolate production know-how. These local competitors also compete on the basis of price and may do so at different price points (for example, processed and specialty products).

Price competition or the loss of market share in one or more of our geographic or product markets could have a material adverse effect on our business, financial condition, results of operations or cash flows. See "Business—Competition".

### *Unfavorable currency exchange rate fluctuations could adversely affect us*

We report our financial results in Swiss francs. We have foreign currency denominated revenues, expenses, assets and liabilities due to our global operations. As a consequence, movements in exchange rates affect our profitability, the comparability of our results between periods, and the carrying value of our assets and liabilities.

When we incur expenses that are not denominated in the same currency as the related revenues, foreign exchange rate fluctuations could adversely affect our profitability. Our operating expenses (other than the cost of cocoa beans) are generally denominated in the same currency as associated revenues, lessening the impact of exchange rate movements on our operating profit. Our purchases of cocoa beans are denominated primarily in pounds sterling and, to a lesser extent, CFA Franc (which is tied to the euro) and the U.S. dollar, whereas our revenues are predominantly denominated in euro (38% in fiscal year 2012) and U.S. dollars (18% in fiscal year 2012). As a consequence, we hedge our foreign currency exposure to protect against fluctuations in currency exchange rates related to transactions, particularly the euro/pound sterling and euro/U.S. dollar exchange rates. We cannot assure you, however, that our hedging activities will eliminate foreign exchange rate exposure at an acceptable cost, or at all. Failure to do so could have an adverse effect on our business, financial condition, result of operations or cash flows. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risks—Foreign Exchange Risk".

In addition, even where revenues and expenses are matched, we must translate non-Swiss franc denominated results of operations, assets and liabilities into Swiss francs in our consolidated financial statements. To do so, balance sheet items are translated into Swiss francs using fiscal year-end exchange rates, and income statement and cash flow items are translated using average exchange rates during the relevant period. Consequently, increases and decreases in the value of the Swiss franc versus other currencies will affect our reported results of operations and the value of our assets and liabilities in our consolidated balance sheet, even if our results of operations or the value of those assets and liabilities has not changed in their original currency. These translations could significantly affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity.

### *Our future growth depends, in part, on enhancing our leadership position in the food manufacturers market*

Our future success depends, in part, on achieving our goal of enhancing our position as the market leader in the food manufacturers market. This goal is based on our belief that manufacturers will increasingly outsource cocoa processing and chocolate production in order to focus on product management and marketing. We can provide no assurance that this trend will materialize to the extent we forecast, if at all. Any failure of this trend to materialize may affect our future results of operations.

### *Our sustainability initiatives may fail to deliver the outcomes we anticipate or may deliver unanticipated negative outcomes*

We regularly initiate sustainability initiatives in the countries from which we source cocoa beans with the intention to improve the livelihoods of farmers and the environmental impact of agricultural practices. We believe that our increased focus on sustainability is an important attribute that makes us attractive to our customers, especially our strategic partners. Since 2001, we have been working with cooperatives and farmers interested in obtaining independent certifications by providing training in the standards set by the Good Agricultural Practices (the "GAP") that have been developed by the industry, governments and non-governmental organizations, modern farming techniques, and technical support to set up internal control systems that are required by the certification systems. Despite our efforts, our training may be inadequate, result in the farmer losing or not obtaining certification, and have a material adverse effect on our reputation.

We have also launched our own cocoa sustainability initiative, the "Quality Partner Program", in 2005. In 2012, we announced a new global sustainability initiative called "Cocoa Horizons" to achieve sustainable cocoa production and to inspire the next generation of modern cocoa farmers. Despite our efforts, none of our sustainability initiatives may deliver anticipated outcomes and may deliver unanticipated negative outcomes. In consequence, we may be unable to attract new customers and may be unable to prevent customers from obtaining their ingredients elsewhere. Our sustainability efforts will also not prevent customers from contracting with our competitors if they are perceived to have a better public image, for example in relation to child labor, fair trade or environment.

### *Our future growth depends, in part, on our ability to secure sustainable supply of suitable quality cocoa*

Because cocoa is a crucial part of our supply chain, securing a sustainable supply of suitable quality cocoa beans in order to deliver our third-party sales contracts is key to our future success. We may not be able to obtain sufficient volumes of cocoa beans. Also, in the mid- to long-term, if consumption continues in line with the current rate, then there may be a shortfall in high-quality cocoa beans due to the conversion of cocoa bean fields to fields supporting other higher value cash crops. In consequence we may be unable to produce high-quality cocoa bean products in the amounts we require.

### *We may incur environmental liability and capital costs in connection with our past, present and future operations, which could have an adverse effect on our profitability and cash flows*

Our production and manufacturing operations, like those of similar companies, are subject to extensive environmental laws and regulations in many of the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, air emissions, asbestos, noise, discharges to water, the use, handling, storage, release and disposal of hazardous materials, the protection of employee health and safety, certain disclosure obligations and the remediation of environmental contamination.

We may be required to pay fines or damages as a result of past, present or future violations of applicable environmental laws and regulations even if these violations occurred prior to our acquisition of companies or operations. We may also be required to undertake investigations, remedial activities or both regarding past, present or future contamination or noise and smoke emissions at former, present or future facilities. We may also be required to curtail operations or close facilities temporarily or permanently in

connection with applicable environmental laws and regulations. Furthermore, as these laws and regulations or the interpretation of these laws and regulations change, we may incur additional costs to maintain compliance. We could become subject to claims for personal injury, property damage or violations of environmental law. Any of these actions may harm our reputation and adversely affect our business, financial condition, results of operations and cash flows.

Although we maintain insurance in respect of environmental liability, we cannot assure you that these insurance policies will be sufficient to cover all damages we may suffer in connection with the cost of compliance with, or liability for breach of, environmental laws and regulations. Furthermore, our insurance policies cover only losses or liabilities arising out of environmental pollution deriving from sudden and accidental causes, and do not provide for the reimbursement of costs associated with monitoring pollution and contaminating substances, or with the adoption of remedial measures. Our liability insurance coverage for pollution in the United States and in Canada is on a named perils basis and in the rest of the world on a sudden and accidental basis, both within the limits of our liability insurance policy, without any sublimit, and without any yearly aggregate limit.

### *Our products may contain ingredients or other substances which could cause injury to consumers and are subject to regulation*

Regardless of testing, it is a risk within the food manufacturing industry that products could contain ingredients or other substances that could cause injury to people, particularly when new products are launched or enhanced products are introduced. Allergens and the carry-over into other products via the raw materials or the manufacturing process are a key focus of attention. Any such injuries could result in claims, loss of revenues, costs associated with product recalls, litigation or harm to our reputation.

We produce and sell food products in a number of jurisdictions around the world, and the manufacturing, processing, packaging, labeling and advertising of our products are subject to regulatory regimes in each of those jurisdictions. These laws and regulations include the regulations of the United States Food and Drug Administration in respect of our operations in the United States, as well as EU directives implemented into local law in the European jurisdictions in which we operate. These laws and regulations prescribe standards for, among other things, food safety and good manufacturing practices, which set out the standards for facilities, equipment and personnel required to produce products for human consumption. At the sales level, we are also subject to regulations requiring accurate labeling of nutritional values and product composition, which could expose us to enhanced risk. The laws and regulations to which we are subject in this area are subject to change and revision, and we cannot assure you that we will be in full compliance at all times with all such laws and regulations.

We can provide no assurance that we will not face material product liability claims or product recalls in the future, that we will be able to successfully dispose of any such claims or effect product recalls within acceptable costs, or that we will be able to comply with existing or future regulations relating to the manufacture, processing, packaging, labeling or advertisement of our products at an acceptable cost. Moreover, a material product liability claim or product recall, even if successfully concluded at an acceptable cost, could have a material adverse effect on our reputation. Although we maintain insurance in respect of product liability, we cannot assure that such insurance policies will be sufficient to cover all damages we may suffer in connection with liability for breach of consumer or health and safety laws and regulations. In particular, our insurance coverage for product recall expenses, delay in deliveries and financial losses are limited per occurrence and in aggregate per insurance year. Any successful product liability claim or product recall above this limit could have an adverse effect on our business, financial condition, results of operations and/or cash flows.

### *Demand for our products could be affected by changes in consumer preferences and demands*

Our principal product is industrial chocolate, which we supply to chocolate manufacturers, biscuit manufacturers, ice cream manufacturers and others. In recent years, the media and certain government regulators have become increasingly concerned with rising obesity levels around the world, particularly in children, and consumers have become increasingly aware of issues relating to nutrition and health. If

prevailing health or dietary preferences and perceptions should cause consumers to avoid any of our products or if there is negative publicity about chocolate products, demand for our products could decrease, which could have a material adverse effect on our business, financial condition, results of operations and/or cash flows.

### *Our future growth depends in part on our ability to be innovative and on protecting our proprietary trade secrets*

Innovation is a key element of our four-pillar strategy. While we believe that we are recognized as an innovation leader in the chocolate industry, we may not be able to maintain this position. Our competitors may be more innovative than we are, which could have a negative impact on our ability to enter into outsourcing agreements. We regard certain of our recipes, the design of certain parts of our operating machinery and certain processing procedures used in the manufacture and creation of our products as proprietary trade secrets and confidential information. We have patents and patent filings pending on some of our processes, although we rely largely upon customary confidentiality and non-compete clauses in the employment contracts of employees involved in research and development ("R&D") to maintain the trade secrecy of such recipes, designs and procedures. We cannot assure you that these means of protection will be effective against unauthorized replication of our recipes, designs or use of our processing procedures, or that our competitors will not develop minor variations in such products or processes, or new products or processes that respond more immediately to changing consumer tastes in chocolate-based food products. Any failure to protect adequately our proprietary trade secrets and confidential information and failing to maintain our position as an innovation leader could have an adverse effect on our business, financial condition, results of operations or cash flows. See "Business—Licenses, Brands and Intellectual Property Rights".

### *We may not be able to implement our cost leadership strategy*

Our ability to operate efficiently and manage our operating costs, including manufacturing, supply chain and overhead costs, are important factors affecting our results of operations. Cost leadership is an important reason why our international customers outsource chocolate production to us. We may not be successful in continuously improving our operational and cost efficiency and achieving our cost savings targets and targets for reductions of manufacturing costs per tonne, which could have a material impact on our results of operations and our ability to win outsourcing contracts.

### *We may incur additional liabilities in connection with our pension plans*

In certain countries, we have pension plans under which we have an obligation to provide agreed benefits to current and former employees. Our net liabilities under defined benefit plans may be significantly affected by changes in the discount rate, the expected return on the plans' assets, the social security rate, the rate of increase in salaries and pension contributions, changes in demographic variables or other events and circumstances. Changes to local legislation and regulation relating to defined benefit plan funding requirements may result in significant deviations in the timing and size of the expected cash contributions under such plans. There can be no assurance that we will not incur additional liabilities relating to our pension plans, and these additional liabilities could have a material adverse effect on our business, results of operations, financial condition and cash flow.

### *Our reputation is one of our key assets and if that reputation is harmed, our business and results of operations may suffer*

We are exposed to the risk of negative publicity, press speculation and threatened or actual legal proceedings concerning our business, which may harm our reputation. Negative publicity could, for example, arise from an alleged or actual violation of anti-bribery, anti-corruption or related laws and regulations or the alleged or actual use of child labor by one of our suppliers of cocoa beans. Any damage

to our reputation could cause existing customers to terminate their outsourcing agreements or prevent us from winning new outsourcing agreements. Any of these negative effects could adversely affect our business or results of operations.

***The control which our principal shareholder may exert over us may adversely affect us and the Noteholders***

We are currently controlled by Jacobs Holding AG, which owns approximately 50.12% of the issued share capital of Barry Callebaut AG. As controlling shareholder, Jacobs Holding AG can exert its influence over us and is able to determine the outcome of a significant number of matters submitted to a vote of all shareholders, including the election of members to our board of directors, the approval of our annual financial statements and the declaration of dividends. Through its control of the board of directors of Barry Callebaut AG, our principal shareholder can also cause Barry Callebaut AG and its subsidiaries to incur additional debt, pursue acquisitions, divestitures or other transactions or take other action that could enhance the value of its equity investment, even though those transactions may involve risks to the Noteholders. It is likely that Jacobs Holding AG will retain a majority interest in Barry Callebaut AG for the foreseeable future. We cannot assure you that the interests of our controlling shareholder will be aligned with the interests of the Noteholders.

***We may be affected by conflicts of interest when entering into transactions with related parties***

In the past, we have engaged, and will continue in the future to engage, in transactions with related parties. We believe that these related party transactions are conducted on terms substantially equivalent to those we would have entered into had they been negotiated on an arm's-length basis with third parties and intend to continue to transact business with related parties on arm's-length terms. However, we can provide no assurance that related party transactions will not be affected by conflicts of interest between us and related parties. See "Major Shareholders and Related Party Transactions".

***Our tax burden could increase due to changes in tax laws or their application or interpretation, or as a result of current or future tax audits***

We are present in 30 countries and, therefore, are subject to numerous tax laws and their respective application and interpretation. In addition, given the international nature of our business, intra-group transfer pricing policies are an important element of our compliance with tax regulation. We seek to ensure that local tax filings comply with all relevant local laws and treaties, and that our intra-group transfer pricing policy is accurate. Although we follow commonly known transfer pricing practices and consult with external professionals to assist us with our methodology, we cannot ensure that local tax authorities will accept our methodology when looking at our business.

Changes in tax laws or in their interpretation or application could increase our tax obligations or decrease our tax losses carried forward as well as have a negative impact on our cashflow due to unforeseen or unbudgeted current tax cash outflows. As a result of current or future tax audits by relevant authorities, additional taxes could be assessed, which could result in an increase in our tax obligations or decrease our tax losses carried forward.

Several of our companies are currently subject to tax audits in the ordinary course of business. Moreover, many of our companies have not yet been subject to tax audits regarding the most recent fiscal years and might therefore be subject to tax audits in future periods. Current or future tax audits could successfully challenge our tax assessment and may result in additional tax liabilities.

In addition, we have deferred tax assets with respect to tax losses carried forward and related to timing differences on various assets and liabilities. There is no assurance that we can benefit from such tax losses carry forward by charging them against future income. Changes in tax laws or a different interpretation by tax authorities could also result in changes to our deferred tax position with respect to timing differences.

### *We are subject to restrictive debt covenants contained in our senior revolving credit facility*

Our senior revolving credit facility contains certain restrictive covenants, including an interest coverage ratio, operating profit (EBIT) per tonne ratio, minimum tangible net worth and general and repeating representations. Events beyond our control could affect our ability to meet these ratios and, if we do not meet these ratios, we will be precluded from borrowing under our senior revolving credit facility and a default thereunder would occur.

Upon the occurrence of any event of default under our senior revolving credit facility or any of our other debt, the lenders could elect to declare all amounts outstanding thereunder, together with accrued interest, to be immediately due and payable. If those lenders accelerate the payment of those amounts, we can provide no assurance that our assets will be sufficient to repay in full those amounts, to satisfy all our other liabilities and to enable us to repay the Notes in full.

### *Our compliance controls and procedures may not be sufficient to prevent or discover violations of anti-corruption and anti-fraud laws or group-wide policies*

We are exposed to the risks of corruption and fraud both internally and externally. Our operations are large in scale, which may make fraudulent or accidental transactions difficult to detect. In addition, some countries in which we operate are rated by NGOs such as Transparency International as having a high level of corruption and related practices including, among others, acceptance of kickbacks, bribes, facilitation payments or other illegal gains or benefits by customers or authorities. While we have a code of conduct and other compliance measures to prevent any unlawful activities, there can be no assurance that such code of conduct and other internal policies and procedures will be sufficient to protect against corrupt or fraudulent activities. In addition, we may not always be able to detect corrupt or unethical practices by employees or agents. If our employees or our agents violate applicable anti-corruption laws or similar rules relating to the aforementioned practices, we may be required to pay damages or fines and could risk losing necessary licenses. Additionally, the involvement of our employees or our agents in fraudulent or corrupt practices could harm our reputation and lead to the loss of customers.

## Risks Relating to the Notes

### *We will require a significant amount of cash to make payments on the Notes and to service our other debt. Our ability to generate cash depends on a number of factors, many of which are beyond our control*

Our ability to generate sufficient cash from operations to make scheduled payments on our debt depends on our future performance, which to a large extent is subject to economic, financial, competitive and other factors beyond our control, as well as other factors discussed in these “Risk Factors”. Our business may not in the future generate sufficient cash to service our debt. If we are unable to generate sufficient cash to service our debt, we could attempt to implement one or more alternatives, such as refinancing all or a portion of our debt, selling assets or obtaining additional equity capital. However, we may not be able to implement any of these alternatives on satisfactory terms, or at all, and, even if implemented, these alternatives could result in substantial additional expense to us. A failure to raise any additional cash necessary to service our debt could result in substantial additional expense to us. A failure to raise any additional cash necessary to service our debt could result in a default under our debt obligations, including the Notes.

### *Our debt service obligations could adversely affect our business and our ability to perform our obligations under the Notes*

We have now and, after the issue of the Notes, will continue to have, a significant amount of debt, which could (a) require us to dedicate a more significant portion of our cash to satisfy our obligations under the Notes and the Guarantee; (b) require us to dedicate a substantial portion of our cash generated from operations to repayments of our debt, thereby reducing our cash flow available to fund working capital, R&D, capital expenditures, acquisitions and other general corporate purposes; (c) limit our flexibility in

planning for, or reacting to, changes in our industry; (d) increase our vulnerability to adverse economic and industry conditions; (e) place us at a competitive disadvantage compared to our competitors; and (f) limit our ability to borrow additional funds.

### ***There are limitations on the value of the Guarantees***

The Notes will be guaranteed by certain of our subsidiaries organized under the laws of Belgium, France, Switzerland, the United Kingdom and the United States. The Guarantee will constitute the unsecured, senior obligations of the Guarantors. There are limitations on the value of certain of the Guarantees.

*France*

The liabilities and obligations of each Guarantor incorporated under French law (the "French Guarantors") under the Guarantee are subject to:

- certain exceptions, including any obligations which, if incurred, would constitute prohibited financial assistance within the meaning of Article L. 225-216 of the French *Code de Commerce* or infringement of the provisions of Articles L. 241-3 or L. 242-6 of the French *Code de Commerce*; and
- a financial limitation corresponding to an amount equal to the proceeds from the issue of the Notes which the Issuer has applied for the direct or indirect benefit of the relevant French Guarantor and/ or to the controlled subsidiaries of that French Guarantor (within the meaning of article L.233-3 of the French *Code de Commerce*) through intercompany loans and cash pooling arrangements that are outstanding on the date a payment is requested to be made by such French Guarantor. Any payment made by such French Guarantor under its guarantee will reduce the maximum amount of its guarantee.

By virtue of this limitation, a French Guarantor's obligation under the Guarantee could be significantly less than amounts payable with respect to the Notes, or a French Guarantor may have effectively no obligation under its Guarantee. French law requires that, when a French company grants a guarantee of third-party obligations, the guarantee must be in the corporate purpose and corporate interest of the guarantor company.

The existence of a real and adequate benefit to the guarantor is a matter of fact as to which French case law provides no clear guidance. When deciding to grant the Guarantee of the Issuer's obligations with respect to the Notes, the presidents of each of the French Guarantors considered that, in light of the guarantee limitations set forth in the Guarantee applicable to the French Guarantors, the granting of the Guarantee was in the corporate purpose and the corporate interest of the French Guarantors. However, due to the absence of case law, we cannot assure you that a court in France would uphold this determination, failing which you may be unable to enforce the Guarantee granted by the French Guarantors as the case may be, with respect to the Notes in part or at all.

*Belgium*

Belgian law requires that a guarantee granted by a Belgian company for the obligations of a group company meets the following conditions: (i) it must be part of the corporate purposes of the guarantor, as provided in its by laws ("status/statuten"); (ii) it must be for the corporate benefit of the granting company, and (iii) it must comply with any applicable financial assistance rules.

Corporate benefit is not a well-defined term under Belgian law and its interpretation is left to the courts. The corporate benefit rules and their application in the context of guarantees granted for the benefit of a group company are not clearly established under Belgian law and there is only limited case law on the subject.

The question of corporate benefit must be determined on a case-by-case basis and consideration has to be given to any direct and/or indirect benefit that the company would derive from the transaction. Two principles apply to this evaluation: (i) the risk taken by the company in issuing the guarantee must be proportional to the direct and/or indirect benefit derived from the transaction; and (ii) the financial support granted by the company should not exceed its financial capabilities.

The presence of an actual benefit to a Belgian guarantor is a matter of fact, which must be assessed by the board of directors of the company granting the guarantee and is ultimately subject to the appreciation of the court. The board of directors of Barry Callebaut Belgium NV (the "Belgian Guarantor") has resolved that the issue and the guarantee of the Notes pursuant to the Guarantee confers an actual benefit to it. However, due to the absence of case law, we cannot assure you that a court in Belgium would agree with this determination. If a court in Belgium determined that actual benefit is not established, then the Guarantee by the Belgian Guarantor could be declared null and void and, under certain circumstances, the creditor that benefits from the Guarantee could be held liable for up to the amount of the Guarantee. Alternatively, the Guarantee could be reduced to an amount corresponding to the corporate benefit or the creditor may be held liable for any guarantee amount in excess of such amount. If the corporate benefit requirement is not met, the directors of the Belgian Guarantor may also be held liable (i) by the company for negligence in the management of the company and (ii) by third parties in tort. These rules have been seldom tested under Belgian law, and there is only limited case law on this issue.

In order to enable Belgian subsidiaries to grant a guarantee to guarantee liabilities of a direct or indirect parent or sister company without the risk of violating Belgian rules on corporate benefit, it is standard market practice for indentures, credit agreements, guarantees and security documents to contain so-called "limitation language" in relation to such subsidiaries. Accordingly, the Guarantee by the Belgian Guarantor will contain such limitation language and will be limited to reflect the corporate benefit position of the Belgian Guarantor taking into accounts its financial capabilities at the time of any enforcement of the Guarantee. Including such limitation language is, however, not conclusive in determining the corporate benefit.

The grant of a guarantee by a Belgian company must further be within or serve the corporate purpose of the Belgian company as described in its by laws, and the guarantee may not include any liability that would result in unlawful financial assistance within the meaning of Article 629 of the Belgian Company Code.

*Switzerland*

Swiss law generally requires that a corporate benefit exists to the Swiss guarantor company and that the guarantee in question is otherwise in the corporate interest of the Swiss guarantor company. In addition, there are certain limitations under Swiss corporate law restricting the distribution of corporate assets of a Swiss company. In order for a Swiss guarantor company to guarantee the obligations of a parent or sister company without the risk of violating such restrictions, it is standard market practice for guarantees to contain so-called ''limitation language'' in relation to subsidiaries incorporated in Switzerland in the form of a Swiss stock corporation (*Aktiengesellschaft*). Pursuant to such limitation language, the liability under the Guarantee granted by each of Barry Callebaut Sourcing AG, Barry Callebaut Schweiz AG and Barry Callebaut Cocoa AG will be limited reflecting the requirement that payments under the Guarantee may not cause the Swiss Guarantor to incur a liability which would exceed its freely distributable equity, if and to the extent required by Swiss mandatory law. Accordingly, if and to the extent required by Swiss mandatory law, the liability of these Swiss guarantor companies is limited to a sum equal to the maximum amount of such Swiss guarantor company's profits available for distribution at any time (being the balance sheet profits and any reserves made for this purpose, in each case in accordance with, *inter alia*, art. 671 and art. 675(2) of the Swiss Code of Obligations) provided that such limitations shall not free it from payment obligations in excess of its distributable profits, but merely postpone the payment date of those obligations until such times as payment is permitted notwithstanding such limitations. In addition, Swiss withholding tax of 35% may be levied on payments under the Guarantee unless the Swiss guarantor company was adequately compensated for granting the guarantee.

Any payment by Barry Callebaut Sourcing AG, Barry Callebaut Schweiz AG and Barry Callebaut Cocoa AG under the Guarantee may require certain corporate formalities to be completed prior to payment including, but not limited to, obtaining an audit report, shareholders' resolutions and board resolutions approving payment.

These limitations do not apply to the Guarantee granted by the Company.

***Interest Payments by Barry Callebaut Manufacturing (UK) Limited may be subject to United Kingdom withholding tax***

If Barry Callebaut Manufacturing (UK) Limited (the "UK Guarantor") makes any payment pursuant to the Guarantee in respect of interest on the Notes (or other amounts due under the Notes other than the repayment of amounts subscribed for such Notes) such payments may be subject to United Kingdom withholding tax at 20% subject to such relief as may be available under the provisions of any applicable double taxation treaty or any other exemption which may apply. It is not certain that such payments by the UK Guarantor will be eligible for such exemptions.

***Claims of secured creditors will have priority with respect to their security over the claims of unsecured creditors, such as the Noteholders***

We may, from time to time, incur secured debt in connection with our working capital needs. The claims of our secured creditors and the secured creditors of each Guarantor will have priority with respect to the assets securing their debt over the claims of the Noteholders. In the event that any of our secured debt or the secured debt of any of the Guarantors becomes due or the lender thereunder institutes proceedings over the assets that secure the debt, our assets or those of the relevant Guarantor remaining after repayment of that secured debt might not be sufficient to repay all amount owing in respect of the Notes.

***There is no developed market for the Notes***

The Notes are new securities for which there is presently no established market and there can be no assurance that a market for the Notes will develop. Application has been made to list the Notes on the Official List of the Luxembourg Stock Exchange and to admit the Notes to trading on the Luxembourg Stock Exchange's Euro MTF Market. However, an active trading market in the Notes may not develop or be maintained after listing. Similarly, there can be no assurance of the ability of Noteholders to sell the Notes, or of the price at which Noteholders may be able to sell the Notes. If a public market were to develop, the Notes could trade at prices that may be lower than the initial offering price depending on many factors, including prevailing interest rates, our operating results and the market for similar securities. Although the Initial Purchasers have informed us that they currently intend to make a market in the Notes, they are not obligated to do so, and any market making, once commenced, may be discontinued. The liquidity of any market for the Notes will depend on, among other things, the number of Noteholders, prevailing interest rates, the market for similar securities and other factors, including general economic conditions and our financial condition, performance and prospects, as well as recommendations of securities analysts. Accordingly, a liquid market in the Notes may not develop.

***We may not be able to finance a change of control offer required by the Conditions***

Upon the occurrence of a Change of Control (as defined in the Conditions), we will be required to offer to repurchase outstanding Notes at a purchase price in cash equal to 101% of the principal amount of the Notes plus accrued and unpaid interest and additional amounts, if any, to the date of the repurchase. If such circumstances were to occur, there can be no assurance that we would have sufficient funds available at the time to pay the price of the outstanding Notes. The occurrence of such circumstances may cause the acceleration of other indebtedness that may be senior to the Notes or rank equally with the Notes. In any case, we expect that we would require third-party financing to make a Change of Control Offer (as defined in the Conditions). There can be no assurance that we would be able to obtain this financing. See "Terms and Conditions of the Notes—Redemption and Purchase—Redemption at the Option of the Noteholders upon a Change of Control".

### *The Conditions permit decisions regarding the Notes to be made by Noteholder meeting*

The Conditions contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. Those provisions permit certain specified percentages of Noteholders to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

### *The covenants contained in the Conditions of the Notes are limited*

The Conditions restrict the Issuer, the Guarantors and the Company's Material Subsidiaries from granting security over their respective assets. However, they do not restrict (among other things) the incurrence of debt, the making of investments, the disposal of assets or the payment of dividends.

### *The Notes will initially be held in book-entry form and therefore you must rely on the procedures of the relevant clearing systems to exercise any rights and remedies*

Under English law, unless and until definitive Notes are issued in exchange for book-entry interests in the Notes, owners of the book-entry interests are not considered owners or holders of Notes. Instead, the NBB, or its nominee, is considered the sole holder of the Global Notes. Under Belgian law, however, holders of book entry interests have a co-ownership right in the Global Notes held by the NBB. Because the Global Notes will be held in Belgium and the Issuer is a Belgian company, Belgian law may apply.

Payments of principal, interest and other amounts owing on or in respect of the Notes in global form will be made to the Belgian Principal Paying Agent, which will make payments to participants in the NBB SSS, including Euroclear and/or Clearstream. Thereafter, payments will be made by Euroclear and/or Clearstream to their participants. None of the Issuer, the Guarantors or any of their respective subsidiaries will have any responsibility or liability for any aspect of the records relating to, or payments of interest, principal or other amounts to, the NBB SSS or its participants, including Euroclear and/or Clearstream or to owners of book-entry interests.

Depending upon whether English or Belgian law is applicable, owners of book-entry interests may not have the direct right to act upon our solicitations for consents or requests for waivers or other actions from the Noteholders. Instead, they may be entitled to act only to the extent they have received appropriate proxies to do so from participants in the NBB SSS, including Euroclear and/or Clearstream. We cannot assure you that procedures implemented for the granting of such proxies will be sufficient to enable you to vote on any requested actions on a timely basis.

### *FATCA may affect payments made to custodians or intermediaries in the payment chain leading to the ultimate investor*

Whilst the Notes are in global form and held by the NBB with allocations of interests in the Notes made through the NBB SSS to Euroclear Bank and Clearstream (together, the "ICSDs"), in all but the most remote circumstances, it is not expected that FATCA (as defined herein) will affect the amount of any payment received by the ICSDs (see "Tax Considerations—FATCA Withholding"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It may also affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA), provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the NBB and the Issuer has therefore no responsibility for any amount thereafter transmitted through the hands of the ICSDs and their custodians or intermediaries.

### *The market price of the Notes may be volatile*

The market price of the Notes could be subject to significant fluctuations in response to actual or anticipated variations in our operating results and those of our competitors, adverse business developments, changes to the regulatory environment in which we operate, changes in financial estimates by securities analysts and the actual or expected sale of a large number of Notes, as well as other factors, including our credit rating. In addition, in recent years, the global financial markets have experienced significant price and volume fluctuations which, if repeated in the future, could adversely affect the market price of the Notes without regard to our operating results, financial condition, prospects or credit rating.

### *Change of law may adversely affect the Notes*

The Conditions are governed by English law (except for Condition 12(a) (*Meetings of Noteholders*) which is governed by Belgian law) in effect as at the Issue Date. No assurance can be given as to the impact of any possible judicial decision or change to English or Belgian law or administrative practice after the Issue Date.

### *The issue of further Notes may affect the market value of the Notes*

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may have a different projected payment schedule, or the additional Notes may have a greater amount of original issue discount than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes. See “Tax Considerations—Certain United States Federal Income Tax Considerations—Further Issues”.

### *Transfer of the Notes will be restricted, which may adversely affect the value of the Notes*

Because the Notes and the Guarantee have not been, will not be and are not required to be, registered under the Securities Act or the securities laws of any other jurisdiction, they may not be offered or sold in the United States except to QIBs in accordance with Rule 144A, outside the United States in offshore transactions in accordance with Regulation S or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and all other applicable laws. These restrictions may limit the ability of investors to resell the Notes. It is the obligation of investors in the Notes to ensure that all offers and sales of the Notes within the United States and other countries comply with applicable securities laws. See “Transfer Restrictions”.

### *The EU Savings Directive may result in withholding on the Notes*

Under EC Council Directive 2003/48/EC (the “Savings Directive”) on the taxation of savings income, member states are required to provide to the tax authorities of another member state details of payments of interest (or similar income) paid by a person within its jurisdiction to, or for, an individual or certain other persons resident in that other member state. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full fiscal year following an agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a member state which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer, nor any Guarantor or any Paying Agent (as defined in the Conditions), nor any other person would be obliged to

pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. If a withholding tax is imposed on payments made by such Paying Agent, the Issuer will be required to maintain a Paying Agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Savings Directive.

***We may incur substantially more debt in the future, which may make it difficult for us to service our debt, including the Notes, and impair our ability to operate our businesses***

We may incur substantial additional debt in the future. The terms of the Notes will permit us to incur future debt that may have substantially the same covenants as, or covenants that are more restrictive than, those governing the Notes. Moreover, some of the debt we may incur in the future could be structurally senior to the Notes and may be secured by collateral that does not secure the Notes. The incurrence of additional debt would intensify the risks that we face, including the leverage-related risks described in the Offering Circular. The amount of indebtedness that we can incur at any point in time will vary materially as a result of changes in our earnings, cash flows and performance against agreed ratios and other results and factors. Borrowings under debt instruments that contain cross-acceleration or cross-default provisions, including the Notes, may be defaulted and/or accelerated and become due and payable if certain of our current or future indebtedness defaults and/or is accelerated. We may be unable to pay these debts in such circumstances.

***Release of the gross proceeds from the issue of the Notes from escrow is subject to the satisfaction of certain conditions, and we will be required to redeem the Notes if such conditions are not satisfied on or before the Escrow Longstop Date***

The issue of the Notes will be completed before the closing of the Acquisition. Concurrently with the issue of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from the issue of the Notes into the Escrow Account. The Escrow Release will be subject to the satisfaction of certain conditions, including confirmation that all conditions under the Acquisition Agreement have been, or promptly upon the Escrow Release will be, satisfied in full (or waived by the relevant parties except for waivers that are materially adverse to the interests of the Noteholders). In the event that the closing of the Acquisition does not take place on or prior to the Escrow Longstop Date, the Acquisition is abandoned, the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date or any of the conditions to the Escrow Release described under "Terms and Conditions of the Notes—Escrow of Proceeds; Special Mandatory Redemption" become incapable of being satisfied on or prior to the Escrow Longstop Date, the Issuer will be required to redeem all of the Notes at a special mandatory redemption price equal to 100% of the aggregate initial issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the date of special mandatory redemption, and you may not obtain the investment return you expect on the Notes. See "Terms and Conditions of the Notes—Escrow of Proceeds; Special Mandatory Redemption".

In the event of a special mandatory redemption, the escrowed funds will not be sufficient to cover accrued and unpaid interest and any additional amounts that may be due to Noteholders pursuant to the provisions of the Conditions as described under "Terms and Conditions of the Notes—Taxation", in which case your ability to collect accrued and unpaid interest and these additional amounts will be limited to the remaining assets of the Issuer and the Guarantors.

Although we believe that all conditions to the Acquisition will be satisfied and we expect to consummate the Acquisition before the Escrow Longstop Date, we cannot assure you that the conditions will in fact be satisfied or waived, or that we will not otherwise have to redeem the Notes.

***In a bankruptcy proceeding, the Noteholders might not be able to apply the escrowed funds to repay the Notes without bankruptcy court approval***

If we commence bankruptcy or composition proceedings, or such proceedings are commenced against us, while the Escrow Account remains funded, bankruptcy and debt enforcement law may prevent the escrowed funds from being used to fund the special mandatory redemption. The court and/or the administrator adjudicating that case might find that the Escrow Account is the property of the bankruptcy

estate. As a result, it is possible that Noteholders would not be able to apply the escrowed funds to repay the Notes without bankruptcy court approval and/or the approval of the administrator.

***The Notes will be structurally subordinated to the liabilities of non-Guarantor subsidiaries***

Some, but not all, of our subsidiaries will guarantee the Notes. In the event that any of the non-Guarantors becomes insolvent, liquidates or otherwise reorganizes, the creditors of the Guarantors (including the Noteholders) will have no right to proceed against such subsidiary's assets, and creditors of such non-Guarantors will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before any Guarantor will be entitled to receive any distributions from such subsidiary. As such, the Notes and the Guarantee will each be structurally subordinated to those creditors.

***Credit ratings may not reflect all risks, are not recommendations to buy or hold securities and may be subject to revision, suspension or withdrawal at any time***

One or more independent credit rating agencies will assign credit ratings to the Notes. The credit ratings address our ability to perform our obligations under the Conditions and credit risks in determining the likelihood that payments will be made when due under the Notes. The ratings may not reflect the potential impact of all risks related to the structure, market, additional risk factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal by the rating agency at any time. No assurance can be given that a credit rating will remain constant for any given period of time or that a credit rating will not be lowered or withdrawn entirely by the credit rating agency if, in its judgment, circumstances in the future so warrant. A suspension, reduction or withdrawal at any time of the credit rating assigned to the Notes by one or more of the credit rating agencies may adversely affect the cost and terms and conditions of our financings and could adversely affect the value and trading of the Notes.

***The interest rate applicable to the Notes is subject to change***

In the event of a public announcement of a decrease in the rating of the Notes by either of the Rating Agencies, the interest payable on the Notes will increase, up to a maximum aggregate increase of 1.00% per annum. To the extent interest rates were to rise our interest expense associated with the Notes and the carrying cost of our debt load would correspondingly increase, thus reducing cash flow and our ability to invest in our operations.

In the event of a public announcement of an increase in the rating of the Notes by either of the Rating Agencies, the interest payable on the Notes will decrease and your return on the Notes will decrease. Although the interest payable on the Notes cannot decrease below 5.500%, we cannot assure you that the yield on the Notes will remain at or above the level at which you purchased the Notes. See "Terms and Conditions of the Notes—Interest—Reset Interest Rate".

***The Notes will be contingent payment debt instruments for U.S. federal income tax purposes***

The Notes will be contingent payment debt instruments for U.S. federal income tax purposes and they will be treated as issued with original issue discount ("OID") for U.S. federal income tax purposes. U.S. Holders (as defined in "Certain Tax Considerations—Certain United States Federal Income Tax Considerations") will be required to accrue OID in their income as it accrues, in advance of the receipt of cash corresponding to such income, regardless of their method of accounting for U.S. federal income tax purposes. In addition, U.S. Holders may be required to accrue OID in excess of stated interest on the Notes and to treat as ordinary income rather than capital gain any income realized on the disposition of the Notes. See "Tax Considerations—Certain United States Federal Income Tax Considerations."

***The insolvency laws applicable in the countries in which the Company and the Guarantors are incorporated may provide you with less protection than U.S. bankruptcy law***

The Company, Barry Callebaut Sourcing AG, Barry Callebaut Cocoa AG and Barry Callebaut Schweiz AG are incorporated under the laws of Switzerland; the Issuer and Barry Callebaut Belgium NV are incorporated under the laws of Belgium; Barry Callebaut France SAS and Barry Callebaut Manufacturing France SAS are incorporated under the laws of France; and Barry Callebaut Manufacturing (UK) Limited is incorporated under the laws of England. The insolvency laws of Switzerland, Belgium, France or England may not be as favorable to your interests as the laws of the United States or other jurisdictions with which you are familiar, including as to reorganization, priority of creditors, the ability to obtain post-petition interest and the duration of the insolvency proceedings, and thus may limit your ability to recover payments due on the Notes or under the Guarantee to an extent exceeding the limitations arising under other insolvency laws. In the event that the Company or the Guarantors experience financial difficulty, it is not possible to predict with certainty the outcome of such proceedings. The insolvency and other laws of Switzerland, Belgium, France or England may be materially different from, or in conflict with, each other, including in the areas of rights of secured and other creditors, the ability to void preferential transfer, priority of governmental and other creditors, the ability to obtain post-petition interest and the duration of the proceeding. The application of these laws could call into question whether any particular jurisdiction's laws should apply, adversely affect your ability to enforce your rights under the Guarantee and limit any amounts that you may receive.

***The Issuer is a finance company with no independent operations and will depend on payments from the Group to meet its obligations under the Notes***

The Issuer is a wholly owned finance company that conducts no business operations. It has limited assets, no subsidiaries and a limited ability to generate revenues. The Issuer's material liabilities will include the Notes, the 2017 Notes and the 2021 Notes, the liabilities in connection with the Revolving Credit Facility Agreement, and outstanding commercial paper. See "Description of Certain Indebtedness". As such, the Issuer will be dependent upon the Group making sufficient funds available to the Issuer to make any payments due on the Notes. If the Group fails to make sufficient funds available to the Issuer it is not expected that the Issuer will have any other sources of funds that would allow it to make payments on the Notes.

The ability of the Group to make funds available to the Issuer will depend upon the Group's cash flows and earnings which, in turn, will be affected by all of the factors discussed in these "Risk Factors" and elsewhere in the Offering Circular. We cannot assure you that the Group will generate sufficient cash flow and earnings so that the Group will be able to make sufficient funds available to the Issuer for the Issuer to meet its obligations under the Notes.

The Group making funds available to the Issuer is subject to various restrictions, including restrictions stemming from existing and future debt agreements and applicable law, including financial assistance rules, corporate benefit laws and other legal restrictions which, if violated, might require the recipient to refund unlawful payments. Even if the Group generates sufficient cash flow, we cannot assure you that the Group will be able to make sufficient funds available to the Issuer for the Issuer to meet its obligations under the Notes.

# THE ACQUISITION

## Overview

On December 12, 2012, Barry Callebaut AG and Barry Callebaut Belgium NV entered into a share purchase agreement (the "Acquisition Agreement") with Petra Foods Limited, Singapore ("Petra Foods") relating to the acquisition of Petra Foods' cocoa ingredients business (the "Petra Foods Cocoa Ingredients Business"), which we believe is, in all material respects, identical to the cocoa ingredients division of Petra Foods (the "Petra Foods Cocoa Ingredients Division") as reported under discontinued operations in the audited consolidated financial statements of Petra Foods as of and for the year ended December 31, 2012.

The Acquisition is expected to be completed in July 2013, subject to satisfaction of certain conditions precedent as discussed under "—Summary of the Acquisition Agreement—Conditions to Completion".

## Overview of the Petra Foods Cocoa Ingredients Business

*The information below is derived from information provided by Petra Foods and publicly available information. The financial information related to the Petra Foods Cocoa Ingredients Division has been derived from the notes to the audited consolidated financial statements of Petra Foods as of and for the year ended December 31, 2012 (prepared in accordance with Singapore Financial Reporting Standards), where the Petra Foods Cocoa Ingredients Division is presented as discontinued operations, unless otherwise stated. We were not involved in the preparation of such financial and operating information and, therefore, cannot verify its accuracy or completeness.*

The Petra Foods Cocoa Ingredients Business is the largest cocoa products supplier in Asia-Pacific with a global sales volume of 255,872 tonnes, sales revenue of U.S.$1,029.4 million (CHF 964.9 million based on the average USD/CHF exchange rate for 2012) and around 1,800 employees in the fiscal year ended December 31, 2012.

The Petra Foods Cocoa Ingredients Business has a significant global footprint with seven production sites in Indonesia, Germany, Malaysia, Brazil, Thailand, Mexico, and France having a total cocoa bean-grinding capacity of 405,000 tonnes as at December 31, 2012. The Petra Foods Cocoa Ingredients Business also includes four sales offices and their staff located in the Netherlands, the Philippines, Singapore, and the United States.

Principal activities of the Petra Foods Cocoa Ingredients Business is the manufacture, marketing and distribution of "Delfi" brand cocoa products. Many of these products including cocoa powder, cocoa butter and to a lesser extent, cocoa liquor, are manufactured to the specifications of the leading international food and beverage companies. The Petra Foods Cocoa Ingredients Business supplies these products to customers worldwide, while the key markets are growth markets, mainly Indonesia, Malaysia, and the Philippines.

The following table presents selected financial and operating data for the Cocoa Ingredients Division of Petra Foods.

| | As of and for the Year ended December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | (U.S.$ in millions unless otherwise stated) | |
| **Historical Income Statement Data:** | | |
| Revenue | 1,029.4 | 1,276.3 |
| Expenses | (1,019.2) | (1,226.9) |
| Finance Costs | (28.3) | (25.5) |
| (Loss)/Profit before exceptional items and before income tax | (18.1) | 23.9 |
| Exceptional items | (13.3) | - |
| *Of which*: | | |
| Recycling of interest rate derivatives | (8.2) | - |
| Amortization of upfront fee on borrowings | (1.7) | - |
| Professional fees | (1.2) | - |
| Provisions and restructuring costs | (2.2) | - |
| (Loss)/Profit before income tax from discontinued operations | (31.4) | 23.9 |
| Income tax | 2.8 | (2.7) |
| Total (Loss)/Profit from discontinued operations | (28.6) | 21.2 |
| **Assets, classified as held for sale (at end of period):** | | |
| Property, plant and equipment | 237.4 | - |
| Intangibles | 16.0 | - |
| Deferred tax assets | 25.2 | - |
| Other non-current assets | 0.5 | - |
| Cash and cash equivalents | 5.7 | - |
| Derivative assets | 3.3 | - |
| Trade and other receivables | 101.1 | - |
| Inventories | 535.9 | - |
| Tax recoverable | 0.1 | - |
| Other current assets | 16.1 | - |
| Total assets | 941.4 | - |
| **Liabilities directly associated with the disposal group classified as held-for-sale (at end of period):** | | |
| Trade payables | 135.2 | - |
| Derivative liabilities | 5.1 | - |
| Deferred tax liabilities | 1.3 | - |
| Other payables | 20.9 | - |
| Provisions | 3.3 | - |
| Borrowings | 197.9 | - |
| Others | 0.6 | - |
| Total liabilities | 364.4 | - |
| **Other Financial and Operating Data:** | | |
| Sales volume (in tonnes)(1) | 255,872 | 265,053 |
| Depreciation and amortization | 13.6 | 17.0 |
| Capital expenditure | 39.1 | 44.3 |
| EBITDA(2) | 23.1 | 65.8 |
| EBITDA per tonne (in U.S.$)(3) | 90.3 | 248.1 |
| Net Working capital(4) | 497.0 | - |

Notes:

(1) Derived from the Petra Foods annual report for the year ended December 31, 2012.

(2) Defined as profit before tax plus interest expense, fair value result on interest rate derivatives, exceptional items, interest income, depreciation of property, plant and equipment and amortization of intangible assets.

(3) Derived from the Petra Foods annual report for the year ended December 31, 2012.

(4) Defined as inventories, trade and other receivables, and other current assets less trade payables and other payables.

The following table shows how EBITDA for the Petra Foods Cocoa Ingredients Division is calculated.[(1)]

| | For the Year ended December 31 | |
|---|---|---|
| | 2012 | 2011 |
| | (U.S.$ in millions) | |
| (Loss)/profit before tax | (31.4) | 23.9 |
| Interest expense | 28.3 | 25.5 |
| Fair value gain on interest rate derivatives | (0.6) | (0.6) |
| Exceptional items | 13.3 | - |
| Interest income | (0.1) | (0.1) |
| Depreciation and impairment of property, plant, and equipment | 13.4 | 16.6 |
| Amortization of intangible assets | 0.2 | 0.4 |
| **EBITDA** | **23.1** | **65.8** |

Notes:

(1) Derived from the Petra Foods unaudited financial statements and dividend announcement for the fourth quarter and full year ended December 31, 2012, as published by Petra Foods.

For the first quarter ended March 31, 2013, the Petra Foods Cocoa Ingredients Division reported a substantial decrease in revenue, compared to the first quarter in 2012, a loss before exceptional items and before income tax and a total loss from discontinued operations, compared to a profit before exceptional items and before income tax and a profit from discontinued operations in the first quarter of 2012. EBITDA as reported in the first quarter of 2013 was negative, compared to a positive EBITDA in the first quarter of 2012. According to the press release published by Petra Foods in connection with the publication of its unaudited financial statements for the first quarter ended March 31, 2013, the operating loss of the to-be-divested cocoa ingredients division was due to a number of factors affecting cocoa ingredients suppliers worldwide, including oversupply of capacity and weaker chocolate consumption with the significant headwinds resulting in negative margins, and the performance of the division was also impacted by an inventories provision and write-down and exceptional charges. Petra Foods expects higher losses from current levels for the to-be-divested division in 2013.

## Rationale for the Acquisition

### *Strategic Rationale*

We believe that the Petra Foods Cocoa Ingredients Business is an excellent strategic and geographic fit that will support our future global growth. The Acquisition marks a major step forward in the implementation of our four-pillar growth strategy, i.e. expansion, innovation, cost leadership, and sustainable cocoa. We believe that a stronger integrated position in sustainable cocoa sourcing and processing is important to keep growing our chocolate business faster than the industry average, especially in emerging markets. We believe that the Acquisition allows us to become a strategic supplier of specialty cocoa powders and meet the growing integrated value chain requirements of our customers and partners. In particular, we believe that the Acquisition will:

- Support our further chocolate growth by stepping up our integrated cocoa sourcing and processing activities;
- Strengthen the relationships we have forged with our strategic partners and shape our relationship with future partners as we continue to increase the number of long-term outsourcing partnership agreements we enter;
- Increase our overall exposure to emerging markets, mainly in Asia and Latin America, from 24% to 31% of total volume, and boost sales volume in fast growing emerging markets by 65% to almost one-third of our sales volume;

- Position us to become a pro-active market player in the cocoa powder market, which we estimate will grow by a compound annual growth rate of approximately 2–5% by volume in the period from 2011 to 2016 and be primarily driven by increased demand for products such as powder beverages, flavored milk drinks, compound, ice cream and bakery products;
- Mitigate supply risks by adding Asia-Pacific as a strong cocoa sourcing base in addition to West Africa, strengthen our position in Brazil, and include Mexico as an additional cocoa sourcing country.

### *Financial Rationale*

We will integrate the Petra Foods Cocoa Ingredients Business, which we believe is highly complementary in terms of business, products and geographies. We believe that the annual synergy potential will amount to CHF 30 to CHF 35 million at operating profit (EBIT)-level to be fully achieved four years after closing of the Acquisition. We believe that these synergies will result from:

- Optimizing sourcing and product flows;
  - Enhancement of the purchasing platform; and
  - Reduction of transportation and logistics costs through a more efficient utilization of the combined network;
- General and administrative costs savings, economies of scale and streamlining of functions and processes;
- Improving cost base;
  - Access to facilities with a lower cost base; and
  - Cost efficiency improvement;
- Optimizing available capacity: utilization of complementary excess capacity in our facilities and the facilities of the Petra Foods Cocoa Ingredients Business;
- Best practices transfer: implementation of our best practices to improve profitability of the Petra Foods Cocoa Ingredients Business.

To achieve these synergies, we estimate one-off costs in the approximate range of CHF 10 to CHF 15 million, to be incurred equally between the first two years after closing of the Acquisition. Additionally we estimate one-off transaction costs of approximately CHF 15 million and capital expenditure related to the integration of CHF 20 million over the next years.

As of Completion, we envisage the following targets: 6–8% volume growth on average per fiscal year until and including 2015/2016 and an operating profit (EBIT) per tonne restored to our pre-acquisition level by the end of the same period, barring any major unforeseen events.

## Summary of the Acquisition Agreement

### *Consideration*

The consideration payable by us, through certain of our nominated affiliates, to Petra Foods under the Acquisition Agreement will be U.S.$ 950,000,000 in cash, minus the actual net debt as at completion under the Share Purchase Agreement (“Completion”) and plus or minus, as the case may be, the amount by which the actual working capital as at Completion differs from the estimate of working capital provided by Petra Foods prior to Completion. Any adjustments necessary will be applied following Completion by way of payment by us to Petra Foods or vice versa. We plan to fund the consideration for the Acquisition with the proceeds from the offering of the Notes and the Equity Offering as well as funds drawn under the Bridge Facility (as defined below) in the amount of US$207.5 million.

On January 31, 2013, Barry Callebaut AG and Barry Callebaut Services NV entered into a US$900 million multicurrency bridge term facility agreement with Credit Suisse AG, London Branch as bookrunner and mandated lead arranger in connection with the Acquisition (the “Bridge Facility”).

The borrowers under the Bridge Facility are Barry Callebaut AG and Barry Callebaut Services NV. The Bridge Facility is guaranteed by Barry Callebaut AG and Barry Callebaut Services NV. Within 90 days of Completion Barry Callebaut Sourcing AG, Barry Callebaut Cocoa AG, Barry Callebaut Schweiz AG, Barry Callebaut Belgium NV, Barry Callebaut France S.A.S., Barry Callebaut Manufacturing France S.A.S., Barry Callebaut Manufacturing (UK) Limited and Barry Callebaut U.S.A. LLC will be required to accede to the Bridge Facility as additional guarantors.

The lender under the Bridge Facility is Credit Suisse AG. Credit Suisse AG, London Branch is appointed to act on behalf of the finance parties as agent.

Borrowings under the Bridge Facility are to be used to pay the consideration for the Acquisition, acquisition costs and any purchase price adjustments in connection with the Acquisition and to refinance certain financial indebtedness to third parties of any entities acquired as part of the Acquisition. Any amounts drawn under the Bridge Facility will have to be repaid on its final maturity date on January 25, 2014.

Advances under the Bridge Facility bear interest at a rate per annum equal to the aggregate of LIBOR or, in relation to a loan in euro, EURIBOR, and a margin which is subject to a margin ratchet based on the credit ratings by S&P and Moody's and which increases at the end of each successive period of 3 months following January 25, 2013 plus certain mandatory costs (if any). As of the date of this Offering Circular, the margin is 1.70%.

In addition, we are required to pay the lender a commitment fee, a funding fee and, if applicable, a duration fee. We also pay certain other fees to the mandated lead arranger of the Bridge Facility.

Our financial and operating performance is monitored by financial covenants contained in the Bridge Facility, which are tested every six months on a rolling twelve-month basis and include an interest cover ratio, profitability ratio, and minimum tangible net worth. Under certain circumstances, we have the option to replace the profitability ratio with a leverage ratio. The interest cover ratio, profitability ratio, minimum tangible net worth and, to the extent relevant, the leverage ratio, shall each be calculated to exclude in relation to the relevant period ending after August 31, 2013, any reference to the assets of Petra Foods Cocoa Ingredients Business. The Bridge Facility also contains customary information, affirmative and negative covenants, subject to certain agreed exceptions, including restrictions on financial indebtedness and creation of security interests.

The Bridge Facility also includes customary events of default, the occurrence of which would allow the lenders, subject to a clean-up period of up to 180 days if relating to a company acquired as part of the Acquisition, to suspend and/or cancel the total commitments, declare that the loans, together with accrued interest, are immediately due and payable, and/or declare that all or part of the loans are payable on demand.

In addition to drawing down US$207.5 million under the Bridge Facility, we plan to utilize the Bridge Facility in connection with the funding of the Acquisition if the Equity Offering would not complete prior to Completion. If we utilize the Bridge Facility in connection with additional funding for the Acquisition, our interest expense will be higher.

In addition, the parties to the Share Purchase Agreement shall settle, or procure the settlement of, all payables and receivables (including both trade and non-trade payables and receivables) between members of the target group and Petra Foods' retained group on Completion.

### *Acquisition Structure*

The acquisition of Petra Foods Cocoa Ingredients Business will be effected through the acquisition by certain of our nominated affiliates of a combination of the operational and the holding companies Delfi Cocoa USA Inc., Delfi Cocoa Investments 1 Pte Ltd ("DCI 1"), Delfi Cocoa (Malaysia) Sdn Bhd, Petra Europe Holdings Pte Ltd and Siam Cocoa Products Co. Ltd, and their operational subsidiaries DCMX Cocoa S.A. de C.V., Petra Management Services S.A. de C.V., Delfi Cacau Brasil Ltda, Delfi Cocoa (Europe) B.V.,

Delfi Cocoa (Europe) GmbH, Delfi Nord Cacao S.A.S., Cocoa Ingredients Holdings Pte. Ltd., PT Papandayan Cocoa Industries ("PCI") and Cocoa Ingredients (Philippines) Inc. ("CIP").

### *Pre-Completion Restructuring*

Prior to Completion, the business of Petra Foods's cocoa ingredients division in Indonesia and the Philippines will be transferred by Petra Foods to two newly-incorporated entities, PCI and CIP respectively, each of which is wholly owned by DCI 1. In addition, certain employees of Petra Foods and its affiliates in Singapore will be transferred to DCI 1 prior to Completion and certain information technology systems shall be transferred to the Target Companies (together with the transfers described above, the "Pre-Completion Restructuring").

### *Conditions to Completion*

Completion of the transactions contemplated by the Share Purchase Agreement is conditional upon the following outstanding conditions having been fulfilled or waived on or before 31 August 2013 (or such other date as the parties to the Share Purchase Agreement may agree in writing):

- the European Commission having issued a decision under Council Regulation (EC) No. 139/2004 (the "EU Merger Control Regulation"), on the control of concentrations between undertakings, declaring the transactions contemplated by the Share Purchase Agreement compatible with the common market;
- no order, judgment, decree, injunction or other restriction of any kind having been made by any court or relevant authority or received by Petra Foods, the Company or any group company in respect of the transactions contemplated by the Share Purchase Agreement, including the transfer of any asset of the Petra Foods Cocoa Ingredients Business; and
- completion of the Pre-Completion Restructuring.

On June 7, 2013, the European Commission announced that it concluded that the Acquisition does not raise any competition concerns and that it has cleared the Acquisition under the EU Merger Control Regulation.

### Ancillary Agreements

We, Petra Foods, and certain of Petra Foods' affiliates will enter into certain ancillary agreements in conjunction with Completion, including:

- a supply and tolling agreement between PCI and PT Perusahaan Industri ("Ceres"), one of Petra Foods' wholly owned subsidiaries in its branded consumer division, pursuant to which Ceres shall source a minimum of 75% of its actual branded consumer division cocoa product requirements from the Company for a period of five years following Completion;
- intellectual property agreements between Petra Foods and its affiliates and DCI 1; and
- a transitional services agreement pursuant to which Petra Foods will provide transitional services to the Company and its affiliates for a period to be agreed following Completion.

## USE OF PROCEEDS

Concurrently with the issue of the Notes on the Issue Date, the Initial Purchasers will deposit the gross proceeds from this issue of the Notes into the Escrow Account. The gross proceeds from the sale of the Notes will be U.S.$392.5 million. Upon delivery to the Escrow Agent of an officer's certificate stating, among other things, that all conditions under the Acquisition Agreement have been, or promptly upon the Escrow Release will be, satisfied in full (or waived), the Escrowed Funds will be released to us to be used to fund a part of the consideration for the Acquisition.

We estimate that the net proceeds from the sale of the Notes will amount to approximately U.S.$387.1 million, after payment of the estimated commissions and other expenses related to the offering of the Notes. We plan to finance the payment of the commissions and other expenses related to the offering of the Notes by drawing down funds under the RCF. The net proceeds from the issue of Notes will be used outside of Switzerland unless use in Switzerland is permitted under the Swiss taxation laws in force from time to time without payments in respect of the Notes becoming subject to withholding or deduction for Swiss withholding tax as a consequence of such use of proceeds in Switzerland.

The following table sets forth the estimated sources and uses of the proceeds from the offering. Actual amounts will vary from estimated amounts depending on several factors, including the price at which the new shares will be issued, foreign exchange rates and differences from the estimate of commissions and expenses in relation to the offering of the Notes.

| **Source of Funds** | | **Use of funds** | |
|---|---|---|---|
| | *(U.S.$ millions)* | | *(U.S.$ millions)* |
| Notes offered hereby | 392.5 | Acquisition | 900.0 |
| Equity Offering | 300.0[1] | | |
| Bridge Facility | 207.5[2] | | |
| **Total sources** | 900.0 | **Total uses** | 900.0 |

Note:

(1) Represents the gross proceeds of CHF 279.0 million from the planned Equity Offering, translated to U.S.$ at the rate of U.S.$1.00=CHF 0.93 (the exchange rate on February 28, 2013).

(2) Represents the amount we plan to draw down under the Bridge Facility in connection with the funding of the Acquisition.

## EXCHANGE RATE INFORMATION

The following table sets out information concerning the closing exchange rates, as reported by Bloomberg, in U.S. dollars per Swiss franc for the periods indicated. The rates set out below are provided solely for your convenience and are not used by us in the preparation of our consolidated financial statements included elsewhere in this Offering Circular. No representation is made that Swiss francs could have been, or could be, converted into U.S. dollars at any other rate.

The following table sets out for information purposes only, for the periods and dates indicated, certain information, concerning the exchange rates for Swiss francs, expressed in U.S. dollars per Swiss franc:

| Year | Period End | Average(1) | High | Low |
|---|---|---|---|---|
| 2008 | 0.9355 | 0.9263 | 1.0123 | 0.8165 |
| 2009 | 0.9663 | 0.9237 | 1.0012 | 0.8419 |
| 2010 | 1.0697 | 0.9620 | 1.0697 | 0.8606 |
| 2011 | 1.0653 | 1.1322 | 1.3701 | 1.0249 |
| 2012 | 1.0934 | 1.0669 | 1.1181 | 1.0036 |
| 2013 (through June 12, 2013) | 1.0866 | 1.0675 | 1.1053 | 1.0198 |

| Month | Period End | Average(1) | High | Low |
|---|---|---|---|---|
| January 2013 | 1.1005 | 1.0828 | 1.1005 | 1.0705 |
| February 2013 | 1.0709 | 1.0855 | 1.1053 | 1.0709 |
| March 2013 | 1.0536 | 1.0565 | 1.0646 | 1.0483 |
| April 2013 | 1.0632 | 1.0692 | 1.0838 | 1.0539 |
| May 2013 | 1.0420 | 1.0461 | 1.0790 | 1.0199 |
| June 2013 (through June 12, 2013) | 1.0866 | 1.0692 | 1.0866 | 1.0541 |

Note:

(1) The average of the closing exchange rate for Swiss francs on the last day of each full month during the relevant year or each business day during the relevant month.

Source: Bloomberg

## CAPITALIZATION

The following table sets out the consolidated cash and cash equivalents, short-term borrowings and capitalization of Barry Callebaut AG as of February 28, 2013 on (i) a historical basis and (ii) as adjusted to give effect to the issue of the Notes, the Equity Offering, the planned drawdown of US$207.5 million under the Bridge Facility in connection with the funding of the Acquisition and the assumption of a local working capital facility as part of the Acquisition.

You should read this table in conjunction with "Overview—Summary Historical Financial Information", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our historical consolidated financial statements included elsewhere in this Offering Circular.

| | As of February 28, 2013 | |
|---|---|---|
| | **Actual** | **As Adjusted** |
| | *(CHF millions)* | |
| Cash and cash equivalents and short-term deposits | 40.3 | 40.3 |
| Escrow account | - | 365.0(1) |
| Short-term debt: | | |
| Bank overdrafts and short-term debt | 263.9 | 263.9 |
| Local working capital facility | - | 40.3(2) |
| Bridge facility | - | 193.0(3) |
| Total short-term debt | 263.9 | 497.2 |
| Long-term debt (excluding current portion): | | |
| Existing long-term debt | 770.3 | 770.3 |
| Notes hereby offered | - | 365.0(4) |
| Total long-term debt | 770.3 | 1,135.3 |
| Total debt | 1,034.2 | 1,632.5 |
| Shareholders' equity | 1,386.0 | 1,386.0 |
| Equity Offering | - | 279.0(5) |
| Total equity | 1,386.0 | 1,665.0 |
| **Total capitalization** | **2,420.2** | **3,297.5** |

Notes:

(1) Represents the gross proceeds of U.S.$392.5 million from the issue of the Notes, which will be deposited into the Escrow Account, translated to Swiss francs at the rate of U.S.$1.00=CHF 0.93 (the exchange rate on February 28, 2013).

(2) Represents the amount of a local working capital facility in Brazil that we will assume as part of the Acquisition, translated to Swiss francs at the rate of U.S.$1.00=CHF 0.93 (the exchange rate on February 28, 2013).

(3) Represents the amount of U.S.$207.5 million we plan to draw down under the Bridge Facility, translated to Swiss francs at the rate of U.S.$1.00=CHF 0.93 (the exchange rate on February 28, 2013).

(4) Represents the gross proceeds of U.S.$392.5 million from the issue of the Notes, translated to Swiss francs at the rate of U.S.$1.00=CHF 0.93 (the exchange rate on February 28, 2013).

(5) Represents the proceeds from the planned Equity Offering.

## OUR SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

*The following tables set forth our selected consolidated financial information as of and for the fiscal years ended August 31, 2012, 2011 and 2010 and our selected unaudited interim consolidated financial information as of and for the six-month periods ended February 28, 2013 and February 29, 2012.*

*Our consolidated financial information as of and for the fiscal years ended August 31, 2012, 2011 and 2010 has been prepared and presented in accordance with IFRS. Our unaudited condensed consolidated interim financial information as of and for the six months ended February 28, 2013 and February 29, 2012 has been prepared in accordance with IAS 34.*

*For the fiscal years ended August 31, 2012 and 2011, the selected historical financial information in this section has been derived from our 2012 consolidated financial statements. The financial information for the fiscal year ended August 31, 2011, in the 2012 consolidated financial statements, was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012.*

*For the fiscal year ended August 31, 2010, the selected historical financial information in this section has been derived from our 2011 consolidated financial statements. The financial information for the fiscal year ended August 31, 2010, in the 2011 consolidated financial statements, was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the fiscal year ended August 31, 2011. The financial information for the fiscal year ended August 31, 2010 has not been restated to conform with the discontinued operations accounting treatment for the Dijon operations as presented in our 2012 consolidated financial statements.*

*For the six-month periods ended February 28, 2013 and February 29, 2012, the selected consolidated financial information in this section has been derived from our unaudited 2013 condensed consolidated interim financial statements. The financial information for the six-month period ended February 29, 2012 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the six-month period ended February 28, 2013.*

*All key figures presented in the following tables are based on continuing operations, except for net profit for the period, total assets, and cash flow related figures.*

*The following selected historical financial information should be read in conjunction with our consolidated financial statements included elsewhere in this Offering Circular.*

## Consolidated Income Statement:

| | Fiscal year ended August 31 | | | Six months ended February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011(1) (Restated) | 2010(2) (Restated) | 2013 | 2012(3) (Restated) |
| | *(CHF in millions, except ratios and per tonne data)* | | | | |
| **Revenue from sales and services** | **4,829.5** | **4,459.9** | **4,524.5** | **2,391.6** | **2,449.6** |
| Cost of goods sold | (4,156.9) | (3,800.9) | (3,875.0) | (2,034.3) | (2,110.8) |
| **Gross profit** | **672.6** | **659.0** | **649.5** | **357.3** | **338.8** |
| Marketing and sales expenses | (94.5) | (87.2) | (95.1) | (52.5) | (47.2) |
| General and administration expenses | (231.6) | (216.8) | (217.7) | (130.5) | (118.8) |
| Other income | 13.8 | 17.8 | 17.5 | 5.3 | 8.4 |
| Other expenses | (7.1) | (10.5) | (13.0) | (5.8) | (3.6) |
| **Operating profit (EBIT)** | **353.2** | **362.3** | **341.1** | **173.8** | **177.6** |
| Financial income | 6.0 | 1.4 | 2.0 | 2.5 | 6.2 |
| Financial expenses | (80.8) | (72.8) | (73.0) | (37.9) | (37.2) |
| Result from investments in associates and joint ventures | 0.0 | 1.2 | (0.2) | (0.3) | 0.3 |
| **Profit before income taxes** | **278.3** | **292.0** | **269.9** | **138.1** | **146.9** |
| Income taxes expenses | (37.2) | (28.4) | (32.4) | (21.7) | (21.2) |
| **Net profit from continuing operations** | **241.1** | **263.6** | **237.5** | **116.4** | **125.7** |
| Net result from discontinued operations, net of tax | (98.5) | (86.9) | 14.3 | (6.1) | (35.6) |
| **Net profit for the period** | **142.6** | **176.8** | **251.7** | **110.3** | **90.1** |

Notes:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

(2) The financial information for the fiscal year ended August 31, 2010 was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the fiscal year ended August 31, 2011. See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2011 for more information regarding discontinued operations. Our factory and the related business in Dijon, France that was part of our consumer activities are included in the presentation for the fiscal year ended August 31, 2010.

(3) The financial information for the six-month period ended February 29, 2012 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the six-month period ended February 28, 2013. See note 4 to our consolidated interim financial statements as of and for the six-month period ending February 28, 2013 for more information regarding discontinued operations.

## Consolidated Balance Sheet:

| | As of August 31 | | | As of February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | *(CHF in millions)* | | | | |
| **Assets** | | | | | |
| **Current assets:** | | | | | |
| Cash and cash equivalents | 53.9 | 42.0 | 17.4 | 39.3 | 83.7 |
| Short-term deposits | 0.7 | 0.4 | 0.8 | 1.0 | 1.7 |
| Trade receivables and other current assets | 570.1 | 462.8 | 587.4 | 641.5 | 674.6 |
| Inventories | 1,108.1 | 1,065.7 | 1,186.2 | 1,111.5 | 1,149.2 |
| Current income tax assets | 4.7 | 2.1 | 2.8 | 5.7 | 2.5 |
| Derivative financial assets | 414.2 | 245.9 | 370.6 | 268.6 | 610.9 |
| **Current assets without assets held for sale** | **2,151.8** | **1,818.9** | **2,165.1** | **2,067.6** | **2,522.6** |
| Assets held for sale | - | 235.8 | - | - | - |
| **Total current assets** | **2,151.8** | **2,054.7** | **2,165.1** | **2,067.6** | **2,522.6** |
| **Non-current assets:** | | | | | |
| Property, plant and equipment | 799.8 | 655.8 | 830.7 | 826.9 | 753.8 |
| Investments in associates and joint ventures | 4.6 | 4.0 | 3.5 | 4.9 | 4.5 |
| Intangible assets | 526.5 | 465.9 | 512.5 | 570.6 | 509.5 |
| Deferred income tax assets | 87.1 | 76.7 | 51.4 | 78.9 | 77.0 |
| Other non-current assets | 6.9 | 5.9 | 7.6 | 7.1 | 8.3 |
| **Total non-current assets** | **1,424.8** | **1,208.4** | **1,405.8** | **1,488.4** | **1,353.1** |
| **Total assets** | **3,576.6** | **3,263.1** | **3,570.8** | **3,556.0** | **3,875.7** |
| **Liabilities and equity** | | | | | |
| **Current liabilities**: | | | | | |
| Bank overdrafts | 34.3 | 17.3 | 13.5 | 50.3 | 16.6 |
| Short-term debt | 117.3 | 130.0 | 175.9 | 213.6 | 318.2 |
| Trade payables and other current liabilities | 657.6 | 657.2 | 769.5 | 770.9 | 901.4 |
| Current income tax liabilities | 38.3 | 70.2 | 42.0 | 44.5 | 72.9 |
| Derivative financial liabilities | 362.4 | 143.5 | 371.1 | 195.5 | 416.1 |
| Provisions | 12.2 | 7.5 | 15.6 | 7.6 | 8.7 |
| **Current liabilities without liabilities directly associated with assets held for sale** | **1,222.0** | **1,025.6** | **1,387.5** | **1,282.4** | **1,733.9** |
| Liabilities directly associated with assets held for sale | 25.3 | 222.5 | - | - | - |
| **Total current liabilities** | **1,247.3** | **1,248.1** | **1,387.5** | **1,282.4** | **1,733.9** |
| **Non-current liabilities:** | | | | | |
| Long-term debt | 845.9 | 685.0 | 699.5 | 770.3 | 716.1 |
| Employee benefit obligations | 47.5 | 47.9 | 105.1 | 46.1 | 48.6 |
| Provisions | 2.6 | 5.4 | 5.9 | 10.6 | 6.7 |
| Deferred income tax liabilities | 54.0 | 50.1 | 58.7 | 44.9 | 51.5 |
| Other non-current liabilities | 17.6 | 9.8 | 10.9 | 11.4 | 17.0 |
| **Total non-current liabilities** | **967.6** | **798.2** | **880.2** | **883.3** | **839.9** |
| **Total liabilities** | **2,214.9** | **2,046.3** | **2,267.7** | **2,165.7** | **2,573.8** |

| | As of August 31 | | | As of February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | (CHF in millions) | | | | |
| **Equity:** | | | | | |
| Share capital | 125.1 | 125.1 | 197.5 | 96.2 | 125.1 |
| Retained earnings and other reserves | 1,232.0 | 1,092.0 | 1,104.8 | 1,289.8 | 1,175.9 |
| **Total equity attributable to the shareholders of the parent company** | **1,357.1** | **1,217.1** | **1,302.3** | **1,386.0** | **1,301.0** |
| Non-controlling interest | 4.7 | (0.3) | 0.9 | 4.3 | 0.9 |
| **Total equity** | **1,361.8** | **1,216.8** | **1,303.2** | **1,390.3** | **1,301.9** |
| **Total liabilities and equity** | **3,576.6** | **3,263.1** | **3,570.8** | **3,556.0** | **3,875.7** |

## Consolidated Cash Flow Data:

| | Fiscal year ended August 31 | | | Six months ended February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | (CHF in millions, except ratios and per tonne data) | | | | |
| Operating cash flow before working capital changes | 440.2 | 450.7 | 457.8 | 235.6 | 223.9 |
| Net cash flow from operating activities | 164.5 | 172.8 | 177.7 | 86.8 | (54.5) |
| Net cash flow from investing activities | (100.5) | (182.8) | (156.1) | (139.2) | 25.4 |
| Net cash flow from financing activities | (70.2) | 33.2 | (23.0) | 21.7 | 70.8 |
| Net increase (decrease) in cash and cash equivalents | (5.0) | 20.8 | (0.8) | (30.6) | (42.4) |

## Other Historical Financial and Operating Data:

| | Fiscal year ended August 31 | | | Six months ended February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | (CHF in millions, except ratios and per tonne data) | | | | |
| Gross profit | 672.6 | 659.0[1] | 649.5[2] | 357.3 | 338.8[3] |
| EBITDA[4] | 434.3 | 430.3[1] | 414.6[2] | 220.1 | 215.6[3] |
| Operating profit (EBIT) per tonne (in CHF)[5] | 256.2 | 285.5[1] | 282.0[2] | 233.2 | 257.0[3] |
| Capital expenditure | 217.8 | 173.8 | 145.1 | 92.3 | 100.6 |
| Ratio of net debt[6] to EBITDA | 2.2x | 1.8x | 2.1x | 4.5x | 4.5x |
| Ratio of EBITDA to financial income and expenses, net | 5.8x | 6.0x | 5.8x | 6.2x | 7.0x |

Notes:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. Balance sheet and cash flow statement information has not been restated. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

(2) The financial information for the fiscal year ended August 31, 2010 was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the year ended August 31, 2011. Balance sheet and cash flow statement information has not been restated. See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2011 for more information regarding discontinued operations. Our factory and the related business in Dijon, France that was part of our consumer activities are included in the presentation for the fiscal year ended August 31, 2010.

(3) The financial information for the six-month period ended February 29, 2012 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the six-month period ended February 28, 2013. Balance sheet and cash flow statement information has not been restated. See note 4 to our consolidated interim financial statements as of and for the six-month period ending February 28, 2013 for more information regarding discontinued operations.

(4) EBITDA is equal to operating profit plus depreciation of property, plant and equipment, plus amortization of intangible assets all from continuing operations.

(5) Operating profit (EBIT) per tonne is equal to operating profit (EBIT) divided by sales volume of our continuing operations.

(6) Net debt represents total debt less cash and cash equivalents and short-term deposits.

## Summary of Twelve Month Financial Information:

| | As of and for the twelve months ended February 28, 2013[1] *(in millions, except ratios)* |
|---|---|
| | *(CHF)* |
| **Key Financial Data:** | |
| Revenue from sales and services | 4,771.5 |
| Total operating expenses | (4,422.1) |
| Operating profit (EBIT) | 349.4 |
| Financial income and expenses, net | 79.2 |
| Net profit for the period | 162.8 |
| EBITDA[2] | 438.8 |
| Capital expenditure | 209.5 |
| Net debt[3] | 993.9 |
| Ratio of net debt[3] to EBITDA[2] | 2.3x |
| Ratio of EBITDA[2] to financial income and expenses, net | 5.5x |

Notes:

(1) Figures for the twelve months ended February 28, 2013 have been calculated by adding the six-month results for the periods ended August 31, 2012 and February 28, 2013. These figures are for information purposes only and do not form part of any published audit, review or other report.

(2) EBITDA is equal to operating profit plus depreciation of property, plant and equipment, plus amortization of intangible assets.

(3) Net debt represents total debt less cash and cash equivalents and short-term deposits.

The following table shows how we calculate EBITDA:

| | For the fiscal year ended August 31 | | | For the six months ended February 28/29 | |
|---|---|---|---|---|---|
| | 2012[1] | 2011[1] | 2010[1] | 2013[1] | 2012[1] |
| | *(CHF in millions)* | | | | |
| **Operating profit (EBIT)** | **353.2** | **362.3** | **341.1** | **173.8** | **177.6** |
| Depreciation of property, plant, and equipment | 62.1 | 53.8 | 59.4 | 35.0 | 29.0 |
| Amortization of intangible assets | 19.0 | 14.2 | 14.1 | 11.3 | 9.0 |
| EBITDA | 434.3 | 430.3 | 414.6 | 220.1 | 215.6 |

Note:

(1) All figures are based on the continuing operations.

The following table shows how we calculate net debt:

| | As of August 31 | | | As of February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | *(CHF in millions)* | | | | |
| Bank overdrafts | 34.3 | 17.3 | 13.5 | 50.3 | 16.6 |
| Short-term debt | 117.3 | 130.0 | 175.9 | 213.6 | 318.2 |
| Long-term debt | 845.9 | 684.9 | 699.5 | 770.3 | 716.1 |
| **Total debt** | **997.5** | **832.2** | **888.9** | **1,034.2** | **1,050.9** |
| Cash and cash equivalents | (53.9) | (42.0) | (17.4) | (39.3) | (83.7) |
| Short-term deposits | (0.7) | (0.4) | (0.7) | (1.0) | (1.7) |
| **Net debt** | **942.9** | **789.8** | **870.8** | **993.9** | **965.5** |

The following table shows how we calculate net working capital:

| | As of August 31 | | | As of February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | *(CHF in millions)* | | | | |
| Trade receivables and other current assets | 570.2 | 462.8 | 587.4 | 641.5 | 674.6 |
| Inventories | 1,108.2 | 1,065.7 | 1,186.2 | 1,111.5 | 1,149.2 |
| Current income taxes | 4.7 | 2.1 | 2.8 | 5.7 | 2.5 |
| Derivative financial assets | 414.2 | 245.9 | 370.6 | 268.6 | 610.9 |
| Trade payables and other current liabilities | (657.6) | (657.2) | (769.5) | (770.9) | (901.4) |
| Current income tax payables | (38.3) | (70.2) | (42.0) | (44.5) | (72.9) |
| Derivative financial liabilities | (362.4) | (143.5) | (371.1) | (195.5) | (416.1) |
| - Net derivative financial assets and liabilities, related to financing activities and other | 12.4 | (10.0) | 16.1 | 17.4 | 7.0 |
| Provisions | (12.2) | (7.5) | (15.6) | (7.6) | (8.7) |
| **Net working capital** | **1,039.2** | **888.1** | **964.9** | **1,026.2** | **1,045.1** |

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following is a discussion of our results of operations and financial condition for the periods set out below. Unless stated otherwise, the discussion below excludes the Enlarged Group and the Petra Foods Cocoa Ingredients Business. You should read this section together with our consolidated historical financial statements, including the notes thereto, as well as the other financial information contained elsewhere in this Offering Circular.*

*We have prepared our consolidated historical financial statements contained in this Offering Circular in accordance with IFRS. Our fiscal year ends on 31 August.*

*Our consolidated financial information as of and for the fiscal years ended August 31, 2012, 2011 and 2010 has been prepared and presented in accordance with IFRS. Our unaudited condensed consolidated interim financial statements as of and for the six months ended February 28, 2013 and February 29, 2012 has been prepared in accordance with IAS 34.*

*For the fiscal years ended August 31, 2012 and 2011, the historical financial information in this section has been derived from our 2012 consolidated financial statements. The financial information for the year ended August 31, 2011, in the 2012 consolidated financial statements, was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012.*

*For the fiscal year ended August 31, 2010, the historical financial information in this section has been derived from our 2011 consolidated financial statements. The financial information for the fiscal year ended August 31, 2010, in the 2011 consolidated financial statements, was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the fiscal year ended August 31, 2011. The financial information for the fiscal year ended August 31, 2010 has not been restated to conform with the discontinued operations accounting treatment for the Dijon operations as presented in our 2012 consolidated financial statements.*

*For the six-month periods ended February 28, 2013 and February 29, 2012, the historical financial information in this section has been derived from our unaudited 2013 condensed consolidated interim financial statements. The financial information for the six-month period ended February 29, 2012 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the six-month period ended February 28, 2013.*

*Wherever we refer to a percentage change in local currencies within this section of the Offering Circular, such percentages have been calculated using constant currencies (i.e. prior year average exchange rates) for the translation of the income statements of subsidiaries reporting in currencies other than Swiss Francs for both the year under review and the prior year comparison period.*

*This section includes "forward looking" statements. Those forward looking statements are subject to risks, uncertainties and other factors that could cause our actual results to differ materially from those expressed or implied by such forward looking statements. See "Information Regarding Forward Looking Statements" included elsewhere in this Offering Circular.*

## Overview of the Business

We are the largest manufacturer of cocoa and chocolate products in the world, measured by sales volumes in fiscal year 2012. Our principal product is industrial chocolate, which we supply to industrial food processors, such as chocolate manufacturers, biscuit manufacturers, confectioners, and dairy companies,

as well as to artisanal users of chocolate, such as chocolatiers, pastry chefs, bakers and the food service industry. We are the largest manufacturer of industrial chocolate in the world, with an estimated market share of approximately 40% of the open market and the world leader in industrial chocolate production for external customers, measured by sales volume in the fiscal year 2012. In addition, we manufacture semi-finished products on a global basis, including cocoa liquor, cocoa butter, and cocoa powder. For the twelve months ended February 28, 2013 our consolidated revenues were CHF 4,771.5 million, our EBITDA was CHF 438.8 million, our net profit was CHF 162.8 million, and our net profit from continuing operation was CHF 231.8 million. For the fiscal year 2012, our sales volume was 1.4 million tonnes, our consolidated revenues were CHF 4,829.5 million, our EBITDA was CHF 434.3 million, our net profit was CHF 142.6 million, and our net profit from continuing operation was CHF 241.1 million.

Our business is organized in different Regions—the Europe Region, the Americas Region, and the Asia-Pacific Region. The globally managed Global Sourcing & Cocoa business responsible for the global procurement and risk management of our high-quality raw materials such as cocoa, sugar, dairy products, oils and fats, nuts and other ingredients as well as packaging material, is reported as a separate segment similar to a Region. Revenues by Region for fiscal year 2012 were CHF 2,150.6 million for the Europe Region, CHF 1,111.8 million for the Americas Region, CHF 232.4 million for the Asia-Pacific Region and CHF 1,334.7 million for Global Sourcing & Cocoa.

These Regions accounted for the following proportion of our sales volumes in fiscal year 2012:

| **Region** | **Sales Volume**[(1)] |
|---|---|
| Europe | 50% |
| Americas | 26% |
| Asia-Pacific | 4% |
| Global Sourcing & Cocoa | 20% |

Note:

(1) Sales volume from continuing operations.

Within our Regions, our business is further divided into the following three different Product Groups, which represent distinct customer categories along the value chain:

- Food Manufacturers Product Group: Our Food Manufacturers Product Group is our largest Product Group, supplying industrial chocolate, fillings and compound coatings to chocolate manufacturers, biscuit manufacturers, ice cream manufacturers and others. In fiscal year 2012, it generated 70% of sales volume in tonnes by Product Group and revenue of CHF 2,774.0 million, which represented 57% of total group revenue.

- Cocoa Product Group: Our Cocoa Product Group, part of Global Sourcing & Cocoa, is the global production unit for semi-finished products such as liquor, cocoa butter and cocoa powder. The figures reported for the Cocoa Product Group include only sales of cocoa products to third-party customers in all our Regions. In fiscal year 2012, it generated 20% of sales volume in tonnes by Product Group and revenue of CHF 1,334.7 million, which represented 28% of total group revenue.

- Gourmet & Specialties Product Group: Our Gourmet & Specialties Product Group supplies specialty premium chocolate products to bakeries, artisanal customers such as chocolatiers, confectioneries, hotels, restaurants and caterers as well as vending mixes to vending machine operators. In fiscal year 2012, it generated 10% of sales volume in tonnes by Product Group and revenue of CHF 720.8 million, which represented 15% of total group revenue.

The Food Manufacturers Product Group supplies industrial chocolate, ready to use fillings and compound coatings to food manufacturers including consumer products manufacturers, biscuit manufacturers and ice cream manufacturers. In our Food Manufacturers Product Group, we enter into firm

commitment contracts with “cost plus” pricing mechanisms. Pursuant to our typical customer contract, our customers agree to purchase a specified volume of chocolate products during the term of the agreement at a fixed price. We set that price on the date of contract, calculated on the basis of the prevailing market price for cocoa beans at that time. Since we know the requirements of our customers at the outset of the agreement, we cover immediately the cocoa position through forward purchases. The price to our customers is typically the sum of our raw material costs and our production, logistics, administrative and financial costs, together with a negotiated operating profit margin. If during the agreement the customer volumes are in excess of those agreed, the customer typically bears the costs incurred by us to purchase the excess amounts of cocoa beans, including any related storage costs. As a result, the Food Manufacturers Product Group is generally not affected by volatility of cocoa bean prices. See “—Quantitative and Qualitative Disclosures about Market Risks” below.

The Cocoa Product Group is primarily responsible for sourcing raw materials, managing sourcing risk and supplying our other Product Groups with semi-finished products for further processing. The Cocoa Product Group also sells semi-finished products (cocoa powder and to a lesser extent, cocoa butter) to third parties. Prices for our products in the Cocoa Product Group are dictated by prevailing market prices for semi-finished products on the contract date. Similar to contracts in our Food Manufacturers Product Group, our Cocoa Product Group contracts represent a firm commitment by our customers to purchase a fixed volume of our products at a set price and we are able to immediately cover the cocoa position through forward purchases.

The Gourmet & Specialties Product Group supplies specialty products and vending mixes to bakeries, artisanal customers, such as chocolatiers, confectioners, hotels, restaurants and vending machine operators. In our Gourmet & Specialties Product Group, our customers place orders on the basis of our price lists. Unlike the customers of the Food Manufacturers Product Group, our Gourmet & Specialties Product Group’s customers do not agree to fixed volume orders, but rather purchase from time to time volumes based on their needs. We typically update our price lists every six to 12 months, although if commodity prices change significantly, we may update our price lists more frequently. The absence of fixed volume orders at the time we set prices in our price lists prevents us from fully passing on to our customers our cost of cocoa beans and, therefore, exposes us to higher cocoa bean price volatility risks. To mitigate our exposure to such risk, we enter into forward purchase contracts matching the volumes that we estimate, supported by historical order data that our Gourmet & Specialties Product Group’s customers will purchase over six to 12 month periods. Based on our experience, we believe that demand for goods produced by our Gourmet & Specialties Product Group is only moderately price sensitive.

### The Acquisition

On December 12, 2012, Barry Callebaut AG and Barry Callebaut Belgium NV entered into the Acquisition Agreement with Petra Foods relating to the acquisition of the Petra Foods Cocoa Ingredients Business. The Acquisition is expected to be completed in July 2013, subject to satisfaction of certain conditions precedent as discussed under “The Acquisition—Summary of the Acquisition Agreement—Conditions to Completion”.

For further information with respect to the Acquisition see “The Acquisition”.

### Key Factors Affecting our Results of Operations

Our results of operations have been affected by the following key factors, and we expect that these factors will continue to affect our results of operations.

#### *Sales Volume and Product Mix*

Our ability to increase sales volume is a key driver of our profitability. Our sales volume is primarily driven by growth in the global chocolate confectionery market, the expansion of our existing business into new territories and emerging markets, our ability to increase sales volume under new and existing long-term outsourcing agreements and strategic partnerships, gains in market share, and targeting gourmet and

specialties markets. In the period from fiscal year 2008 to fiscal year 2012 and excluding consumer operations, we increased our sales volume at an annual compound growth rate of 7.6% from 1,028,698 tonnes in fiscal year 2008 to 1,378,856 tonnes in fiscal year 2012.

In the period from fiscal year 2009 to the end of fiscal year 2012, the global chocolate confectionery market increased 3.8% by volume, according to Euromonitor. See "Industry—Market Demand for Chocolate" for more information regarding the chocolate confectionery market. In the period under review, we also entered into a number of new long-term outsourcing agreements and strategic partnerships and gained market shares. This enabled us to increase our sales volume for cocoa products, food manufacturers products and gourmet and specialties products.

In addition to our sales volume, it is important to achieve the right mix of products sold under long-term outsourcing agreements and strategic partnerships, which involve large and long-term volume commitments at lower margins, and smaller spot sales at higher margins. In the period under review, on a local currency basis, margin pressure from large new outsourcing volumes were offset by the strengthening of our Gourmet and Specialties business, where we achieved higher margins. The translation effects from the strengthening of the CHF resulted in a decline in our reported margin per tonne in CHF.

### *Cocoa Pricing and the Combined Cocoa Ratio*

In addition to sales volume, our gross profit as a cocoa processor depends on the ratio between input costs (market price of cocoa beans) and output prices (market price of cocoa butter and cocoa powder). The ratio is the combined sales price for cocoa butter and cocoa powder relative to the cocoa bean price (the "Combined Ratio"). See "Industry—Cocoa Bean Pricing" for more information on the historic cocoa bean prices.

The cocoa butter and the cocoa powder ratio have to be valued together as both products are jointly produced when processing cocoa beans. A high Combined Ratio positively impacts our gross profit and a low Combined Ratio negatively impacts our gross profit. Cocoa butter prices and cocoa powder prices have different demand dynamics because those products in turn are used to create different types of products. Cocoa butter is mainly used to produce chocolate confectionery, whereas cocoa powder is used to produce compounds, ice cream, bakery, and powder beverage products. Generally, cocoa powder growth is based on increasing demand for product categories that are consumed primarily in emerging markets, mainly in Asia and Latin America. In the six-month period ending February 28, 2013, the Combined Ratio had a negative effect on our gross profit due to lower cocoa powder prices that were partly offset by higher cocoa butter prices. In fiscal year 2012, the Combined Ratio had a neutral impact on our gross profit as cocoa butter ratios declined significantly but that was offset by historically high prices of cocoa powder. The high Combined Ratio for fiscal year 2011 had a positive effect on our gross profit due to high cocoa powder ratios.

We believe that the Acquisition will enhance our position in the cocoa powder market and therefore will increase our exposure to the price of cocoa powder as it factors into the Combined Ratio. However, we do not believe that the Acquisition will significantly increase the volatility of our profitability due to the following:

- the extensive internal use of cocoa butter (and partly cocoa powder) provides us with a higher degree of flexibility to act on the market;
- increased share of combined sales of both cocoa butter and cocoa powder on a fixed ratio basis in total sales volumes aims to ensure stable and predictable profitability levels;
- the Combined Ratio sometimes shows different developments on various continents and we believe that the Petra Foods Cocoa Ingredients Business will allow us to more easily take advantage of those developments;
- our Combined Ratio position will be managed centrally;
- risk for the Enlarged Group will be managed centrally; and
- increase flexibility of our factories to reduce, stop, or restart cocoa bean pressing capacity at the lowest possible cost in response to anticipated trends.

### *Ability to Attract and Retain Long-term Outsourcing Agreements and Strategic Partnerships*

In the period under review, we have benefited from an outsourcing trend, where companies increasingly outsourced the production of their industrial chocolate needs. Since the early 1970s, the majority of fully vertically integrated companies started to shift their focus from purchasing and processing cocoa beans into semi-finished products and industrial chocolate and using the industrial chocolate to produce consumer products to producing consumer products from semi-finished products and industrial chocolate purchased from third parties. Our ability to continue to benefit from this trend will depend, among other factors, on our cost leadership, which allows us to produce products at a lower cost than our customers. See "Industry—Trends—Outsourcing" for a discussion of a number of other drivers behind this outsourcing trend.

We believe that our ability to attract long-term strategic partners lies in our focus on cocoa and chocolate and on our commitment to our four strategic pillars. Both global and local customers look for a reliable long-term partner who can supply them with high-quality products near to their production facilities at a competitive cost. In addition, such customers seek a partner who has continuous access to the most recent innovations, can assist them to further develop their products, has a strong position on sustainability in order to satisfy recent demand for certified product, and can coordinate a complex supply chain.

Our long-term outsourcing agreements and strategic partnerships customarily have terms ranging from five to 15 years. They can include both chocolate and cocoa products, and operate on a local, regional, or global scale. The long-term outsourcing agreements are under a cost plus model, wherein raw material prices are passed on to customers on a daily basis. As these agreements involve large and long-term volume commitments from our outsourcing and strategic partners, they normally have lower profitability margins than an average smaller, spot sale. However, such large and long-term volume commitments enable our factories to have a sufficient load base year round, reach economies of scale, and produce products for smaller customers at favorable margins, which in turn unlocks opportunities to enter new local markets with a smaller volume of consumption.

Long-term outsourcing agreements and strategic partnerships often involve significant upfront amounts of capital expenditure, R&D expenses, investments in quality assurance and support functions to enhance the relationship with the outsourcing or strategic partner. There are also one-off ramp-up costs related to such agreements that are generally incurred in the first one to three years of the relationship. In the past, we have entered such agreements on terms that generally allowed us to recoup our upfront investment costs. Our ability to negotiate long-term outsourcing agreements and strategic partnerships at attractive terms and manage the costs we incur in connection with such agreements has been a key factor affecting our results of operations in the period under review and will continue to be a key driver.

### *Raw Materials Costs*

The cost of raw materials is the largest source of the Group's costs. In the period under review, the cost of raw materials amounted to approximately 80% of total operating costs. We estimate that the cocoa related expense in materials used represented an average of 55% of total materials used in the period under review. The percentage of our total operating expenses represented by cost of goods sold depends largely on cocoa bean prices. Other components of materials used include, among others, sugar, dairy, nuts, lecithin, oils (from coconut and palm kernels) and vanillin. The majority of our customer agreements operate on a cost plus approach that enables us to pass on the cost of raw materials whenever a price change occurs.

### *Manufacturing, Supply Chain, and Overhead Costs*

The next important cost category is manufacturing and supply chain costs. We continuously try to reduce these costs by running our factories at optimal utilization levels, process and technology improvements, ongoing energy savings projects and related investments. Various improvement programs are executed systematically across our global operations to achieve savings despite pressures from inflation, globalization and company growth.

In the six-month period ended February 28, 2013, our supply chain costs were negatively affected by the higher than expected demand for chocolate that resulted in capacity constraints and led to additional factory and supply chain costs in connection with factories mainly in Western Europe and Asia. We

responded to this development by increasing our capacities and by improving planning tools and processes. Given our strong emphasis on growth that aims to produce an additional 100,000 tonnes every year, such inefficiencies may occur in the future as well.

Overhead costs contribute less to our cost base than manufacturing and supply chain costs. Given our rate of growth, in particular in developing and emerging countries, there is often a need to make upfront investments into support functions and resources in order to ensure that we can operate at identical service, quality and safety standards in all countries in which we operate. We also seek to attract and retain the best employees, which results in additional personnel expenses. Finally, targeted investments (sales force, marketing expenses, and similar) into our Gourmet & Specialties business have been made with the intent to accelerate this product sector.

Our ability to operate efficiently, manage our operating costs in line with the margins agreed in our outsourcing arrangements and strategic partnerships and our ability to swiftly adjust these costs in response to changes in sales volumes have been key drivers of our profitability during the period under review and will continue to be key factors of our profitability.

### *Ability to Manage Working Capital*

The most significant components of our working capital are inventory, derivative financial assets and liabilities in relation to our commercial activities, trade receivables, and trade payables.

Inventory consists mainly of beans as well as semi-finished and finished products. As the largest part of value is related to Cocoa, the value of the inventory is not only subject to fluctuations of volume but also the cocoa price volatility. The cocoa price volatility is also the trigger for the development of derivative financial assets and liabilities, which are to the largest extent related to the risk management of the cocoa component in inventory and fixed and forecasted sales, and to a lesser extent also for the development of trade receivables and payables.

Our working capital requirements related to inventory are closely linked to the cocoa bean harvest. We purchase the majority of our cocoa beans between October and February, with inventory volumes peaking around January. Our receivables are also typically high from October to January. As a result, our working capital needs generally peak in the period from January to April.

The Group is focused on optimizing working capital requirements in order to tightly control related financing costs as well as ensuring the working capital development does not exceed the requirements indicated by the development of sales volume.

### *New Procurement System in the Ivory Coast*

Since the cocoa bean crop of 2012, the government of the Ivory Coast transitioned from a liberal cocoa bean procurement system to a regulated system, where an administrative body issues cocoa bean export licenses that are sold through an auction process. Based on these auctions the administrative body fixes a farmgate price guaranteed to the farmers. The buyers still procure the cocoa beans themselves. The system was introduced last year and certain legal, financial and procedural aspects have only recently been set and many are still unclear. This has led to uncertainty and additional costs to large purchasers and local processors such as Barry Callebaut. The new system abolished the reductions in export duty for companies that process cocoa beans in the Ivory Coast, like us, which negatively affected our profitability in the six-month period ended February 28, 2013 and will continue to negatively affect the profitability of our Ivory Coast operations.

### *Exchange Rates*

We report our financial results in Swiss francs. We have foreign currency denominated revenues, expenses, assets and liabilities due to our global operations. As a consequence, movements in exchange rates affect:

- our profitability,
- the comparability of our results between periods, and

- the carrying value of our assets and liabilities.

When we incur expenses that are not denominated in the same currency as the related revenues, foreign exchange rate fluctuations could adversely affect our profitability. Our operating expenses (other than the cost of cocoa beans) are generally denominated in the same currency as associated revenues, thereby mitigating the impact of exchange rate movements on our operating profit. Our purchases of cocoa beans, which amounted to in excess of CHF 1,400 million in each of our last three fiscal years, are denominated primarily in pounds sterling and, to a lesser extent, the CFA Franc (which is tied to the euro and is the predominant currency in our West African sourcing countries), and U.S. dollars, whereas our revenues are predominantly denominated in euro and U.S. dollars. As a consequence, we hedge our foreign currency exposure to protect against fluctuations in currency exchange rates, particularly the euro/pound sterling and euro/U.S. dollar exchange rates.

In addition, even where revenues and expenses are matched, we must translate non-Swiss franc denominated results of operations, assets and liabilities to Swiss francs in our consolidated financial statements. To do so, balance sheet items are translated into Swiss francs using fiscal year end exchange rates and income statement and cash flow items are translated using average exchange rates during the relevant period. Consequently, increases and decreases in the value of the Swiss franc against other currencies have affected our reported results of operations and the value of our assets and liabilities in our consolidated balance sheet in the period under review and will continue to affect our results of operations and the value of our assets and liabilities, even if our results of operations or the value of those assets and liabilities has not changed in their original currency. These translations could significantly affect the comparability of our results between financial periods and/or result in significant changes to the carrying value of our assets, liabilities and shareholders' equity.

Excluding exchange rate movements (at constant currencies for the fiscal year 2008), our operating profit (EBIT) per tonne (from continuing operations) amounted to CHF 297, CHF 297, CHF 308, CHF 336, CHF 312, and CHF 303 in the fiscal years 2008, 2009, 2010, 2011 and 2012 and six months ended February 28, 2013, respectively.

### *Acquisitions and Disposals*

In the period under review, our results of operations have been affected by acquisitions and disposals, some of which were significant.

- In September 2012, we announced our intention to sell our factory and the related business in Dijon (France), which was the final step in the disposal of our consumer activities following the disposal of the Stollwerck business. The sale of our factory and the related business in Dijon completed on November 30, 2012. The results of the Dijon business were therefore no longer included in our consolidated results of operations for the continuing business but reported separately as discontinued operations for both fiscal years 2012 and 2011 and the six-month periods ended February 28, 2013 and February 29, 2012. In accordance with IFRS 5, the related assets and liabilities in our consolidated balance sheet as of August 31, 2012 were reported within the line items "Assets held for sale" and "Liabilities directly associated with the assets held for sale". The consolidated cash flow statement includes the cash flows from discontinued operations in both fiscal years 2012 and 2011 and the six-month periods ended February 28, 2013 and February 29, 2012. See note 2 to our audited consolidated financial statements as of and for the fiscal year ended August 31, 2012 and note 4 to our unaudited consolidated financial statements as of and for the six months ended February 28, 2013 for further information regarding this disposal.
- On July 8, 2011, we signed an agreement to sell our European Consumer Products business (Stollwerck) to Baronie Group in Belgium, with closing of the transaction on September 30, 2011. Consequently, the results of this business were no longer included in our results of operations for the continuing business but were reported separately as discontinued operations. Comparative figures for the fiscal year 2010 were restated accordingly. In our consolidated balance sheet as of August 31, 2011, assets and liabilities related to this discontinued operation were reported within the line items "Assets held for sale" and "Liabilities directly associated with assets held for sale". However, in accordance with IFRS 5, the comparative prior year figures were not restated in our

consolidated balance sheet. In accordance with IFRS 5, our consolidated cash flow statement for the fiscal year ended August 31, 2011 included the cash flows from discontinued operations. See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2011 for further information regarding this disposal.

In December 2012, we announced the Acquisition, which is expected to be completed in July 2013. See "The Acquisition" for further information regarding the Acquisition and the Petra Foods Cocoa Ingredients Business.

See note 1 to the audited consolidated financial statements as of and for the fiscal year ended August 31, 2012 and note 1 to the audited consolidated financial statements as of and for the fiscal year ended August 31, 2011 for a description of other acquisitions during the period under review.

### *Impairments of Goodwill*

Goodwill represents a significant portion of our total assets. As of August 31, 2012, the carrying amount of goodwill amounted to CHF 400.5 million, compared to CHF 366.4 million as of August 31, 2011. Impairments of goodwill may result from a deterioration in performance, adverse market conditions, adverse changes in applicable laws and regulations, disposals of assets and a variety of other factors. See note 18 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012 for further information regarding our goodwill.

We expect that the Acquisition will result in significant additional goodwill. See "The Acquisition" for further information regarding the Acquisition and the Petra Foods Cocoa Ingredients Business.

## Explanation of Key Line Items in the Income Statement

### *Revenue from Sales and Services*

Revenue from sales and services consist of net sales turnover of semi-processed and processed goods and services related to food processing. Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is mainly upon shipment. Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the costs of returns. Additionally, gains and losses related to derivative financial instruments used for hedging purposes are recognized in revenues in accordance with the policies set out in the notes to our consolidated financial statements. Revenues and costs related to trading of raw materials, which are fair valued, are netted.

We do not view revenues as the key indicator of our performance, as year on year changes in revenues can be substantially affected by changes in the price of raw materials, especially for cocoa beans. Revenues are also affected by movements in exchange rates. See "—Key Factors Affecting our Results of Operations" above.

### *Cost of Goods Sold*

Cost of goods sold consist of the costs for materials used, distribution, warehousing and logistics costs, as well as direct and indirect factory costs and factory depreciation.

### *Gross Profit*

Gross profit is defined as sales revenue minus cost of goods sold, the latter including materials used as well as all production and distribution related costs. We believe that gross profit is a good indicator of our operating performance, as it eliminates the effect of raw material price increases that we have passed on to our customers.

### *Marketing & Sales Expenses*

Marketing and sales expenses contain the expenses related to our own internal sales and marketing force as well as commissions paid to our agents and promotional expenses.

### *General & Administration Expenses*

General and administration expenses include costs for telecommunication, information technology, accounting, consultancy, rental and maintenance expenses for office buildings, general overhead and management costs, insurance and a number of other items.

### *Other Income and Expense, Net*

This position contains the amortization charges of intangible assets such as software and brand names, costs in relation with litigation, restructuring and impairments, gains and losses on disposal of property, plant and equipment, gains on employee benefit curtailments, tax credits for material purchases and a number of other items.

### *Operating Profit (EBIT)*

Operating profit (EBIT) is viewed as the key indicator for the operational performance of the group as well as for the Regions and Product Groups.

### *Financial Income and Expense, Net*

Net financial income and expense includes interest expense on our indebtedness, interest income on our cash and short-term investments and exchange rate differences related to financial transactions (including mark to market movements in associated hedging arrangements) and bank charges. Exchange rate gains and losses related to commercial transactions and the hedging of these commercial transactions are included in cost of goods sold in accordance with IAS 39.

## Results of Operations for the Six-Month Periods Ended February 28, 2013 and February 29, 2012

The table below sets out our results of operations for the six-month periods ended February 28, 2013 and February 29, 2012, in each case also expressed as a percentage of revenue:

| | Six months ended February 28/29 | | | |
|---|---|---|---|---|
| | **2013** | **As a % of Revenue** | **2012[(1)] (Restated)** | **As a % of Revenue** |
| | *(CHF millions, except ratios and percentages)* | | | |
| Revenue from sales and services | 2,391.6 | 100% | 2,449.6 | 100% |
| Cost of goods sold | (2,034.3) | 85.1% | (2,110.8) | 86.2% |
| **Gross profit** | **357.3** | **15.0%** | **338.8** | **13.8%** |
| Marketing and sales expenses | (52.5) | 2.2% | (47.2) | 1.9% |
| General and administration expenses | (130.5) | 5.5% | (118.8) | 4.9% |
| Other income and expenses, net | (0.5) | 0.0% | 4.8 | 0.2% |
| **Operating profit (EBIT)** | **173.8** | **7.3%** | **177.6** | **7.3%** |
| Financial income and expenses, net | (35.4) | 1.5% | (31.0) | 1.3% |
| Result from investments in associates and joint ventures | (0.3) | 0.0% | 0.3 | 0.0% |
| **Profit before income taxes** | **138.1** | **5.8%** | **146.9** | **6.0%** |
| Income tax expenses | (21.7) | 0.9% | (21.2) | 0.9% |
| **Net profit from continuing operations** | **116.4** | **4.9%** | **125.7** | **5.1%** |
| **Net result from discontinued operations, net of tax** | **(6.1)** | **0.3%** | **(35.6)** | **1.5%** |
| **Net profit for the period** | **110.3** | **4.6%** | **90.1** | **3.7%** |

Note:

(1) Due to the discontinuation of the consumer activities, certain comparatives have been restated to conform with the presentation for the six-month period ended February 28, 2013. See note 4 to our unaudited consolidated financial statements as of and for the six-month period ended February 28, 2013 for more information regarding discontinued operations.

The table below sets out our revenue from external customers, sales volume, and operating profit (EBIT) by Regions for the six months ended February 28, 2013 and February 29, 2012:

| | Six months ended February 28/29 | | |
|---|---|---|---|
| | **2013** | **2012[1] (Restated)** | **Change** |
| | *(CHF millions, except volumes in metric tonnes)* | | |
| *Europe* | | | |
| Revenue from external customers | 1,186.2 | 1,151.4 | 3.0% |
| Sales volume | 377,458 | 356,888 | 5.8% |
| Operating profit (EBIT) | 127.5 | 117.4 | 8.6% |
| *Americas* | | | |
| Revenue from external customers | 567.2 | 547.4 | 3.6% |
| Sales volume | 200,434 | 176,446 | 13.6% |
| Operating profit (EBIT) | 49.8 | 45.1 | 10.4% |
| *Asia-Pacific* | | | |
| Revenue from external customers | 118.1 | 116.9 | 1.0% |
| Sales volume | 30,915 | 27,639 | 11.9% |
| Operating profit (EBIT) | 15.0 | 15.2 | (1.3)% |
| *Global Sourcing & Cocoa* | | | |
| Revenue from external customers | 520.1 | 633.9 | (18.0)% |
| Sales volume | 136,449 | 130,088 | 4.9% |
| Operating profit (EBIT) | 19.8 | 33.2 | (40.4)% |
| *Total Group* | | | |
| Total revenue from external customers | 2,391.6 | 2,449.6 | (2.4)% |
| Total sales volume | 745,256 | 691,061 | 7.8% |
| Total operating profit (EBIT) | 173.8 | 177.6 | (2.1)% |

Note:

(1) Due to the discontinuation of the consumer activities, certain comparatives have been restated to conform with the presentation for the six-month period ended February 28, 2013. See note 4 to our unaudited consolidated financial statements as of and for the six-month period ended February 28, 2013 for more information regarding discontinued operations.

The table below sets out our revenue from external customers and sales volume by Product Groups for the six months ended February 28, 2013 and February 29, 2012:

| | Six months ended February 28/29 | | |
|---|---|---|---|
| | 2013 | 2012[(1)] (Restated) | Change (%) |
| | (CHF millions, except volumes in metric tonnes) | | |
| **Total revenue from external customers** | **2,391.6** | **2,449.6** | **(2.4)%** |
| Cocoa Products | 520.1 | 633.9 | (18.0)% |
| Food Manufacturers Products | 1,455.1 | 1,418.3 | 2.6% |
| Gourmet & Specialities Products | 416.4 | 397.4 | 4.8% |
| **Total sales volume** | **745,256** | **691,061** | **7.8%** |
| Cocoa Products | 136,449 | 130,088 | 4.9% |
| Food Manufacturers Products | 524,738 | 482,336 | 8.8% |
| Gourmet & Specialities Products | 84,069 | 78,637 | 6.9% |

Note:

(1) Due to the discontinuation of the consumer activities, certain comparatives have been restated to conform with the presentation for the six-month period ended February 28, 2013. See note 4 to our unaudited consolidated financial statements as of and for the six-month period ended February 28, 2013 for more information regarding discontinued operations.

### *Sales Volume and Revenue from Sales and Services*

Sales volume rose 7.8% to 745,256 tonnes for the six months ended February 28, 2013 from 691,061 tonnes for the six months ended February 29, 2012. All Regions and Product Groups contributed to this growth. In absolute terms, the biggest contribution to growth came almost equally from the Americas Region and the Europe Region. The growth was driven by additional volumes with strategic partners and emerging markets.

Revenue from Sales and Services slightly contracted by 2.4% to CHF 2,391.6 million for the six months ended February 28, 2013 from CHF 2,449.6 million for the six months ended February 29, 2012. This decrease results from the effect of lower average prices for cocoa related ingredients, which more than offset the effect of the volume growth. On a local currency basis, revenue from sales and services decreased by 2.6%.

*Europe Region*. In the Europe Region, the chocolate confectionery markets grew by 2.0% (Nielsen). Volume growth in Western Europe was 1.4%, and markets in Eastern Europe increased 3.4% (Nielsen). Notwithstanding the still challenging market environment, especially in Southern Europe, we achieved solid growth in the Europe Region. Overall sales volume moved up strongly by 5.8% to 377,458 tonnes. Growth in Western Europe was driven by higher sales of both standard (chocolate and compound) and specialities products (fillings, decorations, nut products) in the Food Manufacturers Products business. Despite the challenging market environment, the Gourmet business achieved good growth, supported by our Belgian Gourmet brand Callebaut®. Volumes in our beverages division within Gourmet & Specialities Product Group picked up. The industrial business in Eastern Europe, Middle East and Africa (EEMEA) grew significantly in Russia, the Middle East and Turkey and the Gourmet & Specialities Products business continued to record significant volume growth thanks to a particularly strong performance of Callebaut® in Russia. Overall, sales revenue in the Europe Region increased from CHF 1,151.4 million for the six months ended February 29, 2012 to CHF 1,186.2 million for the six months ended February 28, 2013, an increase of 3.0%, corresponding to a 3.1% increase in local currencies, primarily due to an increase in sales volume which was offset by lower average raw material prices.

*Americas Region*. In the Americas Region, the chocolate confectionery market in the United States and Brazil decreased by 1.3% and 0.7%, respectively (Nielsen). We maintained our volume growth pace in the Americas Region, increasing sales volume by 13.6% to 200,434 tonnes. In North America, growth was

mainly driven by our global accounts in the Food Manufacturers Products business. The Gourmet business continued to grow significantly in North America and sales volume in South America was again substantially higher. Mexico was a strong performer, significantly increasing volumes compared to the corresponding period in the previous year. Sales revenue in the Americas Region increased by 3.6% to CHF 567.2 million and grew at a lower rate than sales volume growth due to lower raw material prices, corresponding to an increase of 1.6% in local currencies.

*Asia-Pacific Region*. In the Asia-Pacific Region, the chocolate markets in Asia grew by 11.6%, again outperforming the growth in other world regions, although still from a lower base (Nielsen). In the Asia-Pacific Region, we continued to grow significantly, increasing our sales volume by 11.9% to 30,915 tonnes. Growth was driven by strategic partnerships in the Food Manufacturers Products Business. In the Gourmet & Specialities Products business, Callebaut® achieved significant volume growth. Overall growth was strongly supported by well performing local brands. Both in the industrial and the Gourmet business, China was the best performing country. Due to lower average raw material prices compared to last year, which offset growth in sales volume, sales revenue in the Asia-Pacific Region increased by 1.0% to CHF 118.1 million, corresponding to an increase of 0.3% in local currencies.

*Global Sourcing & Cocoa Segment*. In Global Sourcing & Cocoa, cocoa terminal market prices traded above £1,700 early September due to uncertainties with regard to the development of the main crop as a result of weather conditions and the implementation of the cocoa reform in the Ivory Coast. In the following months, prices continued to retreat and closed at £1,429 at the end of February. The downward move was mostly caused by the liquidation of funds' long positions and, more recently, by good prospects for the size of the upcoming mid-crop, starting in May. The sugar crop 2012/13 was larger than in other years. The world market closed the third year in a row in a surplus. After peaking last October, world sugar prices steadily declined. Funds going short put additional downward pressure on prices. By the end of February, world market prices for sugar were at a two-year low. In the EU, special measures were taken to supply the sugar market by increasing the import quota. EU sugar prices stayed at the same, still rather high levels. Milk powder prices in Europe remained flat, but on high levels, due to balanced supply and demand. In contrast, world market prices increased and reached EU levels at the end of February due to lower overall supply in the market and in anticipation of a drier season in New Zealand, which would lead to less supply in the near future.

Our segment Global Sourcing & Cocoa expanded its third-party sales volume by 4.9% to 136,449 tonnes, despite a downturn in powder demand in the United States and Europe. Compared to last year, sales prices for cocoa ingredients (cocoa butter, cocoa liquor and cocoa powder) were significantly lower. Therefore, sales revenue declined by 18.0% to CHF 520.1 million, corresponding to a decline of 17.2% in local currencies.

### *Gross Profit*

Gross profit increased by 5.5% to CHF 357.3 million, corresponding to an increase of 4.9% in local currencies. While the product margins improved, the increase in gross profit lagged behind volume growth mainly due to the unfavorable development of the Combined Ratio as well as higher operations and logistics costs resulting from capacity constraints incurred in some locations due to strong growth.

### *Marketing and Sales Expenses*

Marketing and Sales expenses amounted to CHF 52.5 million, which corresponds to an increase of 11.2% versus prior year. We continued to invest in the further expansion of the Gourmet business, in particular for the global brands and the sales organization in new and emerging markets.

### *General and Administration Expenses*

General and administration expenses increased by 9.8% to CHF 130.5 million. This increase is due to costs incurred for investments in structures and processes to cope with the future growth, in combination with some first non-recurring costs in relation to the Acquisition, which are recorded under Corporate.

### *Other Income*

Other income amounted to CHF 5.3 million, down 36.9% compared to the prior year's amount of CHF 8.4 million. This item includes operating but not sales related income such as contract cancellation fees, gains on disposal of assets and waste products as well as the third-party income from our training center.

### *Other Expenses*

Other expenses increased by 61.1% to CHF 5.8 million. This amount is mainly related to litigation, pension, severance payments and losses on disposal of assets.

### *Operating Profit (EBIT)*

Operating profit (EBIT) decreased by 2.1% to CHF 173.8 million. In local currencies, operating profit (EBIT) would have been 2.4% lower than in the comparable period. Operating profit (EBIT) growth achieved in the Europe Region and Americas Region was more than offset by the decrease in Global Sourcing & Cocoa, which was impacted by the previously mentioned development of the Combined Ratio and by the previously mentioned higher general and administrative costs with respect to structures, processes and people.

*Europe Region*. In the Europe Region, operating profit (EBIT) development even exceeded the good volume and sales revenue development. Operating profit (EBIT) rose 8.6% to CHF 127.5 million (an increase of 8.1% in local currencies) as a result of improved margins due in part to lower raw material prices.

*Americas Region*. In the Americas Region, volume growth positively influenced the regional operating result and rose by 10.4% to CHF 49.8 million, corresponding to an increase of 8.7% in local currencies.

*Asia-Pacific Region*. In the Asia-Pacific Region, operating profit (EBIT) was negatively impacted by a higher cost base as a result of ongoing expansion and decreased by 1.3% to CHF 15.0 million, corresponding to a decrease of 2.5% in local currencies.

*Global Sourcing & Cocoa Segment*. In Global Sourcing & Cocoa, the Combined Ratio had a negative effect on cocoa processing profitability and as a result operating profit (EBIT) dropped by 40.4% to CHF 19.8 million, corresponding to a decrease of 37.5% in local currencies.

### *Financial Income*

Financial income declined from CHF 6.2 million to CHF 2.5 million, mostly due to a lower foreign currency exchange result.

### *Financial Expense*

Financial expenses amounted to CHF 37.9 million, almost at the same level as the CHF 37.2 million in the prior year.

### *Results from Investments in Associates and Joint Ventures*

Result from investments in associates and joint ventures decreased from CHF 0.3 million to CHF (0.3) million due to negative results from investments recorded under the equity method.

### *Income Taxes*

Income taxes increased from CHF 21.2 million to CHF 21.7 million. Our effective tax rate amounted to 15.7% for the first six months, up from 14.4% in the prior year period. This is the result of a less favorable mix of profit before taxes.

### *Net Profit for the Period from Continuing Operations*

Net profit for the period from continuing operations decreased by 7.4% to CHF 116.4 million mainly as a result of the lower operating profit (EBIT) in combination with the increase in net financial expenses.

### *Net Profit for the Period from Discontinued Operations*

Net profit for the period from discontinued operations is related to the discontinued operations of the factory and business in Dijon, France, and amounted to a net loss of CHF 6.1 million. This loss resulted from an operating loss of the discontinued operations of CHF 4.0 million and financial and income tax expenses of CHF 1.8 million in combination with losses incurred on the disposal of CHF 0.3 million. The prior year discontinued result of CHF (35.6) million mainly included the loss on the discontinued operation related to the European consumer business (Stollwerck).

### *Net Profit for the Period*

Net profit for the period (including discontinued operations) increased from CHF 90.1 million to CHF 110.3 million.

## Results of Operations for the Fiscal Years ended August 31, 2012 and 2011

The table below sets out our results of operations for the fiscal years ended August 31, 2012 and 2011, in each case also expressed as a percentage of revenue:

| | Fiscal year ended August 31 | | | |
|---|---|---|---|---|
| | **2012** | **As a % of Revenue** | **2011[(1)] (Restated)** | **As a % of Revenue** |
| | *(CHF millions, except ratios and percentages)* | | | |
| Revenue from sales and services | 4,829.5 | 100% | 4,459.9 | 100% |
| Cost of goods sold | (4,156.9) | 86.1% | (3,800.9) | 85.2% |
| **Gross profit** | **672.6** | **13.9%** | **659.0** | **14.8%** |
| Marketing and sales expenses | (94.5) | 2.0% | (87.2) | 2.0% |
| General and administration expenses | (231.6) | 4.8% | (216.8) | 4.9% |
| Other income and expenses, net | 6.7 | 0.3% | 7.3 | 0.2% |
| **Operating profit (EBIT)** | **353.2** | **7.3%** | **362.3** | **8.1%** |
| Financial income and expenses, net | (74.9) | 0.2% | (71.5) | 1.6% |
| Result from investments in associates and joint ventures | 0.0 | 0.0% | 1.2 | 0.0% |
| **Profit before income taxes** | **278.3** | **5.8%** | **292.0** | **6.6%** |
| Income taxes expenses | (37.2) | 0.8% | (28.4) | 0.6% |
| **Net profit from continuing operations** | **241.1** | **5.0%** | **263.6** | **6.0%** |
| **Net result from discontinued operating, net of tax** | **(98.5)** | **2.0%** | **(86.9)** | **2.0%** |
| **Net profit for the year** | **142.6** | **3.0%** | **176.8** | **4.0%** |

Note:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. Balance sheet and cash flow statement information have not been restated. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

The table below sets out our revenue from external customers, sales volume, and operating profit (EBIT) by Regions for the fiscal years ended August 31, 2012 and 2011:

| | Fiscal year ended August 31 | | |
|---|---|---|---|
| | 2012 | Change 2011/2012 | 2011[(1)] (Restated) |
| | (CHF millions, except volumes in metric tonnes) | | |
| *Europe* | | | |
| Revenues from external customers | 2,150.6 | 0.2% | 2,147.0 |
| Sales volume | 688,203 | 6.9% | 643,943 |
| Operating profit (EBIT) | 232.2 | 5.1% | 244.7 |
| *Americas* | | | |
| Revenues from external customers | 1,111.8 | 13.5% | 979.2 |
| Sales volume | 361,819 | 15.3% | 313,715 |
| Operating profit (EBIT) | 90.2 | 25.6% | 71.8 |
| *Asia-Pacific* | | | |
| Revenues from external customers | 232.4 | 4.7% | 221.9 |
| Sales volume | 57,815 | 10.3% | 52,397 |
| Operating profit (EBIT) | 29.7 | 19.3% | 24.9 |
| *Global Sourcing & Cocoa* | | | |
| Revenues from external customers | 1,334.7 | 20.1% | 1,111.7 |
| Sales volume | 271,019 | 4.7% | 258,870 |
| Operating profit (EBIT) | 65.2 | 15.5% | 77.2 |
| *Total Group* | | | |
| Total revenues from external customers | 4,829.5 | 8.3% | 4,459.9 |
| Total sales volume | 1,378,856 | 8.7% | 1,268,925 |
| Total Operating profit (EBIT) | 353.2 | 2.5% | 362.3 |

Note:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. Balance sheet and cash flow statement information have not been restated. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

The table below sets out our revenue from external customers and sales volume by Product Groups for the fiscal years ended August 31, 2012 and 2011:

| | Fiscal year ended August 31 | | |
|---|---|---|---|
| | 2012 | Change 2011/2012 | 2011 (Restated) |
| | (CHF millions, except volumes in metric tonnes) | | |
| **Total revenues from external customers** | **4,829.5** | **8.3%** | **4,459.9** |
| Cocoa Products | 1,334.7 | 20.1% | 1,111.7 |
| Food Manufacturers Products | 2,774.0 | 5.2% | 2,635.7 |
| Gourmet & Specialities Products | 720.8 | 1.2% | 712.5 |
| **Sales volume** | **1,378,856** | **8.7%** | **1,268,925** |
| Cocoa Products | 271,019 | 4.7% | 258,870 |
| Food Manufacturers Products | 962,058 | 10.8% | 868,590 |
| Gourmet & Specialties Products | 145,779 | 3.0% | 141,465 |

### *Sales Volume and Revenue from Sales and Services*

Sales volume grew strongly by 8.7% from 1,268,925 tonnes to 1,378,856 tonnes, primarily driven by strong growth in the Americas, emerging markets, and new outsourcing agreements.

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

*Europe Region*. In the Europe Region, the chocolate confectionery markets grew by 1.4% (Nielsen, September 2011–August 2012). Western Europe slightly decreased by 0.6% while Eastern Europe recorded attractive, above-average growth at 5.2%, driven by Russia, Turkey and Poland (Nielsen, September 2011–August 2012). Sales volume in the Europe Region increased by 6.9% to 688,203 tonnes despite the challenging market conditions, especially in Southern Europe, where chocolate consumption declined due to the difficult economic environment. After a slow start, the Food Manufacturers Products business in Western Europe gradually increased sales volume growth with an exceptionally strong fourth quarter. Volume growth was driven by outsourcing agreements and specialty products, as well as overall market share gains. The Gourmet business showed a good performance in the light of difficult markets in some of the key countries, including Southern Europe. In Eastern Europe, both Food Manufacturers Products and the Gourmet & Specialties Products businesses continued to grow at significant rates, to which Russia and Poland delivered the biggest contributions. Sales volume of our beverages division, which is accounted for within our Gourmet & Specialities Product Group, declined slightly due to weather conditions and customer destocking. Overall revenue from sales and services grew by 5.1% in local currencies (an increase of 0.2% in CHF) to CHF 2,150.6 million.

*Americas Region*. In the Americas Region, the chocolate confectionery market in the United States decreased by 2.0%, whereas the market's pace of growth in Brazil slowed to 4.7% (Nielsen, September 2011–August 2012). We grew significantly faster than the local chocolate markets. Overall sales volume increased strongly by 15.3% to 361,819 tonnes in the Americas Region, primarily due to an increase in the volume requirements of some of our strategic partners and new outsourcing agreements. Both the Food Manufacturers and Gourmet & Specialties Products businesses continued to grow at a significant rate. In North America, Corporate as well as National Accounts showed significant growth rates driven by new volumes from outsourcing agreements and market share gains. We were able to more than double our local volumes with industrial customers in Brazil. Our business in Mexico also reported a strong performance, increasing its business volumes significantly. Our leading imported brands, Callebaut® and Cacao Barry®, as well as our domestic brand Van Leer® contributed to the strong Gourmet growth. We continued to expand our regional footprint in the Americas Region. Besides capacity increases at existing factories in the Northeast of the United States, we also purchased the assets of the Chatham facility from Batory Industries

in Ontario (Canada). In the Gourmet area, we acquired chocolate decoration manufacturer Mona Lisa Food Products, Inc. in Hendersonville, North Carolina (United States), which strengthened our global market position for chocolate decorations and will serve as a dedicated center of competence for the United States market complementing the one in Zundert in the Netherlands. Revenue from sales and services increased by 13.1% in local currencies (an increase of 13.5% in CHF) to CHF 1,111.8 million.

*Asia-Pacific Region*. In the Asia-Pacific Region, while Asian economies started to show signs of a slight slowdown in the wake of the financial crisis in Europe, the chocolate confectionery markets continued their solid growth pace and grew by 5.5% (Euromonitor). In the Asia-Pacific Region, we sustained our significant volume growth trajectory of recent years despite some capacity constraints that limited growth opportunities early in the year. Sales volume rose by 10.3% to 57,815 tonnes. The Food Manufacturers Products business increased its sales volume significantly, particularly driven by strategic partnerships. In the Gourmet business, we further strengthened its leadership with the global Gourmet brands Callebaut® and Cacao Barry® imported from Europe. Local gourmet brands also performed well, driven by significant sales increases in both emerging (India) and developed markets (Japan, Australia). The review of our regional distribution network and subsequent appointment of new partners positively influenced sales volume growth. On the basis of lower average raw material prices compared to last year, revenue from sales and services rose by 4.1% in local currencies (an increase of 4.7% in CHF) to CHF 232.4 million.

*Global Sourcing & Cocoa Segment*. In Global Sourcing & Cocoa, a market surplus, macroeconomic fears in connection with the European financial crisis and a generally well-stocked industry led cocoa prices steadily downwards until the end of 2011. Thereafter, cocoa prices stabilized within a range of £1,400 and 1,600 per tonne, yet with considerable intra-day volatility. Dry weather in Africa resulting in uncertainties about the next main crop as well as the cocoa reform in Ivory Coast put some slight upside pressure on prices at the end of July 2012. In early 2012, Ivory Coast, the world's largest cocoa producing country, announced a reform of its cocoa sector. One of the aims of the reform is to safeguard farmer income by introducing a minimum guaranteed farmer price. To achieve this, the country started to forward sell export quotas for 70% of the 2012/2013 harvest. We participated in this new auctioning system. After an initial downward correction, the Combined Ratio increased again later in the fiscal year. Prices on the world sugar market corrected significantly downwards due to record crops in the most important producing countries (Brazil, India, China and Russia). In Europe, the supply was also good. However, temporary measures taken by the EU Commission to compensate for the structural deficit in the regulated EU sugar market had little effect and EU sugar prices stayed at historically high levels. Milk powder prices initially declined as a result of favorable weather conditions, which pushed milk production worldwide, followed by a strong surge in the summer of 2012 due to the drought in the United States. Milk powder prices closed at the previous year's high level. Capacity expansions at existing factories and higher internal cocoa powder demand impacted Global Sourcing & Cocoa's growth in the first half. Early 2012, external demand started to pick up, driven by our strategic partners. Overall sales volume rose by 4.7% to 271,019 tonnes. Revenue from sales and services increased by 23.8% in local currencies (an increase of 20.1% in CHF) to CHF 1,334.7 million due to high cocoa powder prices at the time the business was contracted.

### *Gross Profit*

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

### *Marketing and Sales Expenses*

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

### General and Administrative Expenses

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

### Other Income

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

### Other Expenses

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

### Operating Profit (EBIT)

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

*Europe Region*. In the Europe Region, operating profit (EBIT) decreased by 1.7% in local currencies (a decrease of 5.1% in CHF) to CHF 232.2 million due to ramp-up costs related to outsourcing agreements, higher factory and supply chain costs, and investments in adapting structures and processes as well as developments in the Gourmet business.

*Americas Region*. In the Americas Region, operating profit (EBIT) rose by 25.4% in local currencies (an increase of 25.6% in CHF) to CHF 90.2 million, primarily due to the strong performance of the Gourmet business as well as an overall positive margin development and improved capacity utilization.

*Asia-Pacific Region*. In the Asia-Pacific Region, operating profit (EBIT) outpaced volume growth with a strong growth of 20.9% in local currencies (an increase of 19.3% in CHF) to CHF 29.7 million, partly as a result of increased capacity utilization and partly from positive margin developments.

*Global Sourcing & Cocoa Segment*. In Global Sourcing & Cocoa, operating profit (EBIT) declined by 8.9% in local currencies (a decrease of 15.5% in CHF) to CHF 65.2 million. After an initial downward correction, the Combined Ratio increased later in the year. Overall, it had a neutral effect on Barry Callebaut's profitability. In addition, the positive volume growth was unable to fully offset increased costs from the ramp-up of strategic partnership agreements including related supply chain and logistic costs as well as from investments in sustainability.

### Financial Income

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

### *Financial Expenses*

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

### *Result from Investments in Associates and Joint Ventures*

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

### *Income Taxes*

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

### *Net Profit for the Year from Continuing Operations*

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

### *Net Result from Discontinued Operations*

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

### *Net Profit for the Year*

Net profit for the year (including discontinued operations) amounted to CHF 142.6 million, compared to CHF 176.8 million in prior year.

### Results of Operations for the Fiscal Years Ended August 31, 2011 and 2010

The table below sets out results of operations for the fiscal years ended August 31, 2011 and 2010, in each case also expressed as a percentage of revenue. The financial information for the fiscal year ended August 31, 2011 was restated in the 2012 consolidated financial statements to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012.

| | Fiscal year ended August 31 | | | | |
|---|---|---|---|---|---|
| | 2011[(1)] (Restated) | 2011[(2)] | As a % of Revenue | 2010[(3)] (Restated) | As a % of Revenue |
| | *(CHF millions, except ratios and percentages)* | | | | |
| Revenue from sales and services | 4,459.9 | 4,554.4 | 100% | 4,524.5 | 100% |
| Cost of goods sold | (3,800.9) | (3,895.4) | 85.5% | (3,875.0) | 85.6% |
| **Gross profit** | **659.0** | **659.0** | **14.5%** | **649.5** | **14.4%** |
| Marketing and sales expenses | (87.2) | (88.1) | 1.9% | (95.1) | 2.1% |
| General and administration expenses | (216.8) | (219.4) | 4.8% | (217.7) | 4.8% |
| Other income and expenses, net | 7.3 | 9.1 | 0.2% | 4.4 | 0.1% |
| **Operating profit (EBIT)** | **362.3** | **360.6** | **7.9%** | **341.1** | **7.5%** |
| Financial income and expenses, net | (71.5) | (73.1) | 1.6% | (71.0) | 1.6% |
| Result from investments in associates and joint ventures | 1.2 | 1.2 | 0.0% | (0.2) | 0.0% |
| **Profit before income taxes** | **292.0** | **288.7** | **6.3%** | **269.9** | **6.0%** |
| Income taxes expenses | (28.4) | (29.8) | 0.7% | (32.4) | 0.7% |
| **Net profit from continuing operations** | **263.6** | **258.9** | **5.7%** | **237.5** | **5.2%** |
| **Net result from discontinued operating, net of tax** | **(86.9)** | **(82.1)** | **1.8%** | **14.3** | **0.3%** |
| **Net profit for the year** | **176.8** | **176.8** | **3.9%** | **251.7** | **5.6%** |

Notes:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. Balance sheet and cash flow statement information have not been restated. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

(2) The financial information for the fiscal year ended August 31, 2011 in this column is presented as disclosed in our 2011 consolidated financial statements.

(3) The financial information for the fiscal year ended August 31, 2010 was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the fiscal year ended August 31, 2011. Balance sheet and cash flow statement information have not been restated. See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2011 for more information regarding discontinued operations. Our factory and the related business in Dijon, France that was part of our consumer activities are included in the presentation for the fiscal year ended August 31, 2010.

The table below sets out our revenue from external customers, sales volume, and operating profit (EBIT) by Regions for the fiscal years ended August 31, 2011 and 2010. The financial information for the fiscal year ended August 31, 2011 was restated in the 2012 consolidated financial statements to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012.

| | Fiscal year ended August 31 | | | |
|---|---|---|---|---|
| | **2011[(1)] (Restated)** | **2011[(2)]** | **Change 2010/2011** | **2010[(3)] (Restated)** |
| | *(CHF millions, except volumes in metric tonnes)* | | | |
| *Europe* | | | | |
| Revenues from external customers | 2,147.0 | 2,241.3 | (5.3)% | 2,366.9 |
| Sales volume | 643,943 | 671,424 | 1.8 % | 659,331 |
| Operating profit (EBIT) | 244.7 | 243.0 | 2.6 % | 236.9 |
| *Americas* | | | | |
| Revenues from external customers | 979.2 | 978.9 | 0.9 % | 987.6 |
| Sales volume | 313,715 | 313,635 | 8.2 % | 289,970 |
| Operating profit (EBIT) | 71.8 | 71.9 | (19.5)% | 89.3 |
| *Asia-Pacific* | | | | |
| Revenues from external customers | 221.9 | 221.9 | 6.9 % | 207.5 |
| Sales volume | 52,397 | 52,397 | 10.4 % | 47,466 |
| Operating profit (EBIT) | 24.9 | 24.9 | 22.7 % | 20.3 |
| *Global Sourcing & Cocoa* | | | | |
| Revenues from external customers | 1,111.7 | 1,112.3 | 15.6 % | 962.6 |
| Sales volume | 258,870 | 258,982 | 21.7 % | 212,886 |
| Operating profit (EBIT) | 77.2 | 76.6 | 40.6 % | 54.5 |
| *Total Group* | | | | |
| Total revenues from external customers | 4,459.9 | 4,554.4 | 0.7 % | 4,524.5 |
| Total sales volume | 1,268,925 | 1,296,438 | 7.2 % | 1,209,654 |
| Total Operating profit (EBIT) | 362.3 | 360.6 | 5.7 % | 341.1 |

Notes:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. Balance sheet and cash flow statement information have not been restated. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

(2) The financial information for the fiscal year ended August 31, 2011 is presented as disclosed in our 2011 consolidated financial statements.

(3) The financial information for the fiscal year ended August 31, 2010 was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the fiscal year ended August 31, 2011. Balance sheet and cash flow statement information have not been restated. See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2011 for more information regarding discontinued operations. Our factory and the related business in Dijon, France that was part of our consumer activities are included in the presentation for the fiscal year ended August 31, 2010.

The table below sets out our revenue from external customers and sales volume by Product Groups for the fiscal years ended August 31, 2011 and 2010. The financial information for the fiscal year ended August 31, 2011 was restated in the 2012 consolidated financial statements to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012.

| | Fiscal year ended August 31 | | | |
|---|---|---|---|---|
| | **2011[(1)] (Restated)** | **2011[(2)]** | **Change 2010/2011** | **2010[(3)] (Restated)** |
| | *(CHF millions, except volumes in metric tonnes)* | | | |
| **Total revenues from external customers** | **4,459.9** | **4,554.4** | **0.7%** | **4,524.5** |
| Cocoa Products | 1,111.7 | 1,112.3 | 15.6% | 962.5 |
| Food Manufacturers Products | 2,635.7 | 2,728.2 | 4.4% | 2,854.4 |
| Gourmet & Specialties Products | 712.5 | 713.8 | 0.9% | 707.6 |
| **Sales volume** | **1,268,925** | **1,296,438** | **7.2%** | **1,209,654** |
| Cocoa Products | 258,870 | 258,982 | 21.7% | 212,886 |
| Food Manufacturers Products | 868,590 | 896,117 | 3.8% | 863,720 |
| Gourmet & Specialties Products | 141,465 | 141,339 | 6.2% | 133,048 |

Notes:

(1) The financial information for the fiscal year ended August 31, 2011 was restated to conform with the discontinued operations accounting treatment for the Dijon operations (remainder of the consumer activities) for the fiscal year ended August 31, 2012. Balance sheet and cash flow statement information have not been restated. For further information regarding discontinued operations please see note 2 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012.

(2) The financial information for the fiscal year ended August 31, 2011 is presented as disclosed in our 2011 consolidated financial statements.

(3) The financial information for the fiscal year ended August 31, 2010 was restated to conform with the discontinued operations accounting treatment for the European consumer products business for the fiscal year ended August 31, 2011. Balance sheet and cash flow statement information have not been restated. See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2011 for more information regarding discontinued operations. Our factory and the related business in Dijon, France that was part of our consumer activities are included in the presentation for the fiscal year ended August 31, 2010.

The following discussion of our results of operations for the fiscal years ended August 31, 2011 and 2010 is based on the financial information for the fiscal year ended August 31, 2011 as disclosed in our 2011 consolidated financial statements and not on the restated financial information.

### *Sales Volume and Revenue from Sales and Services*

Sales volume grew strongly by 7.2% from 1,209,654 tonnes to 1,296,438 tonnes. All Regions contributed to this growth as did all Product Groups, and it is was primarily driven by growth in the emerging markets and new outsourcing agreements.

Revenue from sales and services grew by 0.7% from CHF 4,524.5 million to CHF 4,554.4 million. The positive impact from the volume growth was almost entirely offset by extraordinarily high foreign currency translation effects as most currencies weakened against the Group's reporting currency, the Swiss franc. Adjusted for these effects, revenues from sales and services grew by 13.3%, driven by the volume increase as pointed out above and by higher raw material prices that could be passed on to customers.

*Europe Region*. In the Europe Region, the general economic environment in Western Europe weakened towards the end of the fiscal year 2011 and also the chocolate confectionery market was slightly negative in terms of volume growth (-0.3%) (Nielsen). In Eastern Europe the chocolate market grew by 7.0% (Nielsen, September 2010–August 2011). In the Europe Region, we achieved a volume growth of 1.8% to

671,424 tonnes. In Western Europe, the Food Manufacturers Products business surpassed the overall market growth. All key segments within the Gourmet & Specialties Products business – confectionery, bakery/pastry and the hotel, restaurant, and catering businesses – showed good growth. Barry Callebaut significantly increased its sales volumes in the Food Manufacturers Products business in Eastern Europe, growing more than twice as fast as the market. Russia and the former Soviet countries (CIS) were the growth engines for the company's Gourmet business, where our investments in both our distribution network and our sales team paid off. Overall, volume gains, margin improvements, good cost management and higher demand for the two global Gourmet brands significantly increased sales revenue and operating profit (EBIT) in Region Europe. In local currencies, sales revenue outperformed volume growth at 7.5%; in CHF it decreased by 5.3% to CHF 2,241.3 million.

*Americas Region*. In the Americas Region, whereas the United States economy was growing slowly, Mexico and Brazil performed at much faster GDP rates. Local chocolate markets in the United States grew by 2.7% and 12.8% in Brazil (Nielsen, September 2010–August 2011). In a mixed economic environment, we were able to raise our sales volume by 8.2% to 313,635 tonnes. In a very competitive market environment, the growth in our Food Manufacturers Products business was primarily driven by the long-term agreements with our corporate accounts and other new business wins. Strong demand for the Company's imported brands as well as the strengthening of the Mexican footprint and beverages, drove growth in our Gourmet & Specialties Product Group. Sales revenue increased to CHF 978.9 million, corresponding to a considerable increase of 13.8% in local currencies (a decrease of 0.9% in CHF).

*Asia-Pacific Region*. In the Asia-Pacific Region, the chocolate confectionery market grew by 5.6% in total (Euromonitor, 2011 (including Indonesia, China, India, and Japan)). We increased our sales volume by 10.4% to 52,397 tonnes in the Region, maintaining our significant growth rates of the recent years. In its Food Manufacturers Products business, growth was driven by our performance in Indonesia, India and Korea. In the Gourmet business we achieved significant volume growth with both of our global brands Cacao Barry® and Callebaut®. Sales revenue increased by 15.3% in local currencies (an increase of 6.9% in CHF) to CHF 221.9 million.

*Global Sourcing & Cocoa Segment*. In Global Sourcing & Cocoa, cocoa prices moved sharply higher due to the conflict in the Ivory Coast and reached new record levels on high volatility during the reporting year. After the crisis came to an end in early May, prices drifted downwards. A larger-than-expected cocoa crop and a reduction in financial investors' long positions also guided prices lower. On August 31, 2011 the terminal market price for cocoa closed at £1,967 per tonne, around the prior year's level. We saw a favorable Combined Ratio over the year. Sugar markets were confronted with tight supply, and prices reached historically high levels. Milk powder prices slightly increased on higher demand. Global Sourcing & Cocoa significantly increased its sales volume by 21.7% to 258,982 tonnes in a challenging market environment. The increase was driven by strong demand for cocoa powder—mostly stimulated by high demand from the bakery, beverages and ice cream industries—and by sales of cocoa products to strategic customers. Higher average cocoa bean and powder prices positively influenced sales revenue, which increased to CHF 1,112.3 million, up 26.5% in local currencies (an increase of 15.6% in CHF).

### Gross Profit

Gross profit grew by 1.5% to CHF 659.0 million from CHF 649.5 million in prior year. Gross profit was negatively affected by significant translation effects due to the strong Swiss franc but the strong volume growth more than compensated for these effects. In local currencies, gross profit grew by 11.4%. Gross profit as a percentage of revenue from sales and services edged up to 14.5% from 14.4% in the prior year. Gross profit per tonne decreased by 5.3% to CHF 508.3 from CHF 537.0 the year before. This is the result of the above-mentioned translation effects, without which gross profit per tonne would have grown by 3.9%.

### Marketing and Sales Expenses

Marketing and sales expenses amounted to CHF 88.1 million, down by 7.4% compared to last year (CHF 95.1 million). Additional costs related to acquisitions, the further expansion of the gourmet business and the growth in sales were more than compensated for by positive foreign currency effects and, to a lesser extent, by cost-saving measures.

### *General and Administration Expenses*

General and administration expenses increased slightly to CHF 219.4 million from CHF 217.7 million. The effects from growth and acquisitions and the strengthening of the Gourmet organization were almost entirely offset by positive effects from currency translation and cost savings.

### *Other Income*

Other income of CHF 19.5 million was recorded compared to CHF 17.5 million in the prior year. In both years, this position included operating but non-sales-related income items, such as gains on disposals of assets, sales of waste products, income generated by the Group's Training Center, Schloss Marbach, income from the reversal of unused accruals and provisions and claims related to insurance companies and suppliers.

### *Other Expenses*

Other expenses amounted to CHF 10.5 million compared to CHF 13.0 million in the prior year. This position comprises restructuring costs, litigation, claims and severance payments, impairment charges and losses on sales of property, plant and equipment as well as some other non-recurring items.

### *Operating Profit (EBIT)*

Operating profit (EBIT) increased by 5.7% to CHF 360.6 million, compared to CHF 341.1 million in the prior year. Excluding the impact from foreign currency translation, the operating profit (EBIT) growth amounted to 15.3%. All Regions and Product Groups contributed positively to operating profit (EBIT) and operating profit (EBIT) growth, the latter with the exception of the Americas Region. The biggest absolute contribution to operating profit (EBIT) came from Region Europe in terms of geography and from Food Manufacturers Products in terms of Product Groups. The biggest contributions to operating profit (EBIT) growth came from Global Sourcing & Cocoa. Operating profit (EBIT) per tonne receded slightly to CHF 278.1 from CHF 282.0 due to currency translation effects. Global Sourcing & Cocoa benefited from a positive Combined Ratio effect.

*Europe Region*. In the Europe Region, operating profit (EBIT) rose to CHF 243.0 million, up 10.0% in local currencies (an increase of 2.6% in CHF).

*Americas Region*. In the Americas Region, operating profit (EBIT) decreased by 11.6% in local currencies (a decrease of 19.5% in CHF) to CHF 71.9 million due to margin pressure in the industrial business and investments in Gourmet and in Brazil.

*Asia-Pacific Region*. In the Asia-Pacific Region, Operating profit (EBIT) increased in local currencies by 33.0% (an increase of 22.7% in CHF) to CHF 24.9 million due to volume growth leading to higher capacity utilization in combination with margin improvements.

*Global Sourcing & Cocoa Segment*. In Global Sourcing & Cocoa, operating profit (EBIT) increased by 57.2% in local currencies (an increase of 40.6% in CHF) to CHF 76.6 million due to the overall favorable Combined Cocoa Ratio.

### *Financial Income*

Financial income amounted to CHF 1.4 million, down from CHF 2.0 million in the preceding year mainly as a result of lower interest income.

### *Financial Expenses*

Financial expenses were up slightly at CHF 74.4 million compared to CHF 73.0 million in the prior year. The increase in interest expenses and structuring fees in light of the debt restructuring in June 2011 were largely offset by lower losses on derivatives and foreign exchange transactions.

### *Result from Investments in Associates and Joint Ventures*

Result from investments in associates and joint ventures amounted to CHF 1.2 million compared to CHF (0.2) million in the year before and contains our share in equity movements of equity accounted investees, i.e. participations in companies over which we have significant influence but not control.

### *Income Taxes*

Income taxes decreased from CHF 32.4 million in prior year to CHF 29.8 million, despite a higher profit before income taxes. This is the result of a favorable change of the tax mix and a structural change in light of the disposal of the European Consumer Products business leading to a decrease of the Group's effective tax rate to 10.3% compared to 12.0% the year before.

### *Net Profit for the Year from Continuing Operations*

Net profit for the year from continuing operations amounted to CHF 258.9 million, a strong growth of 9.0% compared to CHF 237.5 million in prior year. In local currencies, the increase amounted to 19.8%. This is the result of the higher operating result in combination with lower income taxes.

### *Net Result from Discontinued Operations*

Net result from discontinued operations (i.e. result from the discontinued European Consumer Products business) amounted to a decrease of CHF 82.1 million. This loss resulted from an operating profit of the discontinued operations of CHF 10.3 million in combination with an impairment charge on assets of CHF 47.2 million, negative cumulative foreign exchange effects of CHF 12.0 million thereon, transaction and separation costs related to the disposal in the amount of CHF 16.8 million and financial and income tax expenses of CHF 16.5 million. The prior-year net profit from discontinued operations amounted to CHF 14.3 million.

### *Net Profit for the Year*

Net profit for the year (including discontinued operations) amounted to CHF 176.8 million, compared to CHF 251.7 million in prior year. The reduction is attributable to the high non-recurring loss of CHF 82.1 million for the discontinuation of the Consumer Products business.

## Liquidity and Capital Resources

We have historically generated cash primarily from our operating activities as well as from borrowings under our credit facilities. Our principal uses of cash have included working capital, capital expenditures, debt service, dividends paid to our shareholders and acquisitions.

The following table, which includes discontinued operations, shows our sources and uses of funds for the six-month periods ended February 29, 2012 and February 28, 2013 and the fiscal years ended August 31, 2012, 2011 and 2010:

| | Fiscal year ended August 31 | | | Six months ended February 28/29 | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2013 | 2012 |
| | (CHF millions) | | | | |
| Operating cash flow before working capital changes | 440.2 | 450.7 | 457.8 | 235.6 | 223.9 |
| Net cash flow from operating activities | 164.5 | 172.8 | 177.7 | 86.8 | (54.5) |
| Net cash flow from investing activities | (100.5) | (182.8) | (156.1) | (139.2) | 25.4 |
| Net cash flow from financing activities | (70.2) | 33.2 | (23.0) | 21.7 | 70.8 |
| Net increase/decrease in cash and cash equivalents | (5.0) | (20.8) | (0.8) | (30.6) | 42.4 |

***Consolidated Cash Flow Statement for the Six-Month Periods Ended February 28, 2013 and February 29, 2012***

*Operating cash flow before working capital changes*

Operating cash flow before working capital changes increased by 5.2% to CHF 235.6 million as a result of a higher EBITDA from the continuing business (after adjustments for the non-cash items).

*Net cash flow from operating activities*

Net cash flow from operating activities amounted to an inflow of CHF 86.8 million whereas the year before showed an outflow of CHF 54.5 million. The prior year was more significantly impacted by the negative effects of a higher working capital.

*Net cash flow from investing activities*

Net cash used in investing activities amounted to CHF 139.2 million compared to net cash flow from investing activities of CHF 25.4 million in the year before. The prior year benefited from the proceeds of the disposal of the European consumer products business in the amount of CHF 132.2 million whereas only CHF 4.7 million of the amount for the six months ended February 28, 2013 related to the divestment of the remaining scope of discontinued operations. Moreover, the six months ended February 28, 2013 included a higher cash outflow of CHF 51.7 million for acquisitions (CHF (7.0) million in prior year). On the other hand, the expenditures on property, plant and equipment were CHF 11.5 million lower this year.

*Net cash flow from financing activities*

Net cash flow from financing activities amounted to CHF 21.7 million compared to CHF 70.8 million in prior year. This position mainly includes the net inflow of proceeds from and repayment of borrowings.

***Consolidated Cash Flow Statement for the Fiscal Years Ended August 31, 2012 and 2011***

*Operating cash flow before working capital changes*

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

*Net cash flow from investing activities*

Net cash flow from investing activities amounted to CHF (100.5) million, compared to CHF (182.8) million in the preceding year. The fiscal year 2012 amount included the cash inflow of CHF 132.2 million in relation to the discontinuation of the consumer activities. On the other hand, we made significant investments in property, plant and equipment and intangible assets in the amount of CHF (217.8) million. This represented a significantly higher level than usual as it included significant investments namely for the ramp-up of outsourcing agreements next to the usual level of capital expenditures for operations such as capacity expansions, replacements, modernizations and information technology investments. Acquisitions of businesses, net of cash amounts to CHF (18.8) million and included the acquisitions of a nut business in Spain and a Gourmet decorations business in the U.S. The position also included proceeds from the sale of assets (CHF 2.9 million in the current and CHF 4.9 million in the prior year) as well as some other minor items.

*Net cash flow from financing activities*

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

### *Consolidated Cash Flow Statement for the Fiscal Years Ended August 31, 2011 and 2010*

*Operating cash flow before working capital changes*

Operating cash flow before working capital changes amounted to CHF 450.7 million, which is almost at the same level as the prior year's amount of CHF 457.8 million. Cash outflow for working capital changes amounting to CHF 179.8 million was also close to the prior-year level of CHF 177.0 million. The effect of higher inventories as a result of the business growth and higher raw material prices was largely offset by currency translation impacts as a result of the strong Swiss franc. Cash outflow for interest and taxes was slightly lower than in prior year, partly due to currency effects. Overall, this resulted in a moderate decline in the net cash flow from operating activities to CHF 172.8 million compared to CHF 177.7 million the year before.

*Net cash flow from investing activities*

Net cash used for investing activities amounted to CHF 182.8 million, compared to net cash used for investing activities of CHF 156.1 million in the preceding year. The amount for the 2011 fiscal year included the cash outflow of CHF 16.1 million for the acquisition of a business in Mexico and was also affected by higher investments in software and other intangible assets. The biggest outflow in both years, however, related to capital expenditures for operations such as capacity expansions, replacements, modernizations and information technology (CHF 144.6 million in the 2011 fiscal year and CHF 145.1 million in the prior year). The position also included proceeds from the sale of assets (CHF 4.9 million in the 2011 fiscal year and CHF 19.6 million in the prior year) as well as some other minor items.

*Net cash flow from financing activities*

Net cash flow from financing activities amounted to CHF 33.2 million in the 2011 fiscal year compared to net cash used for financing activities of CHF 23.0 million in prior year. This position mainly includes the net proceeds from the issue of new debt in the amount of CHF 114.7 million (in prior year CHF 47.4 million), the repayment of share capital of CHF 72.3 million (in prior year we repaid CHF 64.6 million) and the net purchase of treasury shares in the amount of CHF 9.0 million (in prior year we purchased CHF 5.7 million worth).

## Future Liquidity and Financing Arrangements

We expect that, following the offering, our principal uses of cash will continue to be for working capital, capital expenditures, debt service, dividends paid to our shareholders and strategic acquisitions. We will continue to fund those expenditures with cash from our operating activities as well as from borrowings under our credit facilities and other working capital arrangements. See "Description of Certain Indebtedness" for further information regarding our financing arrangements.

## Contractual Obligations

The following table presents the maturity profile of our long-term debt obligations as of August 31, 2012:

| | Payments due by period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 year | 1-3 years | 3-5 years | More than 5 years |
| | (CHF millions) | | | | |
| Long-term debt obligations | 845.9 | 0.0 | 1.8 | 551.4 | 292.6 |
| Other long-term liabilities reflected on our balance sheet | 121.7[(1)] | | | | |

Note:

(1) This mainly relates to employee benefit obligations and deferred income tax liabilities (CHF 47.5 million and CHF 54.0 million, respectively).

## Capital Expenditure

We define capital expenditure as investments in property, plant and equipment and intangible assets. The following table presents our capital expenditure for each of the periods indicated.

| | Fiscal year ended August 31 | | | | |
|---|---|---|---|---|---|
| | 2012 | 2011 | 2010 | 2009 | 2008 |
| | (CHF millions) | | | | |
| CAPEX—investments in property, plant and equipment and intangible assets | 217.8 | 173.8 | 145.1 | 144.4 | 249.9 |

| | Six months ended February 28/29 | |
|---|---|---|
| | 2013 | 2012 |
| | (CHF millions) | |
| CAPEX—investments in property, plant and equipment and intangible assets | 92.3 | 100.6 |

Our capital expenditures for the six month-period ended February 28, 2013 were CHF 92.3 million compared to CHF 100.6 million for the six month-period ended February 29, 2012. This decrease was due to significant investments related to partnership and outsourcing agreements in the prior year.

The capital expenditures for the fiscal year 2012 amounted to CHF 217.8 million compared to CHF 173.8 million for the fiscal year 2011 and CHF 145.1 million for the fiscal year 2010. The capital expenditures for the fiscal years 2009 and 2008 amounted to 144.4 million and 249.9 million, respectively. In fiscal year 2013, we plan to spend CHF 190 million on capital expenditures.

In fiscal years 2012 and 2011, the largest portion of our capital expenditure was attributable to additional growth, primarily related to our geographic expansion, followed by capital expenditure in connection with upgrades and efficiency gains at existing sites, maintenance and IT. In fiscal year 2010, upgrades and efficiency gains at existing sites accounted for the largest portion of our capital expenditure, followed by maintenance, additional growth and IT related capital expenditure.

## Off Balance Sheet Arrangements

Our €275 million asset backed securitization program provides us with off balance sheet working capital. Under this program, we sell trade receivables at their nominal value minus a discount in exchange for cash. The amount of receivables sold net of discounts was CHF 235.7 million as of August 31, 2012,

compared to CHF 246.7 million as of August 31, 2011. These amounts, which were derecognized from our balance sheet, are a combination of the gross value of the receivables sold (CHF 265.2 million as of August 31, 2012 and CHF 273.0 million as of August 31, 2011) and the discount (CHF 29.5 million as of August 31, 2012 and CHF 26.3 million as of August 31, 2011). We use this program to fund our general working capital requirements stemming from receivables and stocks.

For a discussion of the contractual provisions of the program see "Description of Certain Indebtedness—Asset Backed Securitization Program". See note 12 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012 for further information regarding our asset-backed securitization program.

## Quantitative and Qualitative Disclosures about Market Risks

### *Market Risk*

As a result of our global operating and financing activities, we are exposed to market risks from changes in commodity prices, foreign currency exchange rates, interest rates and credit risk, which may adversely affect our results of operations and financial condition. To manage these risks effectively, we have established a risk management program relating to those financial risks we are prepared to accept and how such risks should be limited and managed. Our risk management program also establishes the division of responsibility between Barry Callebaut Sourcing AG, which manages our commodities and hedging operations, and our central treasury function within Barry Callebaut Services NV, which manages our financial position. Barry Callebaut Sourcing AG and Barry Callebaut Services NV identify, evaluate and hedge risks in close co-operation with our operating companies.

In connection with our Gourmet & Specialties Product, where we are required to estimate future off-takes by our customers, our centralized risk management team within Barry Callebaut Sourcing AG may enter into hedging transactions to cover forecasted volumes for periods longer than 12 months. Such hedging strategies, which complement our customary six to 12 month forward purchase contracts, include physical trading, as well as investments in derivative instruments such as futures and options.

### *Financial Risk Management*

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

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

We have a Group Commodity Risk Committee that meets at least every six weeks and continually monitors our adherence to risk policies and exposure to commodity price risk. Further our Group Finance Committee meets generally on a monthly basis to monitor and act as a decision-making body for foreign currency risk, interest rate risk and credit risk as well as the related use of derivative instruments. For all of these topics the AFRQCC (Audit, Finance, Risk, Quality & Compliance Committee) acts as supervising body, which is informed on and oversees all relevant decisions in its quarterly meetings. The AFRQCC makes recommendations to the board of directors if deemed necessary and advises the board of directors, which is the highest approval authority on important risk matters and/or asks for their approval before implementing strategies.

### *Commodity Price Risk*

Our purchasing and sourcing center operates as an integral part of the Group but also acts as a broker-trader in the sense that it makes sourcing and risk management decisions for cocoa beans and semi-finished cocoa products based on market expectations, separate from the manufacturing business and its

third-party sales commitments. Its objectives are to generate profits from fluctuations in commodity prices or broker-trader margins. Additionally, the manufacturing of our products requires raw materials such as cocoa beans, sweeteners, dairy, nuts, oil and fats. Therefore, we are exposed to price risks relating to the trading business as well as to the purchase and sale of raw materials.

The fair value of our open sales and purchase commitments and inventory changes are continuously in line with price movements in the respective commodity markets.

Our policy is to economically hedge our commodity price risk resulting from our inventory, commodity derivatives and purchase and sale contracts. Cocoa price risk in inventory is hedged with short futures applying fair value hedge accounting.

See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012 for more information regarding commodity price risk.

### *Foreign Exchange Risk*

We operate across the world and consequently are exposed to multiple foreign currency risks, albeit primarily in Euro, British pounds and US dollars. We actively monitor our transactional currency exposures and consequently enter into currency hedges with the aim of preserving the value of assets, commitments and anticipated transactions.

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

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

See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012 for more information regarding foreign currency risk.

### *Interest Rate Risk*

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

It is our policy to manage our interest cost using an optimal mix of fixed and floating rate debt. This optimal mix is primarily determined by the level of our interest cover ratio and is achieved by entering into interest rate derivative instruments, in which we exchange fixed and floating interest rates.

See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012 for more information regarding interest rate risk, including a sensitivity analysis on interest rate risks.

### *Credit Risk*

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

The extent of our credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements, if any, with counterparties. The maximum nominal credit risk

exposure in the event all other parties fail to perform their obligation was CHF 803.5 million as of August 31, 2012 (compared to CHF 627.7 million as of August 31, 2011). We have insured certain credit risks through a credit insurance policy. Selected number of customers with significant outstanding amounts are covered by that policy.

See note 26 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012 for more information regarding credit risk.

### *Liquidity Risk*

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

See note 23 to our consolidated financial statements as of and for the fiscal year ended August 31, 2012 for more information regarding our long-term debt.

### *Significant Accounting Policies*

Our consolidated financial statements have been prepared in accordance with IFRS. Our consolidated financial statements are sensitive to accounting methods, assumptions and estimates that form the basis of these financial statements and accompanying notes. Significant accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered in conjunction with reviewing our consolidated financial statements and the discussion in this ”Management’s Discussion and Analysis of Financial Condition and Results of Operations” section.

The “Summary of Accounting Policies” included in our annual consolidated financial statements beginning on page F-1 of this Offering Circular describes the significant accounting policies and methods used in the preparation of our consolidated financial statements.

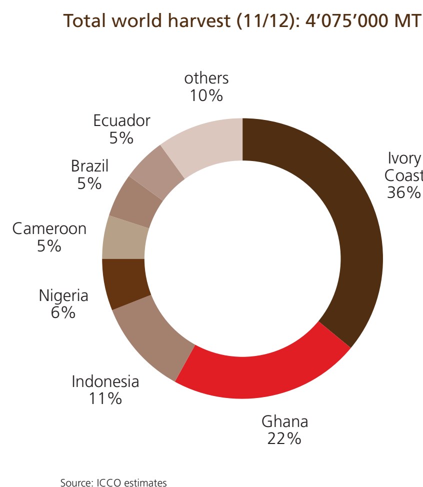
# INDUSTRY

*The information contained in this section has been extracted from publicly available sources and other publications. There is not necessarily any uniformity of views among such sources as to the information provided therein. In the case of statistical information presented herein, similar statistics may be obtainable from other sources, although the underlying assumptions and methodology, and consequently the resulting data, may vary from source to source. The Issuer confirms that the information contained in this section has been accurately reproduced and that, so far as the Issuer is aware, and is able to ascertain from information published by publically available sources and other publications, no facts have been omitted which would render the reproduced information inaccurate or misleading.*

## Cocoa as a Raw Material for Chocolate Production

Cocoa constitutes the most significant ingredient in chocolate. Originally grown in Latin America, cocoa has been grown on a large scale in West Africa, which is the predominant source of the global supply of cocoa since the beginning of the twentieth century, and in Southeast Asia for the last 25 years. According to estimates by the International Cocoa Organisation ("ICCO"), cocoa is heavily concentrated in seven countries that in aggregate represented approximately 90% of the global harvest in the 2011/2012 growing season—the Ivory Coast, Ghana, Indonesia, Nigeria, Cameroon, Brazil, and Ecuador.

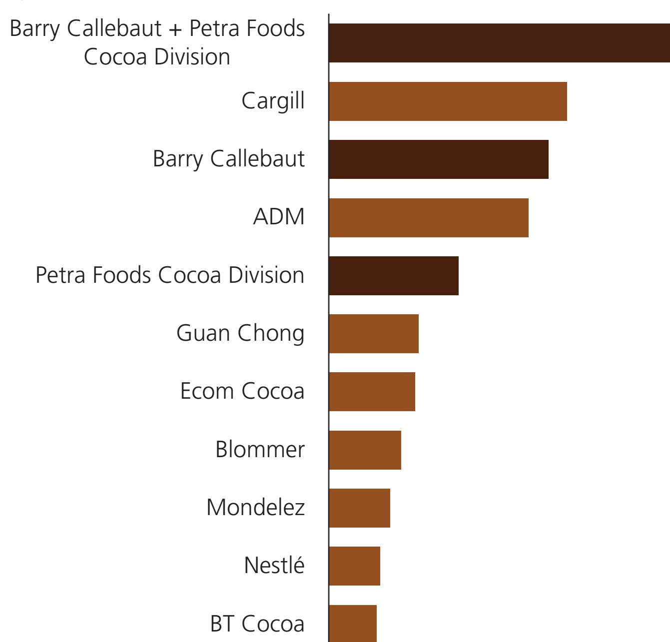
Total world harvest (11/12): 4'075'000 MT




Source: ICCO estimates

Although patterns of land ownership vary across the cocoa growing countries, the predominant form of land ownership for cocoa production is small landholdings owned by individual farmers. Generally, unlike coffee estates, large cocoa estates are prevalent only in a few countries. Cocoa is harvested, fermented and dried locally at the harvest site and then transported for sale or export. Cocoa is generally sold for export from producing countries either by private shippers or, in the case of Ghana, through the state controlled Cocoa Marketing Board. In the Ivory Coast, the government in coordination with the International Monetary Fund transitioned from a liberal cocoa bean procurement system to a regulated system, in which an administrative body issues cocoa bean export licenses that are sold through an auction process. The principal aim of the new system is to stabilize the cocoa industry by guaranteeing a stable and favorable price to the farmer for his crop. In addition, quality standards are set in order to maintain a minimum level of quality across the country. The administrative body sets the rules for internal and external commercialization of cocoa, issues export licenses and in essence, the right to participate in the daily electronic auctions of cocoa beans that are held by the administrative body for the purpose of selling the future harvest. The 2012/2013 harvest is the first forward sold harvest. Their tasks mainly consist of quality checks on the cocoa and ensuring the payment of taxes. See "Risk Factors—Risks Relating to Our Business—We obtain cocoa beans, our primary raw material, from countries in West Africa and other emerging markets".

The international cocoa trade is characterized by a high degree of market concentration. We estimate that Barry Callebaut, together with ADM and Cargill accounted for approximately 43% of the world cocoa bean grindings in fiscal year 2012. The following graph sets out the relative cocoa grinding capacity by volume of the significant global actors in the international cocoa trade.




Source: Third-party report from 2013

Cocoa beans grow in two crop cycles: the main crop, which is harvested between October and April, with a peak in December, and the mid crop, which is harvested between May and September, with a peak in June. The main crop, which comprises a significant proportion of the total cocoa bean crop, is higher quality, sells at correspondingly higher prices and is predominantly exported from origin countries prior to processing. The quality of each cocoa bean crop varies from harvest to harvest and from country to country. The mid term crop yields smaller cocoa beans, which are sold at lower prices than those for beans harvested in the main crop and are processed predominantly in local facilities prior to export.

### Cocoa Bean Pricing

The price of cocoa beans is dependent on world supply and demand. The price of cocoa beans is quoted on two commodity exchanges. The London International Financial Futures Exchange ("LIFFE") covers the European and Middle Eastern markets, trades in £/tonne and includes mainly fermented beans from West Africa, and the Intercontinental Exchange Futures US ("ICE Futures US") covers the North and South American market as well as the Far Eastern market, which trades in U.S.$/tonne and offers mainly unfermented beans from Asia. The price of cocoa beans has fluctuated significantly over the last ten years, primarily driven by weather and political conditions in the cocoa growing countries. During 2001 and 2002, the price increased significantly due to poor harvests in 2000 and 2001 and civil unrest in the Ivory Coast. During 2003-2005, good crops in West Africa have led to a more balanced supply and demand situation and a less volatile market.

Since 2006-2009, cocoa prices have increased and volatility is higher due to a combination of increased trading by hedge funds that have taken an interest in cocoa as an asset, an increase in demand, especially from emerging markets and, conversely, a partly declining supply of cocoa, lower bean quality, the prevalence of disease in the cocoa crops, as well as additional capacity taking several years to materialize. The supply fundamentals of the 2010/2011 cocoa crop were very positive with an 18.7% increase in output compared with the 2009/2010 crop cycle, mainly due to very good weather conditions.

During the first half of the 2010/2011 (October to September) crop year, terminal markets have traded firmly in the wake of the events in the Ivory Coast, which impacted the cocoa business both directly (from the export ban) and indirectly (from the civil war). In 2012, the prices dropped to lower levels due to a long covered industry (8 to 9 months on average) based on the surplus of the prior year crop and positive prospectus on the 2011/2012 crop.

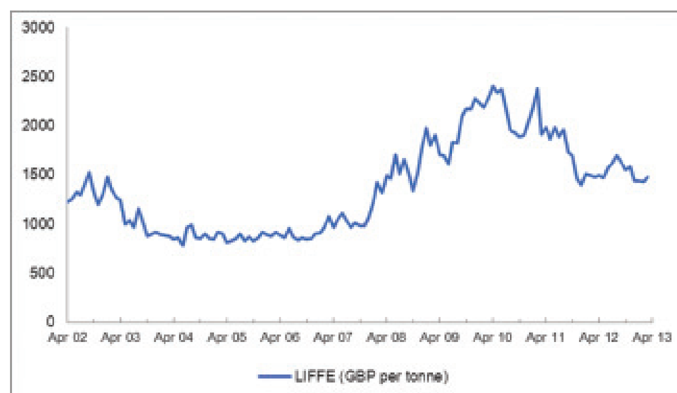
Currently the industry faces structural challenges, such as ageing trees, abandonment of cocoa cropping by younger generations, other competitive crops, general underinvestment and poor infrastructure. For these reasons prices in the next decade could rise. Over the long term, we think slightly higher prices are necessary to develop a more sustainable cocoa supply chain and to promote further investments, which should ensure future supply and lead to a more stable and predictable price of cocoa.

The following graph sets out the average cocoa price on the Cocoa Terminal Markets over the last ten years:

**Cocoa bean prices evolution**

**London International Financial Futures Exchange (LIFFE)**

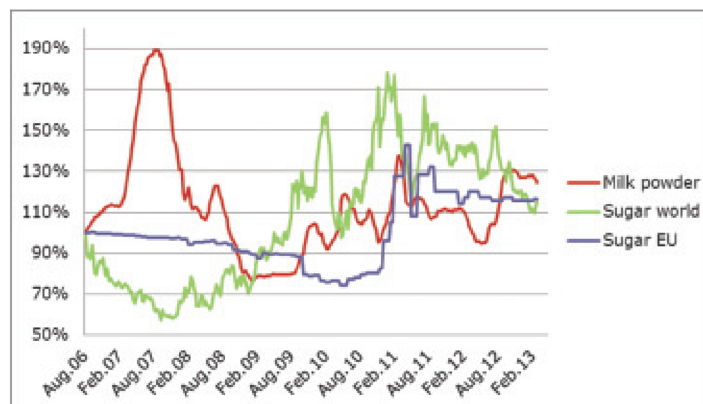
*Six month forward delivery prices over the last ten years*




Source: Reuters

The price of cocoa beans on the ICE Futures US has experienced similar fluctuations to those of prices on the LIFFE. The LIFFE terminal market's September future position closed at £1,496/tonne on May 31, 2013.

Other raw materials such as sugar and milk powder have also shown certain volatility over the last few years, as shown in the chart below[1].




Note:

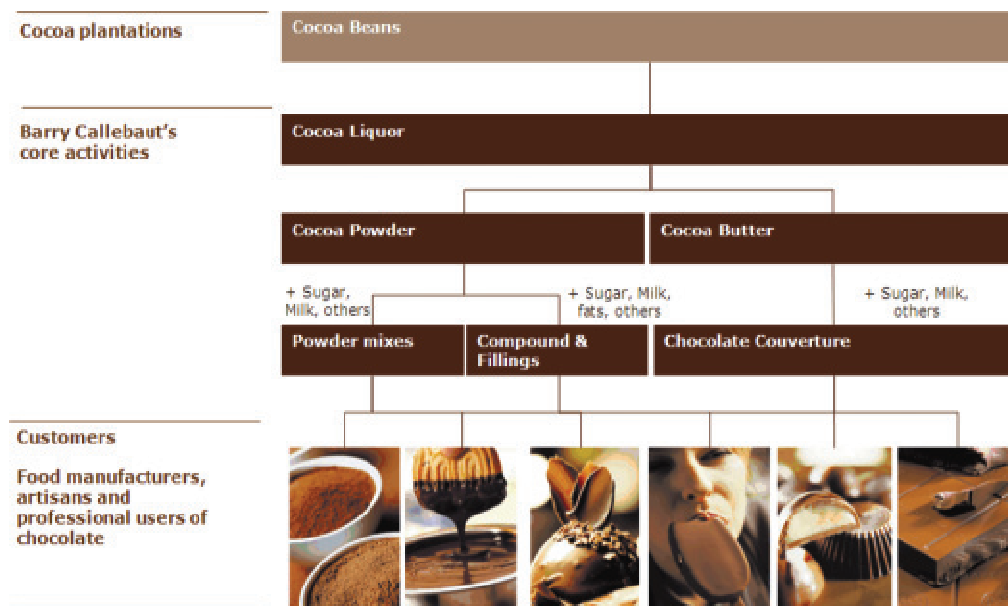
(1) All figures are indexed to Aug 2006.

Source: Sugar world London n°5 (2nd position), Sugar EU Kingsman estimates W-Europe DDP, skimmed milk powder average price Germany, Netherlands, France.

## Chocolate Processing

The chocolate production process can be separated into three stages. The first stage consists of the production of semi-finished products—cocoa liquor (produced by cleaning, pre drying, breaking, roasting and grinding the cocoa beans) and cocoa butter and cake (which results from pressing cocoa liquor). Cocoa cake is then ground into powder. In the second stage, ingredients are mixed (cocoa liquor and sugar for dark chocolate; milk powder, cocoa liquor, sugar and cocoa butter for milk chocolate; and milk powder, sugar and cocoa butter for white chocolate) and then refined and conched (a mixing and kneading process) to produce industrial chocolate. Compound, which is sometimes used as a less expensive substitute for industrial chocolate, is produced in a process similar to that for industrial chocolate, except that cocoa liquor is replaced by cocoa powder and cocoa butter is replaced by vegetable fat. In the third stage, consumer products are produced using industrial chocolate or compounds in the biscuit, confectionery (such as chocolate bars), bakery, dairy and ice cream industries.

The following flow chart illustrates the processing stages for chocolate and compound:




The following products result from the chocolate production process:

- Semi-finished products: Cocoa liquor, cocoa butter and cocoa powder.
- Chocolate couverture: Industrial chocolate, compounds, gourmet and specialties fillings and vending mix (cocoa blends for beverage machines).
- Consumer products: Chocolate bars and tablets, candy bars, Easter eggs, pralines, nut products, biscuits, dairy products, ice cream, baked products, chocolate toppings and syrups.

## Market Demand for Chocolate

Chocolate consumption is influenced by tradition, food habits, and weather. Per capita consumption is higher in colder climates than in warmer climates, and per capita consumption is also higher in areas with higher per capita income levels.

According to Euromonitor, over the last 10 years the global chocolate confectionery market grew around 2% on average per year in volume. The total chocolate confectionery market had a volume of 7.3 million tonnes in 2012. Of the total volume, Western Europe represented 35%, North America 21% and the rest of the world 44% in 2012. There is an increasing demand from emerging markets in recent years, although the major markets of Western Europe remained constant and North America contracted slightly.

According to Euromonitor, between 2007 and 2012, the worldwide chocolate confectionery market increased by 4% in volume to a total of 7.3 million tonnes, and in 2013 is expected to increase to 7.5 million tonnes. In Western Europe, according to Euromonitor, annual per capita chocolate consumption in 2012 was 5.2 kilograms, with significant variations by country (for example, 11 kilograms in the United Kingdom, 9.5 kilograms in Switzerland, 9.4 kilograms in Ireland, 1.4 kilograms in Portugal and 2.6 kilograms in Italy). In the United States, according to Euromonitor, chocolate consumption per capita was 4.4 kilograms per person in 2012. Annual per capita chocolate consumption still remains relatively low in emerging markets. In Brazil, for example, per capita chocolate consumption was 1.7 kilograms, and in China, 0.1 kilograms, according to Euromonitor.

Since 2007, chocolate consumption per capita in emerging markets has experienced a modest increase, primarily due to the increasing purchasing power from emerging markets and also as a consequence of higher awareness of the health benefits of cocoa/chocolate together with marketing and distribution efforts from global consumer companies.

The global chocolate confectionery market is valued at approximately U.S.$ 107 billion (approximately €81 billion), and is estimated to grow in volume by 2.2% in 2013 compared to 2012, according to data provided by Euromonitor. The fastest growth is seen in emerging markets, driven by an increasingly affluent consumer base in countries such as Russia, India, China, Brazil, and Mexico, amongst others.

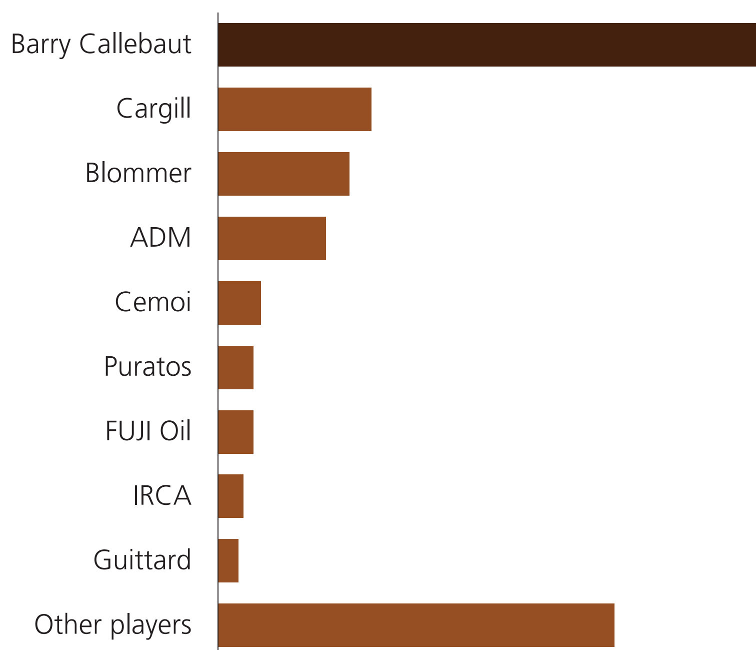
Chocolate represents a small percentage of consumers' income and has few or no substitutes. We therefore believe that, when the price of chocolate increases, for example due to higher raw materials, demand is inelastic because there are no alternatives. However, if the price of a specific brand increases, there are close substitutes in the form of other chocolate brands, and in that case demand will be more elastic within the category.

In 2008/09, during the economic crisis most of the chocolate producers launched innovative products to the market with a rebalanced recipe in order to adapt to the market conditions.

### Open and Captive Market

Historically, the majority of companies in the chocolate industry were fully vertically integrated, purchasing and processing cocoa beans into semi-finished products and industrial chocolate, and using the industrial chocolate to produce consumer products. Since the early 1970s, however, the majority of fully vertically integrated companies have shifted their focus to producing consumer products from semi-finished and industrial chocolate purchased from third parties. This evolution has created an "open market" for industrial chocolate in addition to the "captive market" comprising industrial chocolate produced by fully vertically integrated companies.

Participants in the captive market are mainly, but not only, large global companies, such as Mondelez, Hershey, Nestlé, and Mars, which have sizeable demands for cocoa beans and continue to partly process their own beans to produce industrial chocolate for use in their consumer products. The open market, by contrast, is supplied by large, global companies, such as ADM, Cargill and Barry Callebaut, and, in certain countries, by smaller local players. Customers in the open market include biscuit manufacturers, confectionery companies, bakeries, ice cream and dairy product manufacturers that typically choose, as part of their strategy, not to invest in cocoa bean or chocolate processing. The following graph sets out the relative sales of industrial chocolate in the open market by volume of the significant global actors in the international cocoa trade.




Source: Third-party report from 2013

## Trends

### *Outsourcing*

In the last few years, the distinction between the open market and the captive market has become less clearly defined. We estimate that from the total global industrial chocolate market approximately 48% is open market and 52% is captive market. Some fully vertically integrated consumer products companies have begun to sell their excess seasonal production of industrial chocolate in the open market. Other fully vertically integrated consumer products companies, such as Mondelez, Hershey, Nestlé, and Mars have begun to buy some semi-finished and industrial chocolate from companies like Barry Callebaut who supply the open market, in order to focus more resources on the consumer products. Furthermore, we believe that fully vertically integrated companies will increasingly outsource production of their industrial chocolate needs as a consequence of a number of factors, including:

- the capital intensive nature of industrial chocolate production;
- the strategy of food manufacturers of focusing on their core competencies (marketing, branding and distribution);
- increased access to the most recent innovations and new technology;
- a reduction in the complexity of production;
- greater cost competitiveness;
- access to specific types of cocoa beans;
- access to competitive raw material prices; and
- increasing focus on certification and to promote a sustainable cocoa supply chain.

We are also seeing a consolidation in the food manufacturing industry, which includes our top customers. This is an important area where Barry Callebaut can benefit from the outsourcing trend. The globalization of the food supply chain and the shift from captive or integrated to more open and competitive markets in the chocolate industry means that customers are comparing the offerings of different suppliers more closely. We believe that an open and competitive market is an advantage to us, because we are uniquely positioned with our global footprint, innovative power and cost leadership position.

### *Premium, Niche, and Health Products*

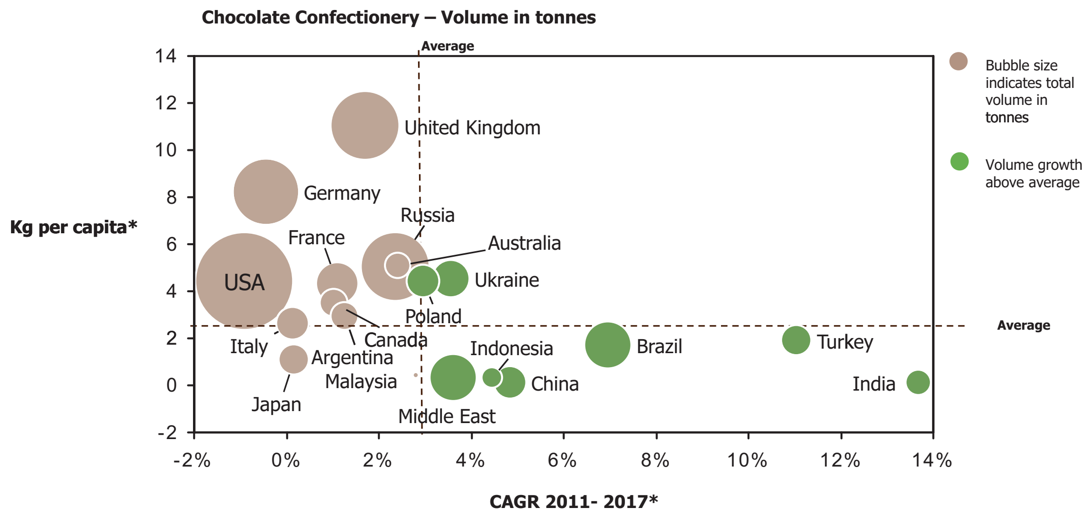
In Western Europe and North America, the market for standard chocolates is mature, and growth can be attributed mainly to premium products such as dark, single origin, organic, health enhancing and certified chocolates. During periods of economic decline, demand for premium products decreases, but as the global economy may be recovering, demand for premium products begins to rebound. In consequence, the market has begun to grow both in the premium and the value for money categories. Nevertheless, generally the volume of chocolate consumption has proved to be resilient during periods of economic volatility, and the global market for chocolate has over the past 10 years not contracted more than 2% in volume (Euromonitor).

We experience faster growth in chocolate confectionery in developing regions; with less emphasis on sustainable and premium cocoa in these areas.

Demand for healthier products has also increased in recent years, based on more consciousness about health and wellness, but also based on certain country regulations, which demand innovations and alternative solutions, such as sugar reduced chocolate, with higher content of polyphenols, reduced fat, etc. This demand comes mainly from developed markets with a higher income per capita. The Health & Wellness category in chocolate confectionery has increased 10% since 2006 in volume according to Euromonitor, with subcategories such as reduced fat, organic and fortified and functional.

### *High Population Growth and Rising Incomes in Emerging Markets*

In recent years we have seen significant growth rates in chocolate consumption in the emerging markets, while the growth in consumption in developed markets, as shown in the chart below, has been between 0-2% per year. The growth in chocolate consumption coming from emerging markets is driven by population growth coupled with rising income per capita. We expect that most of these emerging markets, with chocolate consumption per capita below the world average, including India, Turkey, Brazil, China, Indonesia, and Ukraine will become increasingly important in the future for the global chocolate confectionery market. In line with the growth in chocolate consumption, we estimate that from 2011 to 2016 the cocoa powder market will grow by a compound annual growth rate of approximately 2–5% by volume and the cocoa liquor and butter markets will grow by a compound annual growth rate of approximately 1–2% by volume. We estimate that the annual growth rate over the same period will be 5–9% for Asia-Pacific, 3–8% in South America, 2–4% in the EU, and up to 3% in North America. The chart below shows the per capita consumption of—and the total volumes consumed in—a selection of countries:




Source: Euromonitor 2013

# BUSINESS

## Overview

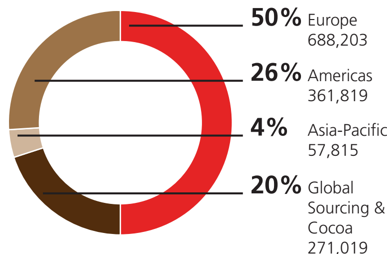
We are the largest manufacturer of cocoa and chocolate products in the world, measured by sales volumes in fiscal year 2012. Our principal product is industrial chocolate, which we supply to industrial food processors, such as chocolate manufacturers, biscuit manufacturers, confectioners, and dairy companies, as well as to artisanal users of chocolate, such as chocolatiers, pastry chefs, bakers and the food service industry. We are the largest manufacturer of industrial chocolate in the world, with an estimated market share of approximately 40% of the open market and the world leader in industrial chocolate production for external customers, measured by sales volume of fiscal year 2012. In addition, we manufacture semi-finished products, including cocoa liquor, cocoa butter, and cocoa powder. For the twelve months ended February 28, 2013 our sales volume was 1.4 million tonnes, our consolidated revenues were CHF 4,771.5 million, our EBITDA was CHF 438.8 million, our net profit was CHF 162.8 million, and our net profit from continuing operation was CHF 231.8 million. For the fiscal year 2012, our sales volume was 1.4 million tonnes, our consolidated revenues were CHF 4,829.5 million, our EBITDA was CHF 434.3 million, our net profit was CHF 142.6 million, and our net profit from continuing operation was CHF 241.1 million.

We are a vertically integrated business whose activities range from sourcing cocoa beans and other raw materials to producing and marketing a wide range of cocoa, chocolate, gourmet and specialty products. We have developed a strong position and significant experience in sourcing cocoa beans, particularly in the Ivory Coast, Ghana, and Cameroon, three of the most important cocoa bean producing countries. We are present in 30 countries, benefit from a global network of 42 production facilities, and sell our products in 113 countries. In fiscal year 2012 we purchased approximately 14% of the total volume of cocoa beans grown worldwide. We produce chocolate to the specifications of almost 6,000 recipes for approximately 4,000 industrial customers and several thousands of artisanal customers. We do not grow cocoa beans. We manufacture and sell semi-finished products and chocolate products; we do not produce consumer products.

Our business is organized in different regions (“Regions”)—the Europe Region, the Americas Region and the Asia-Pacific Region. The globally managed Global Sourcing & Cocoa business, responsible for the global procurement and risk management of our high-quality raw materials such as cocoa, sugar, dairy products, oils and fats, nuts and other ingredients as well as packaging material, is reported as a separate segment similar to a Region.

With a total Group sales volume of around 1.4 million tonnes for fiscal year 2012, the Europe Region had a sales volume of 688,203 tonnes and accounted for 50% of our total sales volume, while the Americas Region had a sales volume of 361,819 tonnes and accounted for 26% of our total sales volume, Global Sourcing & Cocoa had a sales volume of 271,019 tonnes and accounted for 20% of our total sales volume, and the Asia-Pacific Region had a sales volume of 57,815 tonnes and accounted for 4% of our total sales volume. The following chart sets forth sales volume for our Regions for fiscal year 2012.

**SALES VOLUME BY REGION***
in tonnes




*Continuing operations

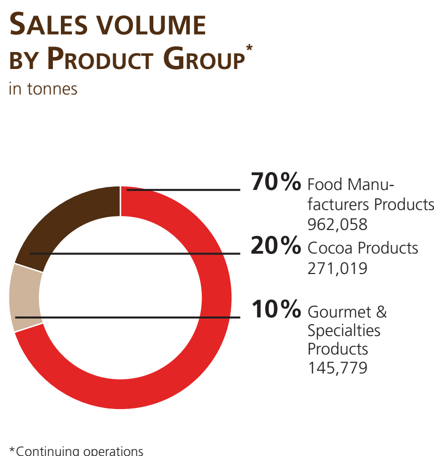
In addition to the Regions, our business is divided into the following three product groups ("Product Groups"):

- Food Manufacturers Product Group;
- Cocoa Product Group; and
- Gourmet & Specialties Product Group.

Our three Product Groups represent distinct customer categories along the value chain, and can be described as follows:

- Our **Food Manufacturers Product Group** is our largest Product Group, supplying industrial chocolate, fillings and compound coatings to chocolate manufacturers, biscuit manufacturers, ice cream manufacturers and others. In fiscal year 2012, it generated 70% of sales volume in tonnes by Product Group and revenue of CHF 2,774.0 million, which represented 57% of total group revenue;
- Our **Cocoa Product Group**, part of Global Sourcing & Cocoa, is the global production unit for semi-finished products such as liquor, cocoa butter and cocoa powder. The figures reported for the Cocoa Product Group include only sales of cocoa products to third-party customers in all our Regions. In fiscal year 2012, it generated 20% of sales volume in tonnes by Product Group and revenue of CHF 1,334.7 million, which represented 28% of total group revenue; and
- Our **Gourmet & Specialties Product Group** supplies specialty premium chocolate products to bakeries, artisanal customers such as chocolatiers, confectioneries, hotels, restaurants and caterers as well as vending mixes to vending machine operators. In fiscal year 2012, it generated 10% of sales volume in tonnes by Product Group and revenue of CHF 720.8 million, which represented 15% of total group revenue.

The following chart sets forth sales volume by Product Groups for fiscal year 2012:




## Our Strengths

We believe that we have a number of core strengths that enable us to compete effectively in our markets.

### *Leading Market Share*

We are the largest manufacturer of industrial chocolate in the world, with an estimated market share of approximately 40% of the open market and the world leader in industrial chocolate production for external customers, measured by sales volume of fiscal year 2012. We also estimate that we have the largest share of industrial chocolate production for external customers in Europe and in North America, measured by sales volumes in fiscal year 2012, and that we are the world's largest supplier of gourmet chocolate for artisanal customers. Our market share is driven by our cost leadership, innovation, global manufacturing and distribution footprint, product quality, sustainability, flexibility in production and delivery and other value-added services.

### *Broad Customer Base*

We serve approximately 4,000 industrial customers worldwide and several thousands of artisanal customers. Our customers range from multinational food manufacturers who produce chocolate, confectionery, biscuits, dairy products, ice cream and breakfast cereals, to chocolate artisans such as chocolatiers, hotels, restaurants, caterers, pastry chefs and bakers, as well as department stores and food wholesalers.

Over the past years, we have seen an increasing number of chocolate confectionery companies stop making all or part of their own chocolate, believing it to be more economical to buy chocolate from larger industrial partners and to focus on the final steps of the value chain, such as marketing and distribution. We believe we are the leading outsourcing partner for such customers, offering a broad range of high-quality products, dedicated know-how and innovation, and a global manufacturing and service network that can assist customers throughout every stage of the chocolate making process. Since 2007 large multinational chocolate makers have also started to outsource certain parts of their production on a long term basis, and we have capitalized on this trend by entering into long-term supply agreements with global leading companies such as Mondelez (formerly Kraft Foods), Hershey, Unilever and Nestlé, as well as regional and local leaders such as Grupo Bimbo, Morinaga, Arcor, Baronie, amongst others, to supply them with products, including cocoa products and chocolate products. We expect this trend to continue and believe that we are in an excellent position to further gain a share of such outsourcing opportunities.

### *Global Manufacturing and Distribution Footprint*

We are present in 30 countries and have 42 factories worldwide in an effort to be relatively close to our principal customers and centers where many customers are located, which we believe ensures that we can deliver products in the most efficient way and at the time when they are needed, consistent with our "just-in-time" strategy.

We have sourcing and manufacturing operations located in many countries with significant cocoa bean harvests. Unlike many of our competitors who source cocoa beans from commodity traders, we source cocoa beans directly from local farmers, local traders, cooperatives, and administrative bodies for our operations in Ivory Coast, Ghana, Indonesia, Cameroon, and Brazil. We also have manufacturing operations at those locations.

We have a worldwide distribution network that complements our global production facilities and enables us to meet our customers' needs across a wide range of geographies and product sectors. We seek to strengthen our ties with customers both locally and globally by using our 13 Barry Callebaut Chocolate Academies. These academies are dedicated to assisting our customers in the use of our products, introducing product innovations, and helping to promote our gourmet brands.

### *Wide Range of Products and Services of Consistent Quality at Competitive Prices*

We believe that the wide range of products and services we offer is one of our greatest competitive advantages. We are vertically integrated, with activities ranging from sourcing raw materials through production of semi-finished cocoa, chocolate, gourmet and specialty products. Our broad range of activities and products enables us to offer our customers a "one-stop" source for their cocoa and chocolate related product needs.

Furthermore, we believe that our ability to produce a broad range of specifically tailored products at competitive prices—manufactured from almost 6,000 recipes—that meet our customers' specifications at locations convenient to our customers throughout the world sets us apart from our competition. Our broad product range is complemented by a comprehensive range of support services in the fields of research and product development, processing, training and marketing.

We believe the quality of our products is also one of our greatest competitive advantages. We are directly involved in cocoa bean sourcing in the countries of origin, thereby maximizing our ability to control the quality of our products. Through the development and use of standardized manufacturing equipment and processes, we also aim to ensure the consistency and quality of our products across our manufacturing facilities.

### *Leading in Research and Development*

We believe that Barry Callebaut is the only cocoa and chocolate manufacturer with an extensive global R&D network, covering cocoa bean fundamental research and chocolate, compounds, fillings and cocoa powder development work in those countries that consume most of our products. R&D within Barry Callebaut drives both a pro-active innovation agenda (where we present innovations to customers) as well as a customer driven development program (where we respond to the needs of our customers).

We operate 20 R&D centers worldwide where we conduct applied R&D for our customers. Our innovative and applied R&D teams use 14 pilot facilities and 17 application labs to conduct small-scale test runs producing high-quality cocoa and chocolate products, to make end applications, and to improve products and recipes for our customers and their production processes.

In response to the growing sophistication of chocolate and related products, we dedicate significant resources to R&D. We believe we are a leader in the use of state-of-the-art technology in cocoa processing and chocolate production. Through our in-house R&D efforts, we have developed our own processes and some proprietary machinery, which we believe enable us to consistently produce the broad spectrum of products demanded by our customers to their quality specifications. In addition, we develop new products in close co-operation with our customers, enabling us to further strengthen our relations with these customers.

Products resulting from our R&D activities include more complex forms of existing products, such as recipe optimization, new types and flavors of fillings, and entirely new products based on technological advancements, including healthier alternatives such as sugar and fat reduced chocolate. Our core R&D efforts are focused on adding special properties and functionalities to our chocolate products. However, we also look beyond chocolate and are exploring new areas, such as cocoa ingredients for applications in other industries.

#### *Leader in Sustainability*

With more than 20 years of experience in certified cocoa and chocolate, we believe that we are a leading global supplier of certified products for the food industry. To ensure future cocoa supply and to satisfy the demands of our customers, we work directly with farmers and farmer organizations in countries including Ivory Coast, Ghana, Cameroon, Malaysia, Tanzania, Sierra Leone and Brazil to grow cocoa in a sustainable, responsible way. In the last couple of years we have increased our activities in this area. In 2012, we launched our "Cocoa Horizon" initiative with an investment of CHF 40 million over 10 years. The aim of the program is to further boost farm productivity, increase quality and improve family livelihoods in key cocoa producing countries. Higher crop yields per hectare and better quality cocoa can help increase farmer incomes and increase family livelihoods. As a member of the International Cocoa Initiative and through other actions, we support child labor sensitization activities and fund programs that work towards eradicating child labor abuses in cocoa.

#### *Experienced Management with Significant Industry Knowledge and Strong Track Record*

Our management team has significant experience and a proven track record of success in the chocolate industry. Our senior management team has been with us for an average of 10 years, and excluding the two recent additions to the board of directors, the members of our board of directors have been with us for an average of 8 years. Reflecting our international operations, our management team has an international background with a broad range of experience in the food industry and with large public multinational corporations where they also gained significant experience in business-to-business operations.

### Our Strategy

Our strategy is to be the heart and engine of the chocolate industry. We aim to outperform the global chocolate confectionery market. Our consistent growth strategy over the past several years is based on four pillars: expansion, innovation, cost leadership and sustainable cocoa.

#### *Expansion*

We intend to continue the expansion of our business based on three key growth drivers:

- **Geography**: we aim to strengthen our position in the mature markets of Western Europe and North America, because they represent the biggest parts of our business. We want to achieve full potential in recently entered markets such as Russia, Brazil, China, and Mexico. We seek to expand in the emerging markets that drive the growth of the chocolate industry, such as in Asia-Pacific, Eastern Europe, and South America, as demonstrated by the Acquisition, which is intended to broaden and deepen our foothold in Asia and South America;
- **Long-term outsourcing & strategic partnerships**: these are an important part of our growth and will continue to gain in importance in the future. In fiscal year 2012, 19% of our total sales volume was attributable to long-term outsourcing agreements and strategic partnerships. We aim to strengthen our current partnerships as well as gain new outsourcing relationships with both local and global players; and
- **Gourmet & Specialties**: this is a business-to-business activity in which we market premium products. In fiscal year 2012, the Gourmet & Specialties business accounted for 10% of our total sales volume but it has a stronger contribution to revenue from sales and services and operating

profit (EBIT). We seek to accelerate the growth of the Gourmet & Specialties business through the expansion of our distribution and products offering, as well as selective acquisitions.

Currently our exposure to emerging markets represents about one quarter of our sales volume, with further expansion potential in Asia-Pacific, South America, Eastern Europe and the Middle East. Through the proposed acquisition of the Petra Foods Cocoa Ingredients Business our objective is to boost sales in fast growing emerging markets, mainly in Asia and Latin America, by 65% to almost one-third of our sales volume.

### *Innovation*

We believe innovation to be essential in the chocolate industry. Through innovation we are able to gain new customers, as well as help our customers introduce newly innovated or renovated products to the market, such as rebalanced recipes. We believe that we are recognized as the innovation leader in the chocolate industry—in both R&D and product trends. Our dedicated global R&D teams, which consist of more than 200 food and agronomy scientists and engineers, focus on two areas: fundamental research into the health-enhancing properties of the cocoa bean and applied research leading to cutting-edge cocoa and chocolate products such as the development of our patented controlled fermentation technology. We hold 40 patent families. Operating from more than 30 global knowledge institutes, our applied R&D teams support our customers to improve their products and recipes as well as their production processes on their own production lines. We have focused programs to improve the production processes and develop new or upgraded equipment. The programs are focused on output improvement, cycle time reduction and increasing flexibility.

Our product innovation is driven by the trends we observe among end consumers and also among our industrial and artisanal customers. Consumer awareness of health issues, and of the impact that nutrition may have on health is growing. Functional products and “healthy” products with wholesome ingredients, less sugar, less fat and less salt are increasingly popular.

Our innovation strategy is built upon our value chain advantage and has one prime focus: the cocoa bean. The cocoa bean contains hundreds of different natural components with health-enhancing attributes that are largely destroyed during the chocolate-making process. With our “Back to the Bean” approach, we analyze the health benefits of the cocoa bean and preserve them to the highest degree possible in the final chocolate product by using proprietary technology. Two premises serve as our guide: the new products have to offer a better nutritional profile but retain chocolate’s traditional taste qualities, and they must be 100% natural, without any additives. As part of this strategy, we have launched new chocolate products that contain less sugar and higher levels of polyphenols; organic and fair trade products; and dark chocolate from exclusive growing areas. We were the first company in the EU to receive a positive Scientific Opinion on a health claim regarding cocoa flavanols from the European Food Safety Authority. We were able to provide evidence that the intake of flavanols positively influence human blood circulation.

### *Cost Leadership*

Cost leadership is an important reason why our international customers outsource chocolate production to us. Innovation and geographic expansion will only be possible if we succeed in maintaining cost leadership over the long term. Industrial customers will only transfer and outsource production to us if we are able to offer cost competitive terms. We are continuously improving our operational and cost efficiency by upgrading our technology and achieving higher scale effects through better capacity utilization, by optimizing product flows, logistics and inventory management, as well as by reducing our energy consumption and lowering fixed costs. We are using the “dedicated factory” approach to achieve these objectives, meaning that each one of our 42 factories has a clear focus and a particular role within our production network. This allows us to benefit from economies of scale and to develop a high level of specialist know-how in each factory. All our standard products are produced as close to customers as is possible and we also seek to have the optimal manufacturing footprint in all major regions. For every major standard product, there is a factory providing back-up production capacity. Specialty products are

manufactured centrally in a limited number of appropriately equipped factories. We believe that our factories and presence in the origin countries give us first-hand access to cocoa beans. Instead of buying cocoa beans from the terminal market or international trade houses we buy cocoa beans from local farmers, local traders, cooperatives, and administrative bodies. In addition, we believe that such factories also allow us to optimize the cocoa supply chain. In our "Centres of Excellence", which are focused on specific product groups or production technologies, we are constantly refining production processes and technologies and improving our use of energy, whilst targeting a reduction in manufacturing costs per tonne of activity by 2% per year. In total, manufacturing costs per tonne of activity in fiscal year 2012 were reduced by 3% in local currencies compared to fiscal year 2011.

***Sustainable Cocoa***

Because cocoa is a crucial part of our supply chain we added Sustainable Cocoa as our fourth strategic pillar. It aims to secure enough long-term supply of cocoa beans in order to support our future growth in chocolate and to improve the livelihoods of cocoa bean farmers.

We source our cocoa beans from suppliers across many countries in the equatorial belt, in an industry that is mainly built upon a smallholder farming system. We support farmers in their communities in origin countries where we have established programs with farmer organizations, but we neither own the farms nor any plantations, and we do not employ workers for the farms or plantations. We believe it is in our mutual interest that farmers earn an equitable income to enable them to provide for the basic health and education needs and general well-being of their families. We also believe that farmers ought to engage in responsible labor practices and safeguard the environment. Farmers can achieve these benefits by both complying with Good Agricultural Practices ("GAP") that have been developed by the industry, governments and non-governmental organizations and introducing modern farming techniques.

Our work with farmers is intended to benefit the local communities and is designed to strengthen the supply of high-quality raw material available to our business. We work with our customers to meet their requirements and needs for cocoa and chocolate products including products from specific origin countries or with an independent certification such as Fairtrade, Fair for Life, Rainforest Alliance and UTZ Certified. We have offered customers Fairtrade products since 1993 and organic products since 1995. Among our customers, interest in certified products has continued to increase. Since 2001, we have been working with cooperatives and farmers interested in obtaining independent certifications by providing training in both GAP and technical support to set up internal control systems that are required by the certification systems.

We launched our own cocoa sustainability initiative, the "Quality Partner Program", in 2005, and announced a new global sustainability initiative during fiscal year 2012. "Cocoa Horizons", a cocoa sustainability initiative with an investment of CHF 40 million over ten years, aims to achieve sustainable cocoa production, to inspire the next generation of modern cocoa farmers, and to provide basic healthcare and education directly to cocoa farmers. We actively support sustainable cocoa initiatives worldwide through our international industry partnerships, including memberships in the World Cocoa Foundation, the Cocoa Livelihoods Program and African Cocoa Initiative. As a member of the International Cocoa Initiative and through other actions, we also support child labor sensitization activities and fund programs that work towards eradicating child labor abuses in cocoa.

## History

Barry Callebaut was entered into the Commercial Register on March 6, 1997, after the combination of Barry SA ("Barry") and Callebaut AG ("Callebaut"). The combination of Barry and Callebaut added Barry's competitive advantage in the sourcing and first stage processing of cocoa to Callebaut's extensive experience in the production of processed chocolate and in marketing. Originally involved in milling, dairy, brewing and mineral water activities, Callebaut became a manufacturer of chocolate based products at the beginning of the 1900's. Callebaut focused first on chocolate bars, tablets and chocolate confectionery production, and later on industrial chocolate production. In 1981, the Callebaut family sold its interest in Callebaut to Interfood, a Swiss company in which Mr. Klaus J. Jacobs acquired a majority interest in 1983. The 1983 transaction created the Jacobs Suchard group, into which Callebaut was integrated. In 1986, the

Jacobs Suchard group acquired Van Houten (including Comet in the United States and Canada). In 1990, Mr. Jacobs purchased S&A Lesme, a British industrial chocolate producer. Callebaut, Comet and S&A Lesme were regrouped under a single management team, establishing Callebaut as a pure cocoa and chocolate products manufacturer and a market leader in industrial chocolate production.

Barry was founded in London by Charles Barry in 1842 as a producer of chocolate based products for bakeries, groceries and confectioners. Prior to the acquisition by Callebaut, Barry was focused primarily on producing semi-finished products for sale to food companies. Barry owned and operated processing facilities in cocoa producing countries.

Since the 1996 combination of Barry and Callebaut, we have continued to expand the geographic and product breadth of the Group. Today, we are a fully integrated chocolate company with a global presence, providing comprehensive chocolate solutions to the entire food industry.

In December 2012, we announced the Acquisition, which is expected to be completed in July 2013. See "The Acquisition" for further information regarding the Acquisition and the Petra Foods Cocoa Ingredients Business.

See note 1 to the audited consolidated financial statements as of and for the fiscal year ended August 31, 2012 and note 1 to the audited consolidated financial statements as of and for the fiscal year ended August 31, 2011 for a description of other acquisitions during the period under review.

## Customers

In fiscal year 2012 we served approximately 4,000 industrial customers worldwide. Our 15 largest customers in fiscal year 2012 accounted for approximately 37% (CHF 1,799 million) of our total sales revenue, and none of our customers represented more than 15% of our total sales revenue. We believe that further consolidation in the food industry will result in fewer but larger customers.

Our Food Manufacturers Product Group provides industrial chocolate, ready to use fillings, coatings and customized services to the entire food manufacturing industry. The Food Manufacturers Product Group supplies chocolate products to chocolate confectionery manufacturers, biscuit manufacturers, breakfast cereal manufacturers, baked goods manufacturers and ice cream manufacturers. We often conduct our R&D projects in close cooperation with key food manufacturers in order to meet their needs more consistently and to strengthen our relationship with them.

Our Gourmet & Specialties Product Group supplies specialty products to professional users, such as chocolatiers, pastry chefs, bakeries, hotels, restaurants and vending machine operators. The Gourmet & Specialties division supplies artisanal customers, food service operators and semi-industrial customers with premium chocolate products. In addition, this division sells fillings, nut products, decorations and other high-quality ready to use and ready to sell products.

Our Cocoa Product Group, apart from sourcing raw materials and managing sourcing risk, also supplies semi-finished products, such as cocoa liquor, cocoa butter and cocoa powder, to our other Product Groups, as well as to third parties such as food manufacturers.

## Products

We offer a broad and expanding range of chocolate and other cocoa based products for sale to our customers, and manufacture products from our almost 6,000 different recipes. We tailor our products to the specific needs of our customers.

### *Food Manufacturers Products*

Our Food Manufacturers Product Group provides the food manufacturing industry with chocolate products including industrial chocolate, fillings and compound coatings.

Our principal product in this sector is industrial chocolate. Industrial chocolate is produced by combining cocoa liquor, cocoa butter, sugar, and in some cases, dairy products, which our customers then use to

produce consumer products. Our product range comes in different packaging forms and shapes, such as blocks, easy melts, drops, pearls, and sticks, or in liquid form. In addition to industrial chocolate, we produce compound, a less expensive alternative to industrial chocolate. Compound is made by combining cocoa powder, sugar and vegetable fat. Because of the special characteristics of vegetable fat in compound, compound products are especially suited to the production of certain ice cream products. We also produce chocolate fillings, which may be either fat based or water based, and which are more technical products than compound because of the additional processing required. The fillings we produce include nut and fruit flavored fillings, baking resistant fillings and other products. We also have a range of healthier chocolates, including chocolate made without artificial colors and aromas, chocolate made with healthier fats, higher levels of cocoa flavanols or other functional ingredients, reduced sugar, reduced fat, dairy-free alternatives to milk chocolate, stevia (sugar-free) chocolate or products lower in saturated fats, among others, all of which we refer to as “rebalanced” applications. In addition, for almost 20 years we have offered a variety of certified cocoa and chocolate product. Due to our extensive presence in origin countries, we have sourced and supplied more than 100 product types of certified chocolates and cocoa powders and have projects with all of the main certification programs. These certification programs include Fairtrade, Organic/Fairtrade, UTZ certified and Rainforest Alliance Certified™.

We have positioned ourselves as a know-how partner and a global service provider for our food manufacturing customers, where quality plays a central role as a result of consumer demands.

Our principal brand in this business sector is Barry Callebaut.

### *Gourmet & Specialties Products*

Our Gourmet & Specialties Product Group supplies gourmet specialties products and vending mixes (cocoa blends for beverage machines) to artisanal customers, food service operators and semi-industrial customers, such as chocolatiers, bakers, confectioners, hotels, restaurants, caterers and vending machine operators.

Our Gourmet products are sold under two global premium brands Cacao Barry®, a French brand with 170 years heritage, and Callebaut®, a Belgium chocolate with more than 100 years of heritage, plus multiple local and regional brands. Our vending products are sold principally under the Van Houten and Caprimo brands.

*Product Range*

We produce a wide range of specialty chocolate products to meet the particular demands of our customers. These specialty products sold under the Food Manufacturers and Gourmet & Specialties Product Groups include:

- Premium chocolates

  Terra Cacao™ chocolate is based on new cocoa cultivation and fermentation methods Barry Callebaut has developed in collaboration with local growers. It has virtually zero defects or off flavors, resulting in a 100% natural chocolate with a harmony of pure tastes and rich aromas.

- Certified chocolates

  We supply more than 100 product types of chocolates and cocoa powder with a certified guarantee that it complies with specific standards, such as Fairtrade, Organic, UTZ certified and Rainforest Alliance Certified™, Fair for Life, Kosher as well as our own “Quality Partner Program”.

- Origin chocolates

  We produce origin chocolate using cocoa beans exclusively from one country, rather than a blend of cocoa beans, which provides a distinct taste. Each of these chocolates is made from a single and rare type of cocoa bean which is grown and harvested in a specific and, in some cases, exclusive region.

- Chocolates with health benefits

  We have developed a special range of chocolates designed with the consumer's well being in mind, such as chocolates that have no added sugar, are sugar free, or offer other health benefits, such as ACTICOA™ chocolates.

  We also have a range of chocolates made without artificial colors and aromas, chocolates made with healthier fats, higher levels of cocoa flavanols or other functional ingredients, reduced sugar, reduced fat, tooth-friendly chocolate, dairy-free and lactose-free alternatives to milk chocolate, stevia (sugar-free) chocolate or products lower in saturated fats, fiber enriched chocolate, among others, all of which we refer to as "rebalanced" applications.

- Flavored chocolates

  In our flavored chocolate range, we sell 100% dark or milk chocolate that is enriched with certain flavors such as caramel, strong cappuccino or honey.

- Chocolate and nut mixtures

  We also sell premium chocolate combined with quality nuts as well as a range of classic giandujas (a sweet chocolate containing almond paste) and nut pastes.

- Vending mixes

  We produce vending mixes from cocoa powder, sugar and milk powder, which is used in vending machines that sell hot or cold chocolate drinks.

- Chocolate powders

  Our chocolate powders, designed for use in decoration, dairy and ice cream applications, are available in dark, milk or white chocolate.

- Decorations

  We produce decorative chocolate products with a variety of applications, including cups for serving desserts and decorative products for sprinkling on or topping finished products, all of which are 100% chocolate.

- Inclusions

  We produce a variety of inclusions, such as chocolate and flavored compounds, which can be used to enrich confectionery, ice cream and desserts.

- Non-chocolate products

  We produce a relatively small line of non chocolate fruit fillings and similar products for use in the biscuit and confectionery markets.

#### *Cocoa Products*

In addition to sourcing cocoa beans, producing semi-finished products and managing the risk associated with purchasing raw materials for our other Product Groups, our Cocoa Product Group sells semi-finished products to third parties (generally strategic customers of our other Product Groups). We sell cocoa powder and cocoa liquor under the Bensdorp brand name and the Barry Callebaut brand name.

### Processing and Distribution

#### *Factory set-up and footprint*

Our processing facilities comprise 42 facilities, which include facilities for the production of industrial chocolate (and compounds), cocoa products (liquor, butter, powder and nibs), beverages and specialty products for the food service and gourmet markets. In addition, we are currently constructing three facilities. We have plants in 21 countries on five continents, which allows us to service national and international customers in an optimal way.

We locate our plants and distribution centers to facilitate cost effective “just in time” deliveries to our customers. Our chocolate production facilities and distribution centers are principally located in regions of high chocolate consumption, which enables us to deliver products quickly and at low transportation costs to chocolate manufacturers and craftsmen. We carefully monitor economic and industry trends in emerging markets where chocolate consumption is expected to increase in order to determine the time when efficient production volumes can be achieved locally. We have four types of cocoa plants:

- Cocoa Plants in the countries where our products are consumed. These plants are located close to harbors (for example, Louviers near Rouen in France and Eddystone close to Philadelphia in the United States), where raw materials can be shipped efficiently. These plants allow us to make blends of different bean origins for special products;
- Cocoa Plants in countries where cocoa beans are grown, such as the Ivory Coast, Ghana and Cameroon. These plants give us a more direct access to the cocoa beans. We are in the process of building a new plant in Makassar, Indonesia as part of an expansion of our origin plants;
- Integrated plants, where we produce both cocoa liquor and chocolate. These plants allow us to eliminate the secondary transport between the cocoa plants and the chocolate plants. These plants are located in Belgium, Canada, France, Malaysia, Switzerland and other countries; and
- Chocolate plants located close to our customers. These plants allow us to respond quickly to customer requests and to reduce distributions costs. Our global footprint is a key benefit for our global customers, which gives us an advantage in competing for outsourcing deals.

Our equipment and production processes for cocoa products and industrial chocolate are designed in such a way that standard products can be transferred between sites. This allows us to balance the capacity utilization between the sites and ensures back-up capabilities. The production of our specialty products is centralized in certain sites within a region. This enables us to guarantee efficiency (economy of scale effects and reduced complexity) and quality. For example, our production of hazelnut products is concentrated in our Wieze plant for Northern Europe and in Italy and Spain for the south of Europe. This production is carried out on dedicated production lines, due to the special precautions required to work with some of the trace elements of hazelnut production that can cause extreme allergic reactions.

We carefully monitor capacity utilization at our manufacturing and production facilities network in order to make optimal use of our equipment and achieve economies of scale while maintaining production and transportation schedules to facilitate adequate and timely delivery to our customers.

We believe that our ability to supply customers with products at the time the products are needed is critical to ensure customer satisfaction. Our approach is to use our manufacturing network efficiently to ensure that our customers receive products at the precise time when they are needed in their production processes. We are generally able to ship solid chocolate products within 48 hours of receiving a customer’s order.

### *Main Projects and Continuous Improvement*

*Process and Technology Development*

We believe that the use of proprietary technology in our production processes provides us with a competitive advantage. In particular, through efforts by our specialized process and technology development team, we have developed proprietary machines and processes. For example, we hold 40 patent families. We have focused programs to improve production processes, develop new or upgraded equipment, improve customer service, increase market access, reduce internal complexities as well as increase overall efficiency and the range of services. The programs are focused on output improvement, cycle time reduction, and increasing flexibility.

*Continuous Improvement Program*

We have a Continuous Improvement program in place allowing us to continue improving our production efficiency and overall standards in an effective way. This program is currently underway at selected plants in

each region. A team consisting of our regional specialists and local employees at each selected site is implementing these initiatives. The program currently focuses on five areas for continuous improvement:

- Increased output on existing equipment by close monitoring and improvement of the Overall Equipment Effectiveness;
- Optimized planning and scheduling in the plants to ensure we have the optimal balance between set-up times in the plants and working stocks;
- Reduction of incidents and customer complaints by systematically eliminating root causes of non-conforming products;
- Optimized use of raw materials (which represented about 80% of our total operating costs in fiscal year 2012) represented about 80% of our total operating costs in fiscal year 2012. Optimized use of these raw materials has improved the factory yields and reduced the waste of our manufacturing processes; and
- Reduced energy consumption per tonne by installing measuring equipment and monitoring programs in order to increase the awareness of employees.

We are also in the process of improving our training framework and training materials to ensure we have the best qualified people with the relevant skills on the job.

*Flow optimization*

We are constantly working on improving our intercompany flows and the in and outbound flows to our plants. For example, by changing the packaging formats and packaging types we can optimize the loads per truck or per container. We manage product allocation to ensure the optimal raw materials costs and to reduce the transport costs and carbon emissions coming from transport.

*Quality standards*

All of our manufacturing sites are audited on an annual basis by accredited certification organizations against one of the industry-recognized and benchmarked food safety and quality standards according to the Global Food Safety Initiative ("GFSI"). Barry Callebaut supports the GFSI objectives, namely to reduce food safety risks by delivering equivalence and convergence between effective food safety management systems; to manage cost in the global food system by eliminating redundancy and improving operational efficiency; to develop competencies and capacity building in food safety to create consistent and effective global food systems and to provide a unique international stakeholder platform for collaboration, knowledge exchange and networking.

To drive internal consistency and permit benchmarking, Barry Callebaut has selected the British Retail Consortium ("BRC") standard. Achievement of this standard provides assurance to customers and regulatory authorities and facilitates meeting new regulatory requirements, for example the FDA Food Safety Modernization Act. The BRC standards help Barry Callebaut to deliver effective quality, food safety and supply chain management and as such we are part of a food network with more than 14,000 BRC certificated suppliers in more than 100 countries. Barry Callebaut, through its Group Head of Quality Assurance and Regulatory Affairs, also supports the development and continuous improvement of the BRC standard through participation on the BRC International Technical Advisory Board.

We also maintain Good Manufacturing Practices ("GMP"). The uniform implementation of our GMP standards ensures that all products are produced, stored and handled under clean and sanitary conditions. Our GMP standards cover, among other things, hygiene practices, building and facilities design, and production and process controls. All critical processes are validated to guarantee compliance with our GMP standards. Barry Callebaut GMP standards are continuously reviewed and benchmarked against the latest developments in food safety.

We manage food safety through our Hazard Analysis and Critical Control Point ("HACCP") program. HACCP is a systematic approach to ensure food safety by identifying specific hazards of physical, chemical,

biological or allergenic nature and to define measures to control them. We have an integrated HACCP management plan in place for all stages of the production process which plan is fully embedded in our quality management system. Building on GMP standards, it provides a preventative approach to ensure the quality and safety of all products and the environment in which they are produced.

*Global Sales and Operations Planning*

In order to get our cocoa products to our plants and our branded gourmet products to our different regions in an efficient and consistent way we are improving our global planning process. Improving the communication between business units and regions and putting in place more robust processes allows us to improve the reliability of our forecasting and service to our customers without increasing our stocks.

*Maintenance management system in combination with strategic sourcing of technical equipment*

We are implementing Maximo for the management of our maintenance activities and spare parts. Through this system we are able to better manage our maintenance activities (better balance between preventive and corrective maintenance) and to share best practices across sites. Consequently, we can increase the operating time and output of our equipment without increasing our maintenance costs. By volume pooling in the different Regions and by sourcing in low cost countries we are also able to reduce the cost of our technical equipment and spare parts. With this program we were able to reduce costs by CHF 5.6 million in fiscal year 2012.

*Capacity extensions*

To ensure we can continue our sales growth we are constantly extending our production capacity. We are doing this in different ways. We are building new plants to gain access to new markets or new cocoa bean origins. We are expanding existing facilities by adding additional lines or by replacing or upgrading older lines to the latest technology and process standards.

## Sales, Pricing and Customer Support

### *Sales*

The table below sets out our sales by volume for each of the Regions for the periods indicated:

| **Sales by Geographic Destination** | **Fiscal year ended August 31, 2012** | **Fiscal year ended August 31, 2011** | **Fiscal year ended August 31, 2010** | **Six months ended February 28, 2013** | **Six months ended February 29, 2012** |
|---|---|---|---|---|---|
| | | | *(in tonnes)* | | |
| Europe | 688,203 | 643,943 | 659,331 | 377,458 | 356,888 |
| Americas | 361,819 | 313,715 | 289,970 | 200,434 | 176,446 |
| Asia-Pacific | 57,815 | 52,397 | 47,466 | 30,915 | 27,639 |
| Global Sourcing & Cocoa | 271,019 | 258,870 | 212,886 | 136,449 | 130,088 |
| **Total** | **1,378,856** | **1,268,925** | **1,209,654** | **745,256** | **691,061** |

Our business is organized in different Regions—the Europe Region, the Americas Region, the Asia-Pacific Region and the globally managed Global Sourcing & Cocoa business. With revenues of CHF 2,150.6 million for fiscal year 2012, the Europe Region accounted for 44.5% of our total revenues, while the Americas Region had revenues of CHF 1,111.8 million and accounted for 23.1% of our total revenues, the Asia-Pacific Region had revenues of CHF 232.4 million and accounted for 4.8% of our total revenues and Global Sourcing & Cocoa had revenues of CHF 1,334.7 million and accounted for 27.6% of our total revenues.

Besides our Regions, our business is further divided into Product Groups as follows:

- Food Manufacturers Product Group;
- Cocoa Product Group (part of Global Sourcing & Cocoa); and
- Gourmet & Specialties Product Group.

We sell the products of our Cocoa Product and Food Manufacturers Product Groups primarily to industrial customers through a sales force of approximately 218 people as of February 28, 2013. Due to the fragmentation of our customer base in the Gourmet & Specialties unit, we supply end customers directly 40% and through distributors and wholesalers 60%. For our distribution, the go-to-market model consists of combining "push" at the distributor level, where we have over 5,000 distributors, with "pull" activity executed directly in the market through our sales force of over 185 employees worldwide as of February 28, 2013. As a consequence, our products are promoted daily by our own sales people, as well as many thousands of sales representatives of the distributors we use.

We capitalize on our manufacturing capability and flexibility, as well as our range of brand names, to differentiate our products and increase sales in different market sectors. For example, we market cocoa powder produced with very high quality cocoa beans to exacting standards under the Bensdorp brand at premium prices. We position cocoa powder marketed under the Barry Callebaut brand as a good quality, non-premium-priced brand. We believe that this flexibility provides us with a competitive advantage and helps to increase our sales in a number of market sectors.

### *Pricing*

Our agreements with customers in our Food Manufacturers Product Group are generally three- to six-month contracts. With some customers, we also enter into mid-term contracts of up to two years. Since 2007, we have signed long-term agreements of between five to 15 years with certain customers. These long-term agreements represented about 18% of our total sales volume in fiscal year 2012 compared to 16% in fiscal year 2011. All these agreements provide for fixed volumes and prices based on a "cost-plus" pricing model, where we pass on the cost of raw materials to our customers (increases and decreases). The price to our customers is typically equal to the sum of our raw material costs on the contract date and our production, logistics, administration and financing costs, together with a negotiated profit margin. If during the agreement the customer buys amounts of chocolate exceeding the volume agreed upon, the customer typically bears the costs incurred by us to purchase the excess amounts of cocoa beans, including any related storage costs.

In our Gourmet & Specialties Product Group, our customers place orders on the basis of our price lists. Price lists are based on our estimated costs of production for between six and 12 months. Unlike in the Food Manufacturers Product Group, our Gourmet & Specialties customers do not agree to fixed volume orders, but rather purchase volumes based on their recurring needs from time to time.

In our Cocoa Product Group, the prices for our products are dictated by the prevailing market prices for semi-finished products on the contract date, with an average contract length of six months. Our contracts represent a firm commitment by our customers to purchase a fixed volume of our products at a set price.

### *Customer Support*

As our products and the requirements of our customers become more sophisticated, we provide our customers with the training and know-how required to improve the quality of their existing products and to introduce new products using our chocolate. To that end, we have established 13 Barry Callebaut academies located around the world, which we use to educate customers about our products and chocolate processing techniques. In addition, we cooperate closely with key customers, both large and small and across our product range, to develop products tailored to their specific demands for taste, quality and technical properties. We believe this cooperation not only strengthens customer relationships but also increases sales. We also assist our customers with the start-up of new installations and train their operators both onsite and off.

## Competition

We face competition from a number of different companies at the various stages of the semi-finished cocoa and industrial chocolate production processes. With respect to semi-finished cocoa products (mainly cocoa liquor, butter, and powder), we compete on a global basis with companies such as ADM, BT Cocoa, Cargill, ECOM (Dutch Cocoa), Guan Chong, JB Cocoa, Theobroma, and Transmar Group, amongst others. Competition in these markets is based on price, especially for cocoa butter. For cocoa liquor and especially for cocoa powder, product quality, branding, innovation, and range as well as customer service represent key competitive factors.

Regarding industrial chocolate, we compete with a number of global and regional players, such as ADM, Cargill, and Puratos Group as well as Altin Marka (Europe), Blommer (US), and Cémoi (Europe), amongst others. We generally do not consider large branded consumer chocolate producers such as Mondelez, Hershey, Nestlé, and Mars our competitors, as we do not operate in the branded consumer chocolate market. Many of these companies are our customers and our outsourcing business with them is growing. We compete to a limited extent with fully vertically integrated consumer chocolate producers who primarily meet their own industrial chocolate needs and sell any excess production into the open market (e.g. Cémoi, Meiji, Natra, Ülker Gida).

Competition in the industrial chocolate market is based upon various factors, including customer service and technical support, product innovation, quality, specifications, distribution capabilities and reliability as well as price. Global customers in the biscuit and ice cream sectors of the industrial chocolate market, which account for a significant portion of our sales, principally differentiate among suppliers on the basis of product quality, specifications, and price. Price competition in certain of our target markets has been intense in recent years, mainly due to industry overcapacity. Pricing pressure within these markets has also largely been driven by intense competition among food manufacturers, who constitute a significant portion of our customer base.

In the gourmet and specialties market, competition is based on product quality, customer service and price to a lesser extent. In this market, we face competition from market participants such as Valrhona, Belcolade and Felchlin, who benefit from local affiliations, geographical proximity to their customers and chocolate production know-how.

## Commodity Sourcing, Production and Management of Commodity Risk

Historically, our industry has been dependent on West Africa for its supply of cocoa beans. We purchased approximately two thirds of our requirement of cocoa beans in fiscal year 2012 directly from producers in the origin countries. See "Risk Factors—Risks Relating to Our Business—We obtain cocoa beans, our primary raw material, from countries in West Africa and other emerging markets". We purchase the remainder of the cocoa beans needed for our business, as well as some semi-finished products, from various sources on the international market. We purchase the majority of the cocoa beans that we purchase on the international markets in forward purchase contracts on the London Cocoa Terminal Market.

We own and operate processing infrastructure in West Africa. We have four factories in West Africa, out of 13 cocoa processing facilities. Our production facilities in West Africa processed an aggregate of approximately 37% (200,000 metric tonnes) of the total amount of cocoa beans that we processed in fiscal year 2012. We benefit from our long-standing presence in and knowledge of the Ivory Coast, Ghana, and Cameroon, which together accounted for approximately 63% of worldwide cocoa bean production in the September 2011 to October 2012 growing season.

Processing at origin has many advantages, such as being close to the raw material (both from a supply but also from a quality control point of view), logistics costs savings (waste is not shipped) and certain origin countries such as Ghana, Cameroon and Indonesia offer tax incentives for local processors. We also continue to diversify our cocoa bean sourcing and processing options. We explore on an ongoing basis opportunities to develop such sourcing options in Africa and in other cocoa-growing regions and countries. In addition, we are holding strategic stocks of cocoa beans outside of these Regions, close to our factories in consuming countries.

We observe a policy of matching our customer contracts and anticipated orders for our products with forward purchase contracts of raw materials, including cocoa beans, cocoa ingredients and other raw materials, in order to safeguard the supply to our factories. Our sales exposure to fluctuations in cocoa beans, cocoa ingredients and other raw material prices are hedged by purchasing forward contracts – physical or via derivatives. In our Gourmet & Specialties Products Group, we generally cover forecasted demand with forward purchase contracts or derivatives for between six and ten months. At times, we also protect anticipated or current exposures using option strategies.

For some of the raw materials (e.g. dairy and hazelnuts) a complete matching of our forward sales contracts or anticipated orders with forward purchase contracts may not be feasible. Therefore, the exposure to price fluctuations cannot fully be hedged.

We have centralized all of our commodity risk management activities within Global Sourcing & Cocoa which monitors our physical stock positions, open sales and purchase contracts and derivative hedge positions on a daily basis. The Region produces detailed daily risk position summaries to ensure compliance with our risk management policy and risk exposure limits. These risk management activities are mainly undertaken in Zurich, where we have traders who execute transactions and purchasers for non-cocoa raw materials. We also have non-cocoa purchasers who manage the non-cocoa activities in the Regions.

See "Risk Factors—Risks Relating to Our Business—Cocoa bean and other raw material prices impact our profitability and cash flows. Cocoa bean prices have fluctuated significantly in the past and could have a material adverse effect on our business and results of operations," "Risk Factors—Risks Relating to Our Business—We obtain cocoa beans, our primary raw material, from countries in West Africa and other emerging markets," "Risk Factors—Risks Relating to Our Business—We obtain cocoa beans, our primary raw material, from countries in West Africa and other emerging markets," and "Management's Discussion and Analysis of Financial Condition and Results of Operations—Quantitative and Qualitative Disclosures about Market Risks—Commodity Price Risk".

### Research and Development

We are committed to R&D because we believe that by providing constant innovation and consistent improvements in products and processes, our customers can become more competitive, which, in turn, helps us to be more competitive. Our R&D focuses on delivering innovations and improved applications to the marketplace, always in cooperation with new and existing customers.

We expect cocoa raw material prices to rise in the coming years. As a result, we seek to find new ways to manufacture products with the same quality, but at lower costs. Many of our customers are increasingly moving towards cost-efficient product solutions and we see a growing interest in compounds and fillings, where we already have the broadest assortment of products in the industry and where we are experimenting with efficient alternatives. Conversely, consumers demand premium chocolate products. As a result many of our key customers are focusing on the development of "premium-praline-type" products with multiple ingredients for sale in mass retail. With our broad specialty assortment as well as our capabilities in fillings, inclusions, new texture elements and decorations, we are well positioned to successfully support our customers. Additionally, consumers are interested in healthier alternatives to standard chocolate. Increasingly, they are choosing products that are free from allergens or that have "cleaner labels"—like gluten-free, lactose-free, and without artificial colors and aromas. Other examples include the use of healthier fats and chocolate alternatives which include chocolates with higher levels of cocoa flavanols or other functional ingredients. We are actively developing premium chocolate variations containing fewer calories, less fat and less sugar. Currently, we have conducted more than 200 customer projects in this area.

In general, we believe that product development projects conducted in close cooperation with our customers offer excellent opportunities to strengthen our customer relationships and increase the chances of successfully commercializing new products. In addition to the projects undertaken at the request of customers—including those directed at taste adaptation, cost optimization, improvement of product gloss and optimization of chocolate's fluidity—we are now also engaging more in exclusive co-developments with

various customers, suppliers and specialized institutions (for example, universities and laboratories), such as our co-developments on controlled fermentation or the research into the benefits of cocoa butter with outside universities. Co-development uses specific expertise that may not be available or desirable to have in house and leads to faster innovation results, broader and more affordable clinical research about potential product (health) benefits, and new applications that can be commercialized with higher certainty.

We also run an extensive agronomic research program in Malaysia aimed at developing new, sustainable cocoa cultivation techniques. It is our aim that the program will yield new insights into practical measures for increasing the sustainability, productivity and quality of cocoa production and improve profitability for local farmers within the Asia-Pacific Region.

Our R&D staff has a narrow focus on cocoa bean processing only. Most staff are very experienced and have had a long tenure with the Group. We believe their depth of knowledge within this narrow focus is unparalleled. Our staff are spread across the world to be as close as possible to our customers. We have competence centers for specific applications and techniques in various geographies.

### Quality Assurance

Sourcing: As our sourcing and use of raw materials is global, ingredients are centrally introduced in the Enterprise Resource Planning ("ERP") system, which is a software that is continuously adapted to capture all information (nutritional values, allergen information, labeling, regulatory aspects) in order to provide our customers with technical sheets adapted to language and legislation in their specific markets. All suppliers are assessed by the Corporate Vendor Assurance team following audit procedures and audit plans. Sensitive raw material supply sites are checked by a global team of 50 Barry Callebaut auditors and only approved suppliers and global specifications are used. This provides additional assurance of consistent quality and food safety from contract to delivery. Local quality labs check deliveries against global inspection plans. Results and non-conformities are logged in our ERP system and a performance scorecard is continuously available.

Surveillance: As part of our commitment to ensure the highest standards of food safety, we have implemented an annual materials monitoring surveillance program. This program is part of the verification to ensure suppliers achieve adequate standards, and that we have our own objective evidence that chemical contaminants which could be naturally present, or inadvertently introduced into materials, are within acceptable limits. For the analyses, we contract with independent ISO 17025-certified laboratories that have the appropriate accreditations.

For a discussion of our quality standards in relation to our processing and distribution activities, see "—Processing and Distribution—Main Projects and Continuous Improvement—Quality Standards".

### Properties

We own and operate 42 plants and three are under construction in 23 countries around the world. We lease our head office in Zürich, Switzerland. We also lease stand-alone sales and administrative offices in a number of countries from third parties. The following table sets out the locations of and the primary products produced at each of these plants:

| Plant location | Country | Product Description |
|---|---|---|
| Wieze | Belgium | Liquor, gourmet & industrial chocolate & compounds |
| Heule Kortrijk | Belgium | Specialties |
| Thimister | Belgium | Specialties |
| Louviers | France | Liquor, butter & powder |
| Meulan | France | Industrial & gourmet chocolate |

| Plant location | Country | Product Description |
|---|---|---|
| Norderstedt | Germany | Industrial chocolate |
| Verbania—Intra | Italy | Industrial chocolate & compounds |
| San Sisto | Italy | Industrial chocolate & compounds |
| Lódź | Poland | Industrial chocolate & compounds |
| Chekhov | Russia | Industrial chocolate |
| Vic, Gurb | Spain | Industrial chocolate & compounds |
| Reus, Tarragona | Spain | Specialties |
| Castellvell | Spain | Specialties |
| Kågeröd | Sweden | Beverages |
| Mjölby | Sweden | Industrial chocolate & compounds |
| Dübendorf | Switzerland | Industrial chocolate & specialties |
| Nuth | The Netherlands | Specialties |
| Zundert | The Netherlands | Specialties |
| Banbury | United Kingdom | Liquor, industrial chocolate, & compounds |
| St. Helens | United Kingdom | Beverages |
| Suzhou | China | Industrial chocolate & compounds |
| Ilhéus, Bahia | Brazil | Liquor, butter & powder |
| Extrema, Minas Gerais | Brazil | Industrial chocolate & compounds |
| Chatam, Ontario | Canada | Industrial chocolate & compounds |
| St. Hyacinthe | Canada | Liquor, industrial chocolate, compounds & specialties |
| Monterrey | Mexico | Industrial chocolate & compounds |
| Toluca | Mexico | Industrial chocolate & compounds |
| Pennsauken, New Jersey | United States | Industrial chocolate, compounds, & specialties |
| St. Albans, Vermont | United States | Industrial chocolate & compounds |
| American Canyon, California | United States | Industrial chocolate |
| Eddystone, Pennsylvania | United States | Liquor, butter & powder |
| Robinson | United States | Industrial chocolate |
| Hendersonville, North Carolina | United States | Specialties |
| Port Klang | Malaysia | Liquor, butter, powder, Industrial chocolate & compounds |
| Singapore | Singapore | Industrial chocolate & compounds |
| Douala I | Cameroon | Liquor, butter & powder |

| Plant location | Country | Product Description |
| --- | --- | --- |
| Tema | Ghana | Liquor & roasted nibs |
| Sinfra | Ivory Coast | Cocoa beans |
| Abidjan Zone IV | Ivory Coast | Liquor, butter & powder |
| Abidjan Vridi | Ivory Coast | Cocoa beans |
| San Pedro | Ivory Coast | Liquor cakes & powder |
| CGPP San Pedro | Ivory Coast | Cocoa beans |

***Plants under construction or advanced construction planning***

| Plant location | Country | Product Description |
| --- | --- | --- |
| Santiago de Chile | Chile | Industrial chocolate & compounds |
| Makassar | Indonesia | Liquor |
| Takasaki | Japan | Industrial chocolate & compounds |
| Eskisehir | Turkey | Industrial chocolate & compounds |

## Employees

The table below shows the number and location of our employees (excluding temporary employees) as of August 31, 2012:

| | As at August 31, 2012 |
| --- | --- |
| Europe | 2,740 |
| Americas | 1,281 |
| Africa | 1,519 |
| Asia-Pacific | 560 |
| **Total** | **6,100** |

Although union membership varies widely depending on the country in which a plant is located, a majority of our workforce is unionized. Since 2007, we have experienced some strikes, mainly in France, due to negotiations of collective agreements. However, this has not affected our operations significantly. We believe that our relations with our employees are generally good.

We voluntarily created a European Works Council ("EWC") in 1998 in order to further improve our social relations with our employees. Emphasis in the EWC is on exchanging information. Topics discussed in recent years include: corporate social responsibility, geographical expansion, cost leadership, the Gourmet and Consumer business, training and development programs, the corporate code of conduct and the integration of new sites.

In addition to the EWC, we have established works councils in other countries in which we operate. As a result, we may have to consult with works councils before deciding on the execution of certain transactions which may impact our operations. In addition, with respect to the implementation of certain employment related measures, the prior approval of the relevant works council may be required.

## Legal Proceedings

We are involved now and from time to time in various claims or disputes and litigation incidental to the ordinary course of our business, including tax proceedings. We do not believe that the outcome of any

single pending claim or proceeding is likely to have a material adverse effect on our financial position or results of operations. We are currently defending a number of claims and believe we will ultimately prevail. However, the outcome of any claim or proceeding is inherently uncertain, and we cannot assure you that we will be successful or that any negative outcome would not have a material adverse effect on our business, financial condition, results of operations or cash flows.

### Environmental Matters

Our production and manufacturing operations, like those of similar companies, are subject to extensive environmental laws and regulations in many of the jurisdictions in which we operate. These laws and regulations impose increasingly stringent environmental obligations regarding, among other things, air emissions, noise, discharges to water, the use, handling, storage, release and disposal of hazardous materials, the protection of employee health and safety, certain disclosure obligations and the remediation of environmental contamination.

The majority of our plants are registered on the Supplier Ethical Data Exchange website (“SEDEX”) and have completed a self assessment according to the rules and requirements set by SEDEX. This self assessment includes the following sections: labor standards, health, safety and hygiene, business integrity and the environment. This information is placed on the SEDEX website where it can be reviewed by customers who are members of SEDEX. In addition some plants have undergone third-party ethical audits according to, or very similar to, the AS8000 standard for good corporate governance and the Ethical Trading Initiative’s standards for employees. The audit reports are also posted on the SEDEX website. Small quantities of asbestos have been detected at the production facilities of Barry Callebaut (UK) Limited, Barry Callebaut USA Inc. and to the best of our knowledge there is no asbestos at any other of our production facilities. We have also experienced certain noise and smoke emission difficulties in Abidjan and Louviers. However, we have not received any formal complaints from the relevant environmental agencies and authorities and we believe that we are in material compliance with all material environmental laws and regulations applicable in these jurisdictions.

### Licenses, Brands and Intellectual Property Rights

We apply for patent protection in respect of appropriate opportunities, and have numerous patent filings in force at least in major markets.

Generally we do not seek to copyright or otherwise protect our chocolate product recipes, as copyright protection is generally unavailable for recipes. Furthermore, we believe that, even where available, copyright protection would be ineffective and even counterproductive in deterring competitor imitation of our products. In addition, generally we do not seek to protect our design modifications to operating machinery, relying instead on our ongoing R&D activities and trade secrets.

We sell our products under a variety of brands including:

- “Barry Callebaut” and “Bensdorp” for our semi-finished products, bulk cocoa powder and industrial chocolate;
- “Cacao Barry”, “Callebaut”, “Carma”, “Caprimo”, “Chocolate Academy”, “Van Houten”, “Van Houten Professional” and “Van Leer” for our Gourmet & Specialties Products and Services.

All of these brand names are registered trademarks in relevant markets.

### Insurance

We benefit from a number of global insurance programs, covering all of our legal entities, activities and related risk exposures worldwide. These global insurance policies include property damage and business interruption, public and product liability, recall and contaminated products insurance, directors’ and officers’ liability insurance, employment practices liability insurance, transport insurance and credit risk insurance.

We consider the level of our insurance coverage to be adequate in terms of limits of liability, scope of coverage and applicable deductibles.

## Regulation

We produce and sell food products in a number of jurisdictions around the world, and the manufacturing, processing, packaging, labeling and advertising of our products is subject to regulatory regimes in each of those jurisdictions. These laws and regulations include the regulations of the United States Food and Drug Administration, in respect of our operations in the United States, as well as EU directives implemented into local law in the European jurisdictions in which we operate. These laws and regulations prescribe minimum standards for, among other things, food safety and manufacturing, relating to our facilities, equipment and personnel required to produce products for human consumption. We are also subject to regulations requiring accurate labeling of nutritional values and content of our products.

We have established a Barry Callebaut global regulatory network that monitors current and future legislation and informs our business entities to ensure that processes and products, global trading and methods of reporting and notification are compliant with appropriate regulations.

## MANAGEMENT AND BOARD OF DIRECTORS

The following table sets out certain information concerning Barry Callebaut AG's directors and executive officers as of the date of this Offering Circular:

| Name | Age | Current Position |
|---|---|---|
| Andreas Jacobs | 50 | Chairman of the board of directors |
| Andreas Schmid | 55 | Vice Chairman of the board of directors |
| Jakob Baer | 69 | Director |
| James L. Donald | 58 | Director |
| Markus Fiechter | 56 | Director |
| Nicolas Jacobs | 31 | Director |
| Ajai Puri | 59 | Director |
| Fernando Aguirre | 55 | Director |
| Timothy E. Minges | 55 | Director |
| Juergen B. Steinemann | 54 | Chief Executive Officer<br>Executive Committee member |
| Victor Balli | 55 | Chief Financial Officer<br>Executive Committee member |
| Massimo Garavaglia | 46 | President Western Europe<br>Executive Committee member |
| David S. Johnson | 57 | Chief Executive Officer<br>President Americas<br>Executive Committee member |
| Dirk Poelman | 51 | Chief Operations Officer |
| Steven Retzlaff | 49 | President Global Sourcing & Cocoa<br>Executive Committee member |
| Peter Boone | 43 | Chief Innovation Officer<br>Executive Committee member |

The business address of the Board members is the same as the registered address of the Company, which can be found on the inside back cover of this Offering Circular.

### Directors

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

In December 2005, Andreas Jacobs was appointed Chairman of the Board of Barry Callebaut AG. He had served as a member of the Board since 2003. Since 1992, Andreas Jacobs has been an independent entrepreneur with a stake in several companies (Minibar AG, Baar; and Acentic GmbH) as well as minority interests in several other companies. From 1991 to 1993, Andreas Jacobs worked as a consultant and project manager at The Boston Consulting Group in Munich. He is also Chairman of Jacobs Holding AG, and Vice-Chairman of the Board of Adecco SA. Furthermore, he is a member of the Shareholder Committee of Dr. August Oetker KG. Andreas Jacobs studied law at the Universities of Freiburg im Breisgau, Munich and Montpellier and subsequently obtained a postgraduate degree in European competition law (Dr. iur.) from the University of Freiburg im Breisgau. Afterwards, he obtained a Master of Business Administration from INSEAD in Fontainebleau.

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

Andreas Schmid was appointed Chief Executive Officer of Jacobs Holding AG in 1997. In 1999, he became Chairman of the Board and Chief Executive Officer of Barry Callebaut AG. In June 2002, he handed over the Chief Executive Officer function but continued as Chairman until December 2005. Since then he has been Vice Chairman of the Board. He started his career in 1984 at Union Bank of Switzerland. Following a position as assistant to a Swiss industrialist, he was Chief Executive Officer and Managing Director of Kopp Plastics (PTY) Ltd in South Africa from 1989 to 1992. He then worked for the Jacobs Group in various staff and line functions until 1993. From 1993 to 1997, Andreas Schmid was President of the Moevenpick Consumer Goods Division and a member of the worldwide Group Executive Board of Management. Between December 2007 and May 2011, Andreas Schmid was Chairman of the Supervisory Board of Symrise AG and between 2002 and 2006, he chaired the Board of Kuoni Travel Holding AG. He was a member of the Board of Adecco SA from 1999 to 2004 and a member of the Advisory Board of the Credit Suisse Group from 2001 to 2007, before the Advisory Board was dissolved. Andreas Schmid is Chairman of Oettinger Davidoff Group, Chairman of the Board of Directors of Flughafen Zürich AG, and Chairman of the Board of Directors of gategroup Holding AG and member of the Board of Directors of Steiner AG. Andreas Schmid holds a Master's degree in law and studied economics at the University of Zurich.

***Jakob Baer***—Director since 2010, Swiss national.

Jakob Baer is Swiss national and was born in 1944. Mr. Baer was a member of the executive team of KPMG Switzerland from 1992 until 1994. From 1994 to 2004, he held the position of Chief Executive of KPMG Switzerland, and was a member of KPMG's European and International Leadership Board. Jakob Baer was Counsel at Niederer Kraft & Frey AG, attorneys at law, Zurich, Switzerland, from 2004 to 2009. Mr. Baer is a board member of Swiss Re, Rieter Holding AG, Allreal Holding AG and Stäubli Holding AG (Chairman), all in Switzerland. He was admitted to the bar and subsequently obtained a doctorate degree in law (Dr. iur.) from the University of Berne, Switzerland.

***James L. Donald***—Director since 2008, United States national.

James L. Donald has been President and Chief Executive Officer of Haggen, Inc., a 33-store Pacific Northwest grocery company based in Bellingham since September 2009. He also serves as a Board Member of RiteAid Corporation, one of the leading drugstore chains in the United States, and as Chief Executive Officer of Extended Stay Hotels. James Donald was President and Chief Executive Officer of Starbucks Corporation from April 2005 to January 2008. From October 2002 to March 2005, he served as President of Starbucks, North America. From October 1996 to October 2002, James Donald served as Chairman, President and Chief Executive Officer of Pathmark Stores, Inc., a USD 4.6 billion regional supermarket chain located in New York, New Jersey and Pennsylvania. Prior to that time, he held a variety of senior management positions with Albertson's, Inc., Safeway, Inc. and Wal-Mart Stores, Inc. James L. Donald graduated with a Bachelor's degree in Business Administration from Century University, Albuquerque, New Mexico.

***Markus Fiechter***—Director since 2004, Swiss national.

Markus Fiechter served as Chief Executive Officer of Jacobs Holding AG from September 2004 until the end of 2011. He started his career as Assistant Professor in Chemistry at the University of Applied Sciences in Horw, Lucerne. From 1984 until 1991, he held various managerial positions at Mettler Toledo AG. From 1991 to 1994, he worked for The Boston Consulting Group as a Manager at the Zurich office. From 1994 to 2004, he was Chief Executive Officer of the Minibar Group. Markus Fiechter is Vice President of the Board of Directors of Valora Holding AG and a member of the Board of Directors of Minibar AG and W. Schmid AG. He is also member of the Board of the Federal Foundation for the Advancement of the Swiss Economy through Scientific Research. Markus Fiechter holds a Master's degree in Chemical Engineering from the Federal Institute of Technology in Zurich (ETH) and an MBA from the University of St. Gallen.

***Nicolas Jacobs***—Director since 2012, Swiss national.

Nicolas Jacobs started his career at Goldman Sachs in 2006. In 2007 he joined Barry Callebaut as a Trader of the Global Sourcing & Cocoa business unit. In 2008, he was assigned to Barry Callebaut Brazil

and as Project Leader Strategic Projects Brazil was responsible for the cocoa and the chocolate operations of South America. In 2011 Nicolas Jacobs joined Burger King Corporation as a Senior Director for Global M&A and Development, with responsibilities for strategic projects and the expansion of Burger King within EMEA. Nicolas Jacobs has been a Board Member of Jacobs Holding AG since 2008. Nicolas Jacobs holds a Master Degree in law from the University of Zurich and obtained a Master of Business Administration from INSEAD in Fontainebleau.

***Ajai Puri***—Director since 2011, United States national.

Ajai Puri is presently a Non-Executive Director with Tate and Lyle PLC (London, U.K.), a leading provider of specialized ingredients to the food and beverage industry. He is also a member of the Supervisory Board of Nutreco N.V. (Amersfoort, The Netherlands), a leading global animal nutrition and aquaculture company. In addition, Ajai Puri serves as a Non-Executive Director on the Board of Britannia Industries Limited (Bangalore, India), India's largest independent food group. Ajai Puri has a broad know-how and experience in the fields of management, R&D/innovation, marketing and manufacturing, product safety and quality assurance which he gained during his assignments with Cadbury Schweppes PLC, The Minute Maid Company / The Coca-Cola Company and most recently with Royal Numico N.V. in The Netherlands. During his career Ajai Puri held a variety of positions with a global scope including Senior Vice President Technical (Science and Technology) at The Minute Maid Company, and President – Research, Development and Product Integrity at Royal Numico. Ajai Puri is the co-founder of P.A.N.I., a self-funded charitable foundation dedicated to improving the lives of the under-privileged in India. The focus of the foundation is education for children and women, and cleft lip surgical corrections. Ajai Puri holds a Ph.D. in Food Science from the University of Maryland and an MBA from the Crummer Business School, Rollins College, Florida.

***Fernando Aguirre***—Director since 2013, Mexican and United States national.

Fernando Aguirre served as the Chairman and CEO of Chiquita Brands International Inc. from 2004 until 2012. Prior to Chiquita, Mr. Aguirre worked in various management positions for more than 23 years at The Procter & Gamble Co, such as President of Special Projects, President of the Global Feminine Care business unit, Vice President of Global Snacks and U.S. Food Products business units, Vice President of Laundry & Cleaning Products, Latin America and Regional Vice President, Latin America, North. At present Mr. Aguirre is a consultant to Chiquita. In addition, he is a member of the Board of Directors of Levi Strauss & Co. where he chairs the Nomination, Governance & Corporate Citizenship Committee as well as the Finance Committee and serves on the Audit Committee. He is also a member of the Board of Directors of Aetna Inc, where he is a member of the Audit Committee and a member of the Medical Affairs Committee. He also served as a member of the Board of Directors of Coca Cola Enterprises from 2005 to 2010 and as a member of the International Board of the Juvenile Diabetes Research Foundation from 2006 to 2012 and he was recently named as Advisory Council of the Bechtler Museum of Modern Art in Charlotte, North Carolina. He holds a Bachelor of Science in Business Administration from Southern Illinois University Edwardsville and earned Harvard Business School graduate status in 2010.

***Timothy E. Minges***—Director since 2013, United States national.

Timothy E. Minges is currently Chairman of PepsiCo Greater China Region and a member of PepsiCo's Executive Committee. Mr. Minges has been working with PepsiCo for the past 30 years and is currently responsible for the entire PepsiCo portfolio throughout greater China. He also serves on the Board of Tingyi-Asahi Beverage Holding Co Ltd and on the Strategic Advisory Board of L Capital Asia Fund. He was a member of the board of Calbee Foods Japan, as well as two listed companies, Pepsi-Cola Philippines and Serm Suk Thailand. He holds a Bachelor of Science in Accounting from Miami University, Oxford, Ohio and he completed a Pepsi Executive Development Program at Yale School of Management.

### Senior Management

***Juergen B. Steinemann***—Chief Executive Officer, German national.

Juergen B. Steinemann was appointed Chief Executive Officer of Barry Callebaut AG in August 2009. Before joining Barry Callebaut, he served as a member of the Executive Board of Nutreco and as Chief

Operating Officer since October 2001. Nutreco, quoted on the Official Market of Euronext Amsterdam, is an international animal nutrition and fish feed company, headquartered in the Netherlands. From 1999 to 2001, Juergen Steinemann served as Chief Executive Officer of Unilever's former subsidiary Loders Croklaan, which produced and marketed specialty oils and fats for the chocolate, bakery and functional foods industry. Between 1990 and 1998, Juergen Steinemann was with the former Eridania Beghin-Say Group, where he held various senior positions in business-to-business marketing and sales, ultimately in the "Corporate Plan et Strategie" unit at the head office in Paris. Juergen Steinemann graduated from his economics and business studies at the European Business School in Wiesbaden, Germany, London, and Paris in 1985.

***Victor Balli***—Chief Financial Officer, Swiss national.

Victor Balli was appointed Chief Financial Officer and member of the Executive Committee of Barry Callebaut AG in February 2007. Before joining Barry Callebaut, Victor Balli had been with Minibar since 1996. He began his career at Minibar as Chief Financial Officer and additionally held the position of Chief Executive Officer EMEA as of 2005. During this time he also served as executive director and board member of several group companies of Niantic, a family investment holding. From 1991 to 1995, he worked as a Principal with Adinvest AG, a corporate finance advisory company with offices in Zurich, San Francisco, New York, and London. From 1989 to 1991, Victor Balli served as Director of Corporate Finance with Marc Rich & Co. Holding in Zug. He started his professional career in 1985 working as a Financial Analyst and Business Development Manager with EniChem International SA in Zurich and Milan. Victor Balli holds a Master's degree in Economics from the University of St. Gallen and a Master's degree as a Chemical Engineer from the Swiss Federal Institute of Technology in Zurich.

***Massimo Garavaglia***—President Western Europe, Italian national.

Massimo Garavaglia was appointed President of the Western Europe division in June 2009, and is a member of the Executive Committee of Barry Callebaut AG. From 1990 to 1992, Massimo Garavaglia was sales manager for an Italian food products importer. Joining Callebaut Italia S.p.A. in 1992, he served as country manager for Italy. After the combination between Callebaut and Cacao Barry in 1996, he was Barry Callebaut's country manager for Italy until 2003. From 2003 until September 2004, he was Manager of the Mediterranean Countries, Middle East and Eastern Europe division. From September 2004 until 2006, he was President of the Food Manufacturers division. From September 2006 to April 2009, he served as President of the Americas division. Massimo Garavaglia holds a Master's degree in Economics and Business Administration from Bocconi University, Milan.

***David S. Johnson***—Chief Executive Officer and President Americas, United States national.

David S. Johnson was appointed Chief Executive Officer and President of the Americas division in May 2009, and is a member of the Executive Committee of Barry Callebaut AG. Before joining Barry Callebaut, David Johnson served as Chief Executive Officer and member of the board for Michael Foods, Inc., a food processor and distributor headquartered in Minnetonka, Minn., United States. From 1986 to 2006, David Johnson was with Kraft Foods Global, Inc. where he held several senior positions in different divisions, including marketing, strategy, operations, procurement and general management. His last position was President of Kraft North America and Corporate Officer Kraft Foods Global, Inc. He started his career in 1980 at RJR Nabisco. David Johnson is a member of the board of directors of Arthur J. Gallagher & Co, an international insurance brokerage and risk management company with headquarters in Itasca, Ill., United States. David Johnson holds both a Bachelor's and Master's degree in business from the University of Wisconsin.

***Dirk Poelman***—Chief Operations Officer, Belgian national.

Dirk Poelman was appointed Chief Operations Officer in September 2006 and a member of the Executive Committee in November 2009. Since 1984, he has been working with Callebaut—which acquired Barry in 1996—in various positions and countries: first as Engineering Manager, then as Production Manager, Operations Director and Chief Manufacturing Officer. In 1997, Dirk Poelman became Executive Vice President of Operations, responsible for the operations of the total Group and a member of the Senior Management Team. In 2004, he was appointed President of Operations and Research and Development. Dirk Poelman holds an industrial engineering degree in electro mechanics from the Catholic Industrial High School in Aalst, Belgium.

***Steven Retzlaff***—President Global Sourcing & Cocoa, United States and Swiss national.

Steven Retzlaff was appointed President Global Sourcing & Cocoa and member of the Executive Committee of Barry Callebaut AG in January 2008. Steven Retzlaff started his career in 1987 at KPMG Peat Marwick, San Francisco, where he became a Certified Public Accountant. In 1990, he transferred to the Zurich office of KPMG where he worked until 1993. He then joined JMP Newcor AG, Zug, as Director of European Finance and Operations, where he worked for three years. Steven Retzlaff joined Barry Callebaut as Chief Financial Officer of Barry Callebaut Sourcing AG in 1996. From 1999 to 2001, he served as Chief Financial Officer Swiss Operations (BC Sourcing AG and BC Switzerland AG). From 2001 to 2003, he was Chief Financial Officer of the business unit Cocoa, Sourcing & Risk Management, and from 2003 to 2004, he worked as the Cocoa Division Head. In 2004, he was appointed President Sourcing & Cocoa and member of the Senior Management Team in Zurich. From September 2006 until December 2007, he focused on developing the Group's global compound business. Steven Retzlaff holds a Bachelor of Arts in Economics from Whitman College. He also studied at the Institute of European Studies in Madrid and at INSEAD in Fontainebleau.

***Peter Boone***—Chief Innovation Officer, Dutch national.

Peter Boone was appointed to the position of Chief Innovation Officer and member of the Executive Committee at Barry Callebaut in October 2012. He joined the Group as of December 3, 2012. From November 2010 to December 2012 Peter Boone worked with Unilever as Chief Marketing Officer responsible for Australia and New Zealand. He was a member of the regional executive board. Peter Boone also held other positions at Unilever such as Global Vice President Spreads & Cooking Products Category, Global Vice President Brand Development at the Unilever Headquarters in Rotterdam, The Netherlands, and Vice President Marketing & Sales Latin America Foods Solutions based in Sao Paulo, Brazil. Peter Boone holds a Doctorate in Business Administration (Ph.D.) from the Erasmus University in Rotterdam (The Netherlands).

## Management Compensation

The Board of Directors has the final responsibility for the remuneration of the Directors and the Executive Committee. The Nomination & Compensation Committee assists the Board in fulfilling its responsibility by evaluating the remuneration strategy and proposing individual compensation packages for the Executive Committee members and other key members of the management.

The Nomination & Compensation Committee (the "NCC") ensures that Barry Callebaut offers an overall remuneration package which is aligned with corporate and individual performance and market practice, in order to attract and retain Directors and Executives with the necessary skills. The current remuneration scheme is not linked to any external benchmarks. The remuneration structure of the Board of Directors comprises fixed directors' fees and grants of Barry Callebaut AG shares. The shares granted to the members of the Board of Directors vest after one year.

The top management remuneration framework of Barry Callebaut consists of four compensation elements: an annual base salary, an annual short-term cash bonus linked to the achievement of the short-term bonus criteria for the respective fiscal year (the on-target bonus ranges from 30% to 100% of base salary), long-term incentive comprising a share grant (with a target value of 70% to 125% of the annual base salary, with the exception of the CEO) and other benefits (with a value of 10% to 20% of the base salary). The short-term bonus criteria for the members of the Executive Committee (the on-target bonus amounts to 100% of the annual base salary) have been defined by the Board of Directors upon evaluation and recommendation of the NCC as follows for the current fiscal year (the percentage figures indicating the weight of the respective target):

| | **CEO/CFO** | **President Global Sourcing & Cocoa** | **Presidents Western Europe/ Americas** | **COO** | **CIO** |
|---|---|---|---|---|---|
| Group operating profit (EBIT) | 25% | 10% | 10% | 60% | 60% |
| Group operating profit (EBIT)/ Tonne | 15% | - | - | - | - |
| Group EVA | 20% | - | - | - | - |
| Earnings per share | 20% | - | - | - | - |
| Regional operating profit (EBIT) | - | 50% | 35% | - | - |
| Regional operating profit (EBIT)/ tonne | - | - | 15% | - | - |
| Working capital | - | 15% | 15% | 15% | - |
| Individual strategic targets | 20% | 25% | 25% | 25% | 40% |

The granting of shares is regulated by a Deferred Share Plan, which was revised in the previous fiscal year without any external compensation advisors and has become effective as of fiscal year 2012. For a period of three years (a “Grant Cycle”), an annual share value is determined by the Board of Directors for each individual plan participant. The number of shares to be granted to each participant with respect to each fiscal year is calculated by dividing the annual share grant value by the average closing price of Barry Callebaut shares during the last three months of the previous fiscal year. The granted shares vest according to the following schedule: 30% after one year, 30% after two years and 40% after three years. The vesting is subject to service criteria but not subject to any performance criteria. In addition, each participant is entitled to receive an upside bonus calculated on each share granted during the three-year Grant Cycle. This upside bonus is payable if the actual share price at the end of the respective Grant Cycle exceeds a certain benchmark share price defined by the Board of Directors at the onset of the Grant Cycle. Such upside bonus, if any, is paid in cash at the end of the respective Grant Cycle, subject to continued employment at the end of a Grant Cycle.

| Board of Directors (BoD) | Compen-sation fix | Compen-sation variable | Other compen-sation[1] | Number of shares[2] | Value of shares[3] | Total remune-ration 2012 | Total remune-ration 2011 |
|---|---|---|---|---|---|---|---|
| | | | *(in thousands of CHF)* | | | | |
| **Andreas Jacobs** | | | | | | | |
| Chairman/Delegate | 383.3 | - | - | 453 | 373.6 | **756.9** | **630.8** |
| **Andreas Schmid** | | | | | | | |
| Vice Chairman Member of the AFRQCC[4] | 180.0 | - | 57.8 | 180 | 147.6 | **385.4** | **376.4** |
| **Ajai Puri[5]** | | | | | | | |
| Member of the NCC[6] | 83.3 | - | - | 120 | 100.8 | **184.1** | **-** |
| **James L. Donald** | | | | | | | |
| Chairman of the NCC | 135.0 | - | - | 180 | 147.6 | **282.6** | **265.4** |
| **Markus Fiechter[7]** | | | | | | | |
| Member of the AFRQCC | - | - | 41.9 | - | - | **41.9** | **-** |
| **Stefan Pfander[8]** | | | | | | | |
| Member of the NCC | 130.0 | - | - | 180 | 147.6 | **277.6** | **280.4** |
| **Jakob Baer** | | | | | | | |
| Chairman of the AFRQCC (effective December 8, 2011) | 139.2 | - | 29.3 | 180 | 147.6 | **316.1** | **186.8** |
| **Rolando Benedickt[9]** | 41.7 | - | 25.3 | - | - | **67.0** | **295.2** |
| **Urs Widmer[9]** | 46.7 | - | 24.8 | - | - | **71.5** | **294.2** |
| **Total remuneration Board of Directors** | **1,139.2** | **-** | **179.1** | **1,293** | **1,064.8** | **2,383.1** | **2,329.2** |
| **Remuneration Executive Committee[10]** | **3,382.7** | **3,480.6** | **1,718.2** | **9,262** | **7,025.2** | **15,606.7** | **16,395.9** |
| **Total remuneration of key management** | **4,521.9** | **3,480.6** | **1,897.3** | **10,555** | **8,090.0** | **17,989.8** | **18,725.1** |
| Highest individual remuneration within Executive Committee: | | | | | | | |
| **Juergen Steinemann** CEO Barry Callebaut Group | 1,000.0 | 1,100.0 | 1,101.0 | 3,750 | 2,844.4 | **6,045.4** | **6,359.1** |

Notes:

(1) Including social security and pension contributions as well as other benefits.

(2) Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service and/or performance conditions. Grants to BoD are based on the calendar year.

(3) Value defined as closing share price at grant date, which might be historical rates before the fiscal year under review.

(4) Audit, Finance, Risk, Quality & Compliance Committee.

(5) Ajai Puri was elected as member of the BoD at the General Assembly held on December 8, 2011.

(6) Nomination & Compensation Committee.

(7) No BoD compensation paid. Services rendered by Markus Fiechter as a member of the BoD are covered by the service fee charged by Jacobs Holding AG (see also note 27 of the Consolidated Financial Statements of Barry Callebaut Group). Other compensation includes fees and related social security contributions for services rendered as a consultant in calendar year 2012 after his departure from Jacobs Holding AG.

(8) Stefan Pfander's appointment to the board of directors ended with effect as of December 5, 2012.

(9) Rolando Benedick and Urs Widmer left the BoD with effect of December 8, 2011. Before leaving the BoD, Rolando Benedick was a member of the NCC and Urs Widmer served as Chairman of the AFRQCC.

(10) Disclosure relates to the Executive Committee as in place on August 31, 2012, i.e., Juergen Steinemann, Victor Balli, Massimo Garavaglia, Steven Retzlaff, David S. Johnson and Dirk Poelman. Disclosures also include Hans Vriens who left the Company with effect of June 12, 2012.

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

## Board Practices

Barry Callebaut AG's board of directors has the committees described below.

### *Audit, Finance, Risk, Quality and Compliance Committee*

The Audit, Finance, Risk, Quality and Compliance Committee (the "AFRQCC") comprises three members of the board of directors, currently Jakob Baer (Chairman), Andreas Schmid and Markus Fiechter. Each member is appointed by the board of directors for a one year term. All members of the committee must be non-executive members of the board of directors and at least one member must be independent of us and our affiliates. The committee is required to meet at least three times per year.

The primary task of the AFRQCC is to assist the Board in carrying out certain responsibilities and make recommendations for the Board's policy decisions as they relate to the company's accounting policies, financial reporting, internal control system, legal and regulatory compliance functions and quality management. In addition, to ensure financial risk management, the AFRQCC reviews basic risk management principles and guidelines, hedging and financing strategies, the bases upon which the Board of Directors determines risk tolerance levels and trading limits, and the appropriateness of the risk management instruments and techniques employed.

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

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The internal audit function reports to the Chairman of the AFRQCC. Significant findings of internal audits are presented and reviewed in the meetings of the AFRQCC and of the Board of Directors.

### *Nomination and Compensation Committee*

The NCC currently consists of three members, James Donald (Chairman), Nicolas Jacobs and Ajai Puri. Members of the committee may be executive or non-executive members of the board of directors and at least two members must be independent of us and our affiliates. The committee is required to meet at least three times per year.

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

### *Executive Committee*

The Executive Committee consists of seven functions and is chaired by the Chief Executive Officer. The current members are Juergen Steinemann (Chair), Victor Balli, Massimo Garavaglia, David S. Johnson, Steven Retzlaff, Dirk Poelman, and Peter Boone.

# MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

## Major Shareholders

The following tables set out those shareholders who, according to information available to the Company at May 10, 2013, hold more than 3% of the registered shares and voting rights in the Company:

| | Number of Shares | Percentage of Outstanding Shares |
|---|---|---|
| Jacobs Holding AG, Zurich, Switzerland | 2,591,204 | 50.12% |
| Renata Jacobs | 439,450 | 8.5% |
| Nicolas Jacobs | 158,719 | 3.07% |
| Nathalie Jacobs | 158,719 | 3.07% |
| **Total** | 3,348,092 | 64.76% |

## Related Party Transactions

Barry Callebaut and Jacobs Holding AG, Zurich, as principal shareholder, have agreed to execute administrative service agreements, under which Jacobs Holding AG offers to Barry Callebaut certain management and consultancy services. In the fiscal year 2012, the total compensation paid by Barry Callebaut under these agreements amounted to CHF 1.5 million. The contract is renewable annually. See note 27 to our audited consolidated financial statements as of and for the fiscal year ended August 31, 2012 for more information regarding related party transactions.

## DESCRIPTION OF CERTAIN INDEBTEDNESS

*The following summary of certain provisions of our senior revolving credit facility and other indebtedness, does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, the underlying documents.*

### *Revolving Credit Facility*

On June 15, 2011, we entered into a credit facility agreement providing for a multicurrency revolving loan facility (incorporating a euro swingline facility) in an aggregate amount of €600 million. On May 30, 2013, we entered into an amendment agreement with the lenders under this facility to, *inter alia*, reset certain financial covenant levels and to amend certain other clauses in connection with the Acquisition. These amendments will become effective upon completion of the Acquisition. The €600 million credit facility agreement entered into on June 15, 2011, as amended and restated on May 30, 2013, is referred to herein as the "RCF".

The borrowers under the RCF are Barry Callebaut AG and Barry Callebaut Services NV. The RCF is guaranteed by the entities noted above as borrowers, together with Barry Callebaut Sourcing AG, Barry Callebaut Cocoa AG, Barry Callebaut Schweiz AG, Barry Callebaut Belgium NV, Barry Callebaut France S.A.S., Barry Callebaut Manufacturing France S.A.S., Barry Callebaut Manufacturing (UK) Limited and Barry Callebaut U.S.A. LLC.

The lenders under the RCF are Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Antwerp Branch), Credit Suisse AG, ING Belgium, Brussels, Geneva Branch, Société Générale, The Royal Bank of Scotland plc, ABN AMRO Bank N.V., Banque LBLux S.A., KBC Bank NV, Lloyds TSB Bank plc, Natixis, Bank of America, N.A. and UBS AG. The euro swingline lenders are Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Antwerp Branch), Credit Suisse AG, ING Belgium SA / NV, Société Générale and The Royal Bank of Scotland N.V. ING Bank N.V. is appointed to act on behalf of the finance parties as agent.

Borrowings under the revolving loan facility are to be used for general corporate purposes and, in connection with the Acquisition, any related break costs, other related repayment or refinancing expenses and any purchase price adjustments. Borrowings under the euro swingline facility are to be used for general corporate and working capital purposes (including but not limited to margin calls on commodity futures for hedging purposes).

The RCF will terminate on June 15, 2016. Barry Callebaut AG may request to extend the termination date for a period of 365 days by delivering an extension request to the agent no more than 90 days and no less than 60 days before June 15, 2014. Each lender is free to decide whether or not it agrees to the extension. The commitments of any lender that does not consent to such an extension request will be reduced to zero by the then current termination date and the available facility reduced accordingly.

The RCF includes an accordion feature, pursuant to which the lenders may, at the request of Barry Callebaut AG and at their discretion, increase their total commitments by a maximum of €150 million. A mechanism is included to allow Barry Callebaut AG to approach new lenders if part of the accordion increase amount remains unallocated as between the existing lenders.

Any proceeds from any issue of debt or equity securities with a tenor of three years or more by means of a public issue or private placement (less the amount of the reasonable costs and taxes directly incurred in relation to such capital markets transaction) have to be used to prepay loans under the RCF. Proceeds of any capital market transaction applied in connection with the Acquisition, including in the payment of the purchase price, any purchase price adjustments, acquisition costs, and the refinancing of any financial indebtedness of entities forming part of the Petra Foods Cocoa Ingredients Business, are carved out of the prepayment regime. In addition, subject to the right of reinvestment in replacement assets and other exceptions, any proceeds from disposals have to be used to prepay loans under the RCF. Proceeds from claims associated with the Acquisition above a specified threshold and any excess proceeds from the capital market issue following completion of the Acquisition are also required to be applied in prepayment of the RCF.

Advances under the RCF bear interest at a rate per annum equal to the aggregate of LIBOR or, in relation to a loan in euro, EURIBOR, and a margin which is subject to a margin ratchet based on the credit ratings by S&P and Moody's and, if applicable, a ratio of Total Net Debt to Adjusted EBITDA of the group (as such terms are defined in the RCF) plus certain mandatory costs (if any). As of the date of this Offering Circular, the margin is 1.10%. In addition, we are required to pay the lenders a commitment fee and utilization fee, and if the extension option is utilized, an extension fee in an amount to be agreed with the lenders. We also pay an agency fee to the agent.

Our financial and operating performance is monitored by financial covenants contained in the RCF, which are tested every six months on a rolling twelve-month basis and include an interest cover ratio, profitability ratio, and minimum tangible net worth. Under certain circumstances, we have the option to replace the profitability ratio with a leverage ratio. The interest cover ratio, profitability ratio, minimum tangible net worth and, to the extent relevant, the leverage ratio, shall each be calculated to exclude (i) in relation to the relevant period ending on August 31, 2013, any reference to the assets of the Petra Foods Cocoa Ingredients Business and (ii) in relation to the relevant period ending on February 28, 2014, any reference to the assets of the Petra Foods Cocoa Ingredients Business for the period of the second half of the financial year from March 1, 2013 to August 31, 2013. The RCF also contains customary information, affirmative and negative covenants, including restrictions on financial indebtedness and creation of security interests, subject to certain agreed exceptions.

Under the terms of the RCF, at any time prior to February 28, 2014, the borrowers and guarantors under the RCF have to contribute at least 75% of our total consolidated net sales and 65% of our consolidated EBIT, compared to 65% of our total consolidated net sales and 60% of our consolidated EBIT at any time on or after February 28, 2014. Consolidated net sales and consolidated EBIT shall each be calculated to exclude (i) for the period prior to (but excluding) February 28, 2014, any reference to the assets of the Petra Foods Cocoa Ingredients Business and (ii) for the period on or after February 28, 2014 to (but excluding) August 31, 2014, any reference to the assets of the Petra Foods Cocoa Ingredients Business for the period of the second half of the financial year from March 1, 2013 to August 31, 2013.

The RCF also includes customary events of default, the occurrence of which would allow the lenders, subject to a clean-up period of up to 180 days if relating to a company acquired as part of the Acquisition, to suspend and/or cancel the total commitments, declare that the loans, together with accrued interest, are immediately due and payable, and/or declare that all or part of the loans are payable on demand.

The RCF and any non-contractual obligations arising out of or in connection with the RCF and any dispute arising thereunder are governed by English law.

As of February 28, 2013, the amount outstanding under the RCF for statutory purposes was €25 million.

### *Multi Currency Commercial Paper Program*

In August 2000, Barry Callebaut Services NV established a multicurrency commercial paper, or treasury notes, program in the amount of €150 million which we have since increased to €400 million. The treasury notes have maturities fixed on the issue date (with a minimum of seven days) and are either issued at a discount, with a zero coupon or are interest bearing (either fixed or floating rate).

The treasury notes contain a negative pledge and customary events of default, including a cross default to any indebtedness of, or guaranteed by, Barry Callebaut Services NV in excess of U.S.$5 million, insolvency and insolvency related proceedings (whether voluntary or involuntary) in relation to Barry Callebaut Services NV and any change of control of Barry Callebaut Services NV. As of February 28, 2013, the amount outstanding under this program for statutory purposes was €96.0 million.

### *Asset Backed Securitization Program*

We have established an asset backed securitization program for trade receivables in a principal amount of €275 million in which Barry Callebaut Belgium NV, Barry Callebaut France S.A.S., and Barry Callebaut Cocoa AG are participants. This program is supported by a yearly renewable liquidity support facility granted by the providers of the program.

Under the program, third-party trade receivables are sold on a monthly basis at their nominal value minus a discount in exchange for cash. The trade receivables are contractually due within a period of one to 120 days.

The receivables sold under this program are covered by a tailor made credit insurance policy that qualifies for off balance sheet treatment, as the risks are substantially transferred to third parties.

As of February 28, 2013, the amount of receivables sold under this program, net of discounts, was CHF 221.0 million.

### *Other Short-Term Facilities*

A number of our subsidiaries have short-term credit facilities. The majority of these facilities are uncommitted and unsecured. The amounts available for draw down, the interest rates payable thereunder, and the terms of these facilities vary according to the local markets in which they are made available. As of February 28, 2013, the amount outstanding under these facilities was CHF 96.2 million (excluding bank overdrafts).

### *€350 Million Senior Fixed Rate Notes*

On July 4, 2007, we issued €350 million of senior fixed rate notes due on July 4, 2017 with a coupon of 6% at an issue price of 99.005%. Interest on these notes is payable annually on July 13 of each year. The notes are guaranteed on a senior basis by the Issuer's direct parent company, Barry Callebaut AG and, subject to limits as to value imposed by applicable law, the same subsidiaries of Barry Callebaut AG that guarantee the Notes offered hereby on a joint and several basis. At any time the notes can be redeemed in full or in part at a price equal to 100% of the principal amount plus the "applicable premium" as being described in the offering circular. The notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF and have terms substantially similar to those of the Notes offered hereby.

### *€250 Million Senior Fixed Rate Notes*

On June 15, 2011, we issued €250 million of senior fixed rate notes due on June 15, 2021 with a coupon of 5.375% at an issue price of 99.26%. Interest on these notes is payable annually on June 15 of each year. The notes are guaranteed on a senior basis by the Issuer's direct parent company, Barry Callebaut AG and, subject to the limits as to value imposed by applicable law, the same subsidiaries of Barry Callebaut AG that guarantee the Notes offered hereby on a joint and several basis. At any time the notes can be redeemed in full or in part at a price equal to 100% of the principal amount plus the "applicable premium" as described in the offering circular. The notes are listed on the Luxembourg Stock Exchange for trading on the Euro MTF and have terms substantially similar to those of the Notes offered hereby.

## TERMS AND CONDITIONS OF THE NOTES

*The following are the terms and conditions of the Notes which (subject to completion and amendment) will be endorsed on each Note in definitive registered form. The Notes will initially be represented by the Global Notes in bearer form which will be deposited and immobilized with, and held by, NBB as operator of the NBB SSS. Except in certain limited circumstances, Notes in definitive registered form will not be issued in exchange for beneficial interests in the Global Notes.*

The U.S.$400,000,000 5.500% Notes due 2023 (the "Notes," which expression includes any further notes issued pursuant to Condition 13 (*Further Issues*) and forming a single series therewith) of Barry Callebaut Services NV (the "Issuer") and guaranteed on a joint and several basis by Barry Callebaut AG (the "Company") and, subject to limitations imposed by applicable law, each of Barry Callebaut Sourcing AG, Barry Callebaut Cocoa AG, Barry Callebaut Schweiz AG, Barry Callebaut Belgium NV, Barry Callebaut France SAS, Barry Callebaut Manufacturing France SAS, Barry Callebaut U.S.A. LLC and Barry Callebaut Manufacturing (UK) Limited (together with the Company, and any other member of the Group that becomes a Guarantor in the future in accordance with Condition 2(c), the "Guarantors") are the subject of a fiscal agency agreement dated June 20, 2013 (as amended or supplemented from time to time, the "Agency Agreement") between the Issuer, the Guarantors, The Bank of New York Mellon, acting through its London branch, as fiscal agent (the "Fiscal Agent," which expression includes any successor fiscal agent appointed from time to time in connection with the Notes) and transfer agent and The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "Registrar," which expression includes any successor registrar appointed from time to time in connection with the Notes), transfer agent (together with The Bank of New York Mellon, acting through its London branch, the "Transfer Agents", which expression includes any successor transfer agent appointed from time to time in connection with the Notes) and paying agent (together with the Fiscal Agent, the "Paying Agents", which expression includes any successor or additional paying agents appointed from time to time in connection with the Notes). The Guarantors have entered into a deed of guarantee (the "Guarantee") pursuant to which they have guaranteed the obligations of the Issuer under the Notes. Certain provisions of these Conditions and the Guarantee are summaries of the Agency Agreement and subject to its detailed provisions. The holders of the Notes (the "Noteholders") are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement applicable to them. Copies of the Agency Agreement are available for inspection by Noteholders during normal business hours at the specified office of each of the Paying Agents, the initial specified offices of which are set out below.

The initial purchasers for the issue of the Notes (the "Initial Purchasers") will, concurrently with the Issue Date (as defined below), deposit the gross proceeds of the issue of the Notes into an escrow account (the "Escrow Account") pursuant to the terms of an escrow agreement (the "Escrow Agreement") dated the Issue Date between the Issuer and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Singapore Branch) as escrow agent (the "Escrow Agent"). If the conditions to the release of the Escrowed Property (as defined below) have not been satisfied on or prior to September 2, 2013 (the "Escrow Longstop Date"), or upon the occurrence of certain other events, the Notes will be redeemed at a price equal to 100% of the aggregate initial issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the Special Mandatory Redemption Date (as defined below), in accordance with Condition 5(e) (*Escrow of Proceeds; Special Mandatory Redemption*).

The Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax, holding their securities in an exempt securities account that has been opened through Euroclear Bank SA/NV and Clearstream Banking, *société anonyme*, Luxembourg.

## 1 Form, Denomination, Title, Register and Transfer

*(a) Form and Denomination*

The Notes are in registered form in the denomination of U.S.$200,000 and integral multiples of U.S.$1,000 in excess thereof.

*(b) Title*

Title to the Notes will pass by registration of transfer in the Register referred to in sub-paragraph (c) below. The holder of any Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no person shall be liable for so treating such Holder.

*(c) Register*

The Registrar will maintain a register (the "Register") in respect of the Notes in accordance with the provisions of the Agency Agreement. In these Conditions, the "Holder" of a Note means the person in whose name such note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "Noteholder" shall be construed accordingly. A certificate (each a "Note Certificate") will be issued to each Noteholder in respect of its registered holding or holdings of Notes only in certain limited circumstances. Each such Note Certificate will be numbered serially with an identifying number which will be recorded in the Register.

*(d) Transfers*

Subject to sub-paragraphs (g) and (h) below, a Note may be transferred in whole or in part in an authorized denomination upon surrender of the relevant Note Certificate, with the endorsed form of transfer (the "Transfer Form") duly completed, at the specified office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or, as the case may be, such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the persons who have executed the transfer form; provided, however, that a Note may not be transferred unless the principal amount of Notes transferred and (where not all of the Notes held by a Holder are being transferred) the principal amount of the balance of Notes not transferred are authorized denominations. Where not all the Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Notes will be issued to the transferor.

*(e) Registration and delivery of Note Certificates*

Subject to sub-paragraphs (f) and (g) below, within five Business Days of the surrender of a Note Certificate in accordance with sub-paragraph (d) above, the Registrar will register the transfer in question and deliver a new Note Certificate of the same aggregate principal amount as the Notes transferred to each relevant Holder at its specified office or, as the case may be, the specified office of any Transfer Agent or (at the request and risk of any such relevant Holder) by uninsured first call mail (airmail if overseas) to the address specified for the purpose by such relevant Holder. In this paragraph, "Business Day" means a day on which commercial banks are open for business (including dealings in foreign currencies) in the city where the Registrar or, as the case may be, the relevant Transfer Agent has its specified office.

Where some but not all of the Notes in respect of which a Note Certificate is issued are to be transferred, a new Note Certificate in respect of the Notes not so transferred will, within five Business Days of the surrender of the original Note Certificate in accordance with sub-paragraph (d) above, be mailed by uninsured first class mail (airmail if overseas) at the request of the Holder of the Notes not so transferred to the address of such Holder appearing on the Register.

*(f) No Charge*

Registration or transfer of a Note will be effected without charge by or on behalf of the Issuer, the Registrar or the relevant Transfer Agent but against payment by the Holder of such indemnity as the

Registrar or, as the case may be, such Transfer Agent may require in respect of any tax or other duty or governmental charge of whatsoever nature which may be levied or imposed in connection with such registration or transfer.

*(g) Closed Periods*

Noteholders may not require transfers to be registered during the period beginning on the fifteenth calendar day before the due date for any payment of principal or interest in respect of such Notes.

*(h) Regulations concerning transfers and registration*

All transfers of Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any Noteholder who requests in writing a copy of such regulations.

## 2 Guarantee and Status

*(a) Guarantee*

Each of the Guarantors has unconditionally and irrevocably guaranteed, on a joint and several basis, the due payment of all sums expressed to be payable by the Issuer under the Notes, in each case subject to the limitations, if any, provided for therein.

There are certain limitations on the Guarantee provided by the Company and Barry Callebaut Sourcing AG, Barry Callebaut Cocoa AG and Barry Callebaut Schweiz AG under the laws of Switzerland; Barry Callebaut Belgium NV under the laws of Belgium; and Barry Callebaut France SAS and Barry Callebaut Manufacturing France SAS under the laws of France, as set out in the Guarantee. In addition, the guarantee provided by any member of the Group that becomes a Guarantor in the future in accordance with Condition 2(c) may also be limited by applicable law.

*(b) Status*

The Notes constitute direct, unsecured and unconditional obligations of the Issuer which will at all times rank *pari passu* among themselves and at least *pari passu* in right of payment with all other present and future unsubordinated obligations of the Issuer, save for such obligations as may be preferred by mandatory provisions of law.

The payment obligations of the Guarantors under the Guarantee constitute direct, unsecured and unconditional obligations of each of the Guarantors and will at all times rank at least *pari passu* in right of payment with all of their respective other present and future unsubordinated obligations, save for such obligations as may be preferred by mandatory provisions of law.

*(c) Release of Guarantees*

In the event that:

(i) the corporate family rating of the Company increases to an Investment Grade Rating; or

(ii) with respect to any Guarantor (including any future Guarantor), no other Indebtedness (as defined in Condition 3 (*Negative Pledge*)) of the Issuer or any of the Guarantors, including, for the avoidance of doubt, the Credit Facility, is guaranteed by such Guarantor,

then the Guarantee of the relevant Guarantor can be terminated without the consent of the Noteholders, *provided* that if at any time thereafter:

(A) in the case of clause (i) above, the corporate family rating of the Company decreases to below an Investment Grade Rating; and

(B) in the case of clause (ii) above, any Indebtedness of the Issuer or any of the Guarantors is or becomes guaranteed by such Guarantor (including any future Guarantor),

then the Issuer and the Company shall procure that such Guarantor guarantees the Notes on the terms of the Guarantee.

In this Condition:

"Credit Facility" means the €600 million senior revolving credit facility dated June 15, 2011 and as amended on May 30, 2013, entered into between, *inter alia*, the Company, the Guarantors and each of Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Antwerp Branch), Credit Suisse, ING Bank N.V., The Royal Bank of Scotland plc and Société Générale.

"Investment Grade Rating" or "Investment Grade" means Baa3 or better by Moody's and BBB- or better by S&P (or, if either such entity ceases to rate the Notes for reasons outside of the control of the Company, the equivalent investment grade credit rating from any nationally recognized statistical rating organization selected by the Company as a replacement agency (each of S&P, Moody's and any such replacement agency, a "Rating Agency").

"Moody's" means Moody's Investors Service, Inc. and its successors and assigns.

"S&P" means Standard & Poor's Rating Services, a division of the McGraw Hill Companies, Inc. and its successors and assigns.

## 3 Negative Pledge

So long as any Note remains outstanding (as defined in the Agency Agreement), neither the Issuer nor any Guarantor nor any of the Company's Material Subsidiaries will create or permit to subsist any mortgage, charge, pledge, lien or other form of security interest ("Security") (other than a Permitted Security Interest) upon the whole or any part of its present or future undertaking, assets or revenues to secure any Indebtedness or any guarantee of or indemnity in respect of any Indebtedness, unless, at the same time or prior thereto, the Issuer's obligations under the Notes or, as the case may be, the Guarantors' obligations under the Guarantee (i) are secured equally and rateably therewith, or (ii) have the benefit of such other security for the Notes or of the Guarantee, as the case may be, as may be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In these Conditions:

"Derivative Contract" means any derivative transaction entered into in connection with protection against or benefit from fluctuation in any rate or price including, without limitation, the price of cocoa (and, when calculating the value of any derivative transaction, only the marked to market value shall be taken into account).

"GAAP" means generally accepted accounting principles in the jurisdiction of incorporation of the party to which any accounting expression relates and, in the case of the audited consolidated financial statements of the Group, IFRS.

"Group" means Barry Callebaut AG and its Subsidiaries for the time being.

"IFRS" means the International Financial Reporting Standards issued and/or adopted by the International Accounting Standards Board.

"Indebtedness" means any indebtedness for or in respect of:

(i) moneys borrowed;

(ii) any amount raised by acceptance under any acceptance credit facility or dematerialized equivalent;

(iii) any amount raised pursuant to any note purchase facility or the issue of bonds, notes, debentures, loan stock or any similar instrument;

(iv) the amount of any liability in respect of any lease or hire purchase contract which would, in accordance with GAAP, be treated as a finance or capital lease;

(v) receivables sold or discounted (other than any receivables sold on a non-recourse basis);

(vi) any amount raised under any other transaction (including any forward sale or purchase agreement and for the avoidance of doubt repurchase agreements) having the commercial effect of a borrowing;

(vii) any Derivative Contracts;

(viii) any counter-indemnity obligation in respect of a guarantee, indemnity, bond or standby or documentary letter of credit issued by a bank or financial institution; and

(ix) without double counting, the amount of any liability in respect of any guarantee or indemnity for any of the items referred to in paragraphs (i) to (viii) above.

"Material Subsidiary" means a Subsidiary of the Company:

(i) whose gross revenues attributable to the Company (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 5% of the consolidated gross revenues of the Company and its Subsidiaries taken as a whole attributable to the shareholders of the Company, or, as the case may be, consolidated total assets of the Company and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Company and its Subsidiaries; or

(ii) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Company which immediately before the transfer is a Material Subsidiary.

A certificate of the Issuer or the Company signed by two authorized signatories of the Issuer or the Company, as the case may be, certifying that in their opinion a Subsidiary of the Company is or is not or was not at any particular time or throughout any specified period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on all parties.

"Net Tangible Assets" means, as of any date of determination:

(a) property, plant and equipment; *plus*

(b) net inventory value; and

(c) accounts receivable; and

(d) off balance sheet tangible assets; *minus*

(e) accounts payable,

as shown on the most recent consolidated balance sheet of the Group, calculated in euro and determined in accordance with IFRS.

"Permitted Security Interest" means:

(i) any Security in existence on June 13, 2013 to the extent that it secures Indebtedness outstanding on such date;

(ii) any Security or similar right of a third party arising pursuant to any repurchase agreement to which any member of the Group is a party;

(iii) any netting or set-off arrangement entered into by any member of the Group in the ordinary course of its banking arrangements for the purpose of netting debt and credit balances;

(iv) any lien arising in the ordinary course of trading;

(v) any Security over or affecting any assets acquired by a member of the Group after June 13, 2013 if:

   (A) the Security was not created in contemplation of the acquisition of that asset by a member of the Group;

(B) the principal amount secured has not been increased in contemplation of or since the acquisition of that asset by a member of the Group; and

(C) the Security is removed or discharged within 3 months of the date of acquisition of such asset unless the conditions set out below are complied with;

(vi) any Security over or affecting any asset of any company which becomes a member of the Group after June 13, 2013 where the Security is created prior to the date on which that company becomes a member of the Group, if:

(A) the Security was not created in contemplation of the acquisition of that company;

(B) the principal amount secured has not increased in contemplation of or since the acquisition of that company; and

(C) the Security is removed or discharged within three months of that company becoming a member of the Group unless the conditions set out below are complied with;

(vii) any Security arising under any securitization program providing for the securitization of receivables or other assets of any member of the Group; and

(viii) any other Security;

provided that:

(a) the total amount of Indebtedness which has the benefit of Security given by any member of the Group permitted under clauses (i) to (viii) above does not exceed 40% of the Net Tangible Assets as set out in the Group's most recent consolidated semi-annual or annual financial statements, as the case may be; and

(b) the principal amount of Indebtedness secured by Security given by any member of the Group and permitted under paragraphs (v) and (vi) above shall not be taken into account for the purposes of the calculation of the amount referred to in sub-paragraph (a) above if the relevant Security is removed or discharged within the specified three month Period;

(ix) any lien arising by operation of law;

(x) Security in favor of the Company or the Guarantors;

(xi) Security securing purchase money obligations or other payments incurred in the ordinary course of business, provided that such purchase money indebtedness or other payments shall not exceed the purchase price or other cost of the assets and that such Security does not extend to any assets which are not assets purchased with or otherwise financed by such purchase money obligations or other payments;

(xii) Security securing obligations under Derivative Contracts, to the extent such Derivative Contracts relate to or support Indebtedness that is secured by the same assets, securing such Derivative Contracts;

(xiii) Security securing assets of Subsidiaries that are not Guarantors or Material Subsidiaries to secure Indebtedness of such Subsidiaries;

(xiv) Security securing Indebtedness of the Group incurred under working capital facilities (including letters of credit thereunder) in an aggregate amount not exceeding CHF 250 million at any one time outstanding; and

(xv) renewals and/or refinancings of any of the above (including upon renewal or refinancing of the Indebtedness to which such Security relates that is otherwise in compliance with this Condition 3), provided that such renewal/refinanced Security is limited to all or part of

the same property or assets (plus improvements, accessions, proceeds or dividends or distributions in respect thereof) or is in respect of property that is security for a permitted Security under this covenant,

provided that no Permitted Security Interest may be created with respect to Quoted Indebtedness at any time in reliance on this Condition 3, save for Security which falls within sub-paragraph (vii) above.

"Person" means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality.

"Quoted Indebtedness" means any indebtedness in the form of, or represented by, bonds, notes, debentures, loan stock or other securities and which at the time of issue is, or is capable of being, quoted, listed or ordinarily dealt in on any stock exchange or over-the-counter market or other securities market.

"Subsidiary" of a Person means any other person controlled by the first Person.

## 4 Interest

*(a) Interest Rate*

The Notes bear interest from June 20, 2013 (the "Issue Date") at the rate of 5.500% per annum (the "Interest Rate"), payable semi-annually in arrear on June 15 and December 15 in each year (each, an "Interest Payment Date"), commencing on December 15, 2013 subject as provided in Condition 6 (*Payments*). There will be a short first interest period for the period from, and including June 20, 2013 to, but excluding, December 15, 2013.

Each Note will cease to bear interest from the due date for redemption unless, upon due presentation, payment of principal is improperly withheld or refused, in which case it will continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (b) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

Where interest is to be calculated in respect of a period which is equal to or shorter than an Interest Period, the day-count fraction applied to calculate the amount of interest payable in respect of each Note shall be the number of days in the relevant period, from and including the date from which interest begins to accrue, but excluding the date on which it falls due, divided by the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) and rounding the resulting figure to the nearest cent (half a cent being rounded upwards). Each period beginning on (and including) the Issue Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date is herein called an "Interest Period".

*(b) Reset Interest Rate*

(i) The Interest Rate payable on the Notes will be subject to adjustment from time to time in the event of a Step Up Rating Change or a Step Down Rating Change, as the case may be.

(ii) In the event of a Step Up Rating Change, with effect from and including the first Interest Payment Date following the date of such Step Up Rating Change, the Interest Rate payable on the Notes shall, subject to any simultaneous or subsequent adjustment made in accordance with this Condition 4, be increased by 0.25% per annum (subject as provided below) for each Rating Notch per Rating Agency by which either or both Rating Agencies have publicly announced a decrease in rating of the Notes below Ba1 in the case of Moody's, or below BB+ in the case of S&P.

In the event of each simultaneous or subsequent Step Up Rating Change, with effect from and including the first Interest Payment Date following the date of such simultaneous or subsequent Step Up Rating Change, the Interest Rate payable on the Notes shall, subject as aforesaid, be further increased by 0.25% per annum (subject as provided below) for each

Rating Notch per Rating Agency by which either or both Rating Agencies have publicly announced a decrease in the rating of the Notes (further) below Ba1, in the case of Moody's, or (further) below BB+, in the case of S&P.

Any increase in the Interest Rate pursuant to this sub-paragraph shall be subject to a maximum aggregate increase of 1.00% per annum (the "Maximum Step Up").

(iii) In the event of a Step Down Rating Change, with effect from and including the first Interest Payment Date following the date of such Step Down Rating Change, the Interest Rate payable on the Notes shall, subject to any simultaneous or subsequent adjustment made in accordance with this Condition 4, be decreased by 0.25% per annum, subject to sub-paragraph (iv) below, for each Rating Notch per Rating Agency by which either or both Rating Agencies have publicly announced a further increase in the rating of the Notes.

In the event of each simultaneous or subsequent Step Down Rating Change, with effect from and including the first Interest Payment Date following the date of such simultaneous or subsequent Step Down Rating Change, the Interest Rate payable on the Notes shall, subject as aforesaid, be further decreased by 0.25% per annum, subject to sub-paragraph (iv) below, for each Rating Notch per Rating Agency by which either or both Rating Agencies have publicly announced a further increase in the rating of the Notes.

Any Step Down Rating Change pursuant to this sub-paragraph (iii) shall not be effective if the Maximum Step Up has been reached and subsequent thereto but prior to the occurrence of any such Step Down Rating Change one or more further Step Up Rating Changes has occurred. In such circumstances, the Step Down Rating Change will only become effective when each such Step Up Rating Change has been matched by a corresponding Step Down Rating Change.

(iv) There is no limit on the number of times that adjustments may be made to the Interest Rate pursuant to a Rating Change during the term of the Notes, provided always that at no time during the term of the Notes will the Interest Rate applicable to the Notes be less than 5.500% per annum.

In these Conditions:

"Rating Change" means a Step Up Rating Change and/or a Step Down Rating Change.

"Rating Notch" shall mean the difference between a particular rating assigned by a Rating Agency and the next lower or, as the case may be, next higher rating that could be assigned by such Rating Agency. For example, in the case of Moody's the difference between Baa1 and Baa2 shall constitute one Rating Notch and in the case of S&P the difference between BBB+ and BBB shall constitute one Rating Notch.

"Reset Interest Rate" means the new Interest Rate applicable to the Notes from and including the first Interest Payment Date following the date of any applicable Rating Change.

"Step Down Rating Change" means the public announcement of an increase in the rating of the Notes by either of the Rating Agencies up to and including Ba1 in the case of Moody's or BB+ in the case of S&P or, as the case may be, any simultaneous or subsequent Rating Notch increase.

"Step Up Rating Change" means the public announcement of a decrease in the rating of the Notes to below Ba1 in the case of Moody's or BB+ in the case of S&P or, as the case may be, by any simultaneous or subsequent Rating Notch decrease.

## 5 Redemption and Purchase

*(a) Scheduled redemption*

Unless previously redeemed, or purchased and cancelled, the Notes will be redeemed at their principal amount on June 15, 2023, subject as provided in Condition 6 (*Payments*).

*(b) Redemption for tax reasons*

The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their principal amount, together with interest accrued to the date fixed for redemption, if:

(i) the Issuer (or, if the Guarantee were called, any of the Guarantors) has or will become obliged to pay additional amounts as provided or referred to in Condition 7 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of any Tax Authority (as defined in Condition 7 (*Taxation*)), or any change in the application or official interpretation of such laws or regulations (including a holding by a court of competent jurisdiction), which change or amendment becomes effective on or after June 13, 2013; and

(ii) such obligation cannot be avoided by the Issuer (or the relevant Guarantor, as the case may be) taking reasonable measures available to it,

provided, however, that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the relevant Guarantor, as the case may be) would be obliged to pay such additional amounts if a payment in respect of the Notes (or the Guarantees, as the case may be) were then due.

Prior to the publication of any notice of redemption pursuant to this paragraph, the Issuer (or the relevant Guarantor, as the case may be) shall deliver to the Fiscal Agent:

(i) a certificate signed by two authorized signatories of the Issuer (or the relevant Guarantor, as the case may be) stating that the Issuer (or the relevant Guarantor, as the case may be) is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer (or the relevant Guarantor, as the case may be) so to redeem have occurred; and

(ii) an opinion of independent legal advisers of recognized standing to the effect that the Issuer (or the relevant Guarantor, as the case may be) has or will become obliged to pay such additional amounts as a result of such change or amendment.

Upon the expiry of any such notice as is referred to in this Condition 5(b), the Issuer shall be bound to redeem the Notes in accordance with this Condition 5(b).

*(c) Redemption at the option of Noteholders upon a Change of Control*

Upon the occurrence of a Change of Control the holder of a Note will have the option (the "Put Option") to require the Issuer to redeem such Note on the Put Settlement Date (as defined below) at a price equal to 101% of its principal amount together with interest accrued to such date.

Promptly upon the Issuer becoming aware that a Change of Control has occurred, the Issuer shall give notice (a "Put Option Notice") to the Noteholders in accordance with Condition 14 (*Notices*), specifying the details relating to the occurrence of the Change of Control and the procedure for the exercise of the Put Option.

In order to exercise the Put Option, the holder of a Note must, not later than 30 days after the Put Option Notice is given (the "Put Period"), deposit with any Paying Agent such Note and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed receipt for such Note (a "Put Option Receipt") to the depositing Noteholder. On the business day following the end of the Put Period the Fiscal Agent shall notify the Issuer in writing of the exercise of the Put Option specifying the aggregate principal amount of the Notes delivered to be redeemed in accordance with the Put Option. Provided that the Notes that are the subject of any such Put Option Notice have been delivered to the Fiscal Agent or a Paying Agent prior to the expiry of the Put Period, then the Issuer shall redeem all such Notes on the date falling five business days after the expiration of the Put Period (the "Put Settlement Date").

No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 5(c), may be withdrawn; provided, however, that if, prior to the relevant Put Settlement Date, any such Note becomes immediately due and payable or, upon due presentation of any such Note on the Put Settlement Date, payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its specified office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 5(c), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

In this Condition 5(c) a "Change of Control" shall be deemed to have occurred when:

(i) Control of the Company (including, without limitation, through consolidation or merger) is acquired or deemed to be held by a Person or any Persons acting in agreement, directly or indirectly, other than Permitted Holders, as to the exercise of voting rights in respect of, or an offer to acquire in excess of 50% of, the Ordinary Shares has become or been deemed to become unconditional; or

(ii) the legal or beneficial ownership of all, or substantially all, of the assets of the Company, either directly or indirectly (through its Subsidiaries) are acquired (including, without limitation, through consolidation or merger) by one or more other Persons, other than a Permitted Holder.

In this Condition:

"Control" means (a) the right or power (as a majority shareholder or otherwise) for a period of more than one month to appoint and/or remove all or a majority of the members of the board of directors of the Company whether obtained directly or indirectly and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise or (b) ownership or control carrying the right to vote at meetings of shareholders for a period of more than one month of more than 50% of the Company's share capital.

"Ordinary Shares" means the fully paid registered voting shares of the Company.

"Permitted Holders" means:

(a) (1) each of Renata I. Jacobs, Nicolas Jacobs, Phillippe Jacobs and Nathalie Jacobs, his or her spouse and any of his or her spouse's relatives or direct descendants; (2) any trust or estate in which such person or any of the persons specified in clause (a)(1) collectively own 50% or more of the total beneficial interests or of which any such person serves as trustee, executor or in a similar capacity; or (3) any corporation or other organization in which such person or any of the persons specified in clause (a)(1) are the owners, directly or indirectly, collectively of 50% or more of the equity interests; and

(b) (1) Jacobs Holding AG (and any successor thereto); (2) any controlling stockholder or 50% (or more) owned Subsidiary of the Person specified in clause (b)(1); or (3) any trust, corporation, partnership, limited liability company or other entity, the beneficiaries, stockholders, partners, members, owners or Persons beneficially holding a 50% or more controlling interest of which consist of the Person specified in clause (b)(1).

*(d) Redemption at the option of the Issuer*

The Notes may be redeemed at the option of the Issuer in whole or in part on any date (each, a "Call Settlement Date") on the Issuer giving not less than 30 nor more than 60 days' notice to the Noteholders at an amount (the "Early Redemption Amount") equal to the principal amount of the Notes plus accrued interest to the relevant Call Settlement Date plus the Applicable Premium. The notice shall be irrevocable and shall oblige the Issuer to redeem the Notes on the relevant Call Settlement Date and shall specify the Early Redemption Amount (including the Applicable Premium) as calculated by the Issuer.

In this Condition:

"Applicable Premium" means, with respect to any Note on any Call Settlement Date, the greater of:

(i) 1.0% of the principal amount of the Note; or

(ii) the excess of:

(A) the present value at such Call Settlement Date of (i) the principal amount of the Notes at maturity *plus* (ii) all required interest payments due on the Note through June 15, 2023 (excluding accrued but unpaid interest to the Call Settlement Date), computed using a discount rate equal to the Treasury Rate as of the third Business Day prior to such Call Settlement Date plus 50 basis points; over

(B) the principal amount of the Note, if greater.

"Treasury Rate" means, as of any redemption date, the yield to maturity as of such redemption date of the most recently issued United States Treasury securities with a constant maturity (as compiled and published in the most recent Federal Reserve Statistical Release H.15 (519) that has become publicly available at least two business days prior to the redemption date (or, if such Statistical Release is no longer published, any publicly available source of similar market data)) most nearly equal to the period from the Call Settlement Date to June 15, 2023; provided, however, that if the period from the Call Settlement Date to June 15, 2023 is less than one year, the weekly average yield on actually traded United States Treasury securities adjusted to a constant maturity of one year will be used.

*(e) Escrow of Proceeds; Special Mandatory Redemption*

Concurrently with the Issue Date, the Issuer will enter into the Escrow Agreement, pursuant to which the Initial Purchaser will deposit the gross proceeds of the offering of the Notes sold on the Issue Date into the Escrow Account. The initial funds deposited in the Escrow Account, and all other funds, securities, interest, dividends, distributions and other property and payments credited to the Escrow Account (less any property and/or funds paid in accordance with the Escrow Agreement), are referred to, collectively, as the "Escrowed Property".

In order to cause the Escrow Agent to release the Escrowed Property to the Issuer (the "Escrow Release"), the Escrow Agent must have received from the Issuer, on or before the Escrow Longstop Date, a certificate signed by two authorized officers of the Issuer to the effect that the following conditions have been met or will be satisfied on the Acquisition Closing Date:

(i) all conditions under the Acquisition Agreement have been, or promptly upon the Escrow Release will be, satisfied in full (or waived by the relevant parties except for waivers that are materially adverse to the interests of the Noteholders) and, promptly upon the Escrow Release, the Acquisition will be completed in accordance with the terms of the Acquisition Agreement as in effect on the Issue Date, except for any changes, waivers or other modifications that are not, individually or when taken as whole, materially adverse to the interests of the Noteholders; and

(ii) the Escrowed Property will be applied in substantially the same manner as described in the offering circular related to the issue of the Notes dated June 13, 2013; and

(iii) as of the Acquisition Closing Date, no Event of Default shall have occurred and be continuing.

The Escrow Release shall occur on the Business Day (as defined in the Escrow Agreement) following receipt of such certificate from the Issuer (such date, the "Acquisition Closing Date"). Upon the Escrow Release, the Escrow Account shall be reduced to zero, and the Escrowed Property shall be paid out in accordance with the Escrow Agreement.

In the event that (1) the Acquisition is not completed on or prior to the Escrow Longstop Date, (2) the Acquisition is abandoned, (3) the Acquisition Agreement terminates at any time prior to the Escrow Longstop Date or (4) any of the conditions set forth above become incapable of being satisfied on or prior to the Escrow Longstop Date (the date of any such event being the "Special Termination Date"), the Issuer will redeem all of the Notes (the "Special Mandatory Redemption") at a price (the "Special Mandatory Redemption Price") equal to 100% of the aggregate initial issue price of the Notes, plus accrued and unpaid interest from the Issue Date to the Special Mandatory Redemption Date.

Notice of the Special Mandatory Redemption will be delivered by the Issuer, no later than one Business Day following the Special Termination Date, to the Principal Paying Agent and the Escrow Agent, and will provide that the Notes shall be redeemed one Business Day after such notice is received by the Escrow Agent in accordance with the terms of the Escrow Agreement (the "Special Mandatory Redemption Date"). On the Special Mandatory Redemption Date, the Escrow Agent shall pay, first, to the Principal Paying Agent for payment to each Noteholder, the Special Mandatory Redemption Price for such Noteholder's Notes and, second, deliver any excess Escrowed Property to the Issuer.

If at the time of such Special Mandatory Redemption, the Notes are listed on the Official List of the Luxembourg Stock Exchange and the rules of the Luxembourg Stock Exchange so require, the Issuer will notify the Luxembourg Stock Exchange that the Special Mandatory Redemption has occurred and of any relevant details relating to such Special Mandatory Redemption.

No provisions of the Escrow Agreement (including, without limitation, those relating to the release of the Escrowed Property) and, to the extent such provisions relate to the Issuer's obligation to redeem the Notes in a Special Mandatory Redemption, the Fiscal Agency Agreement, may be waived or modified in any manner materially adverse to the Holders of the Notes without the written consent of at least 90% in aggregate principal amount of Notes affected thereby.

*(f) No other redemption*

The Issuer shall not be entitled to redeem the Notes otherwise than as provided in paragraphs (a) (*Scheduled Redemption*) to (e) (*Escrow of Proceeds; Special Mandatory Redemption*) above.

*(g) Purchase*

The Issuer, the Guarantors and any of their respective Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

*(h) Cancellation*

All Notes so redeemed or purchased by the Issuer, the Guarantors or any of their respective Subsidiaries may be surrendered to be cancelled and any Notes cancelled may not be reissued or resold. Any Notes so purchased, while held by the Issuer, the Guarantors or any of their respective Subsidiaries shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculation of any quorum at meetings of the Noteholders.

## 6 Payments

*(a) Method of payment*

Payments of principal and interest shall be made by U.S. dollar cheque drawn on a bank in London and mailed to the Holder by uninsured first class mail (airmail if overseas), at the address appearing in the Register at the opening of business on the relevant Record Date (as defined below) or, upon application by a Noteholder to the specified office of any Agent (including the Luxembourg Paying Agent) not later than the fifteenth day before the due date for any such payment, by transfer to a U.S. dollar account maintained by the payee with a bank in London.

*(b) Payments subject to fiscal laws*

All payments in respect of the Notes are subject in all cases to (i) any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 7 (*Taxation*) and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "Code") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 7 (*Taxation*), any law implementing an intergovernmental approach thereto.

*(c) No commissions*

No commissions or expenses shall be charged to the Noteholders in respect of such payments.

*(d) Payments on business days*

Where payment is to be made by transfer to a U.S.$ account, payment instructions (for value the due date, or, if the due date is not a business day, for value the next succeeding business day) will be initiated and, where payment is to be made by U.S.$ cheque, the cheque will be mailed on the due date for payment. A Noteholder shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a business day or (B) a cheque mailed in accordance with this Condition 6 arriving after the due date for payment or being lost in the mail.

*(e) Partial payments*

If a Paying Agent makes a partial payment in respect of any Note, the Registrar shall procure that the amount and date of such payment are noted on the Register.

*(f) Record date*

Payment in respect of a Note will be made to the person shown as the Holder in the Register at the opening of business in the place of the Registrar's specified office on the fifteenth day before the due date for such payment (the "Record Date").

In this Condition 6, "business day" means a day on which banks are open for business and carrying out transactions in U.S. dollars in the place of the specified office of the relevant Paying Agent, and is a day on which the TransEuropean Automated Real-Time Gross Settlement Express Transfer System 2 ("TARGET") is operating.

## 7 Taxation

All payments of principal and interest in respect of the Notes or under the Guarantee by or on behalf of the Issuer or the Guarantors (each a "Payer") shall be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any jurisdiction in which the Payer is then incorporated, engaged in business or resident for tax purposes or any political subdivision thereof or any authority therein or thereof having power to tax (each a "Tax Authority"), unless the withholding or deduction of such taxes, duties, assessments or governmental charges is required by law. In that event the Payer shall pay such additional amounts as will result in receipt by the Noteholders after such withholding or deduction of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable in respect of any Note presented for payment:

(i) by or on behalf of a holder which is liable to such taxes, duties, assessments or governmental charges in respect of such Note by reason of its having some connection with the Tax Authority other than the mere holding of the Note; or

(ii) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any other Directive on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive; or

(iii) by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note to another Paying Agent in a member state of the European Union;

(iv) to, or to a third party on behalf of, a holder who on the date of acquisition of such Notes, was not an Eligible Investor or who was an Eligible Investor on the date of acquisition of such Notes but, for reasons within the Noteholder's control, ceased to be an Eligible Investor or at any relevant time on or after the issuance of the Notes otherwise failed to meet any other condition for the exemption of Belgian withholding tax pursuant to the Law of 6 August 1993 relating to certain securities;

(v) more than 30 days after the Relevant Date except to the extent that the holder of such Note would have been entitled to such additional amounts on presenting such Note for payment on the last day of such period of 30 days;

(vi) where such withholding or deduction is required to be made pursuant to any agreements between the European Community and other countries or territories providing for measures equivalent to those laid down in the European Council Directive 2003/48/EC or any law or other governmental regulation implementing or complying with, or introduced in order to conform to, such agreements, including, but not limited to, the agreement between the European Union and Switzerland of 26 October 2004 and any laws enacted by Switzerland implementing this agreement;

(vii) where such withholding or deduction is required to be made pursuant to laws enacted by Switzerland providing for the taxation of payments according to principles similar to those laid down in the draft legislation proposed by the Swiss Federal Council on 24 August 2011, in particular, the principle to have a person other than the Issuer withhold or deduct tax; or

(viii) where such withholding or deduction is required to be made pursuant to an agreement between Switzerland and other countries on final withholding taxes levied by Swiss paying agents in respect of persons resident in the other country on income of such person on Notes booked or deposited with a Swiss paying agent (*Abgeltungssteuer*).

In these Conditions: "Eligible Investor" means those entities which are referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax (as amended from time to time) and which hold the Notes in an exempt account in the National Bank of Belgium securities settlement system. "Relevant Date" means whichever is the later of (1) the date on which the payment in question first becomes due and (2) if the full amount payable has not been received by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders.

Any reference in these Conditions to principal or interest shall be deemed to include any additional amounts in respect of principal or interest (as the case may be) which may be payable under this Condition 7 (*Taxation*).

## 8 Events of Default

If any of the following events occurs:

*(a) Non-payment*

The Issuer fails to pay any amount of principal in respect of the Notes on the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within seven business days of the due date for payment thereof; or

*(b) Breach of other obligations*

The Issuer or any of the Guarantors defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for 30 days after written notice thereof, addressed to the Issuer and the Guarantors by any Noteholder, has been delivered to the Issuer and the Guarantors or to the specified office of the Fiscal Agent; or

*(c) Cross-acceleration*

(i) Any Indebtedness of any member of the Group is not paid when due nor within any originally applicable grace period; or

(ii) any Indebtedness of any member of the Group is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (howsoever described); or

(iii) any commitment for any Indebtedness of any member of the Group is cancelled or suspended by a creditor of any member of the Group as a result of an event of default (howsoever described),

provided that the amount of Indebtedness referred to in sub-paragraphs (i) to (iii) above individually or in aggregate exceeds €15,000,000 (or its equivalent in any other currency or currencies); or

*(d) Unsatisfied judgment*

One or more final judgment(s) or final order(s) for the payment of an amount in excess of €15,000,000 (or its equivalent in any other currency or currencies), whether individually or in aggregate, is rendered against the Issuer, the Guarantors or any of the Company's Material Subsidiaries and continue(s) unsatisfied, unpaid, unwaived or unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or

*(e) Security enforced*

A secured party takes possession, or a receiver, manager or other similar officer is appointed, of all or substantially all of the undertaking, assets and revenues of the Issuer, the Guarantors or any of the Company's Material Subsidiaries; or

*(f) Insolvency, etc.*

The Issuer or any of the Guarantors or any of the Company's Material Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts as they fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of the Guarantors or any of the Company's Material Subsidiaries; or

*(g) Winding up, etc.*

An order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer or any of the Guarantors or any of the Company's Material Subsidiaries or the Issuer or any of the Guarantors ceases or threatens to cease to carry on all or a material part of its business or operations (otherwise than, in the case of a Guarantor, for the purposes of or pursuant to an amalgamation, reorganization or restructuring whilst solvent or, in the case of a Material Subsidiary, whereby the undertaking and assets of the Material Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantors, as the case may be, or another of the Company's Material Subsidiaries); or

*(h) Creditors' process*

Any expropriation, attachment, sequestration, distress or execution affects any asset or assets of a member of the Group having an aggregate value of €15,000,000 and is not discharged within 20 days; or

*(i) Failure to take action, etc*

Any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer or any of the Guarantors lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Notes or the Guarantee, as the case may be, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of Belgium is not taken, fulfilled or done; or

*(j) Unlawfulness*

It is or will become unlawful for the Issuer or any of the Guarantors to perform or comply with any of their respective obligations under or in respect of the Notes or any of the Guarantee; or

*(k) Guarantee*

The Guarantee is not (or is claimed by any Guarantor not to be) in full force and effect (other than a Guarantee released in accordance with Condition 2(c) (*Release of Guarantees*));

*(l) Escrow Agreement*

The Issuer fails to comply with any material term of the Escrow Agreement, and such failure is not remedied within 10 days of notice of such failure having been delivered to the Issuer by the Escrow Agent; or

*(m) Analogous Events*

Any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs, then any Note may, by written notice addressed by the holder thereof to the Issuer and delivered to the Issuer or to the specified office of the Fiscal Agent, be declared immediately due and payable, whereupon it shall become immediately due and payable at its principal amount together with accrued interest without further action or formality.

## 9 Prescription

Claims in respect of the Notes shall become void unless the relevant Notes are presented for payment within five years of the appropriate Relevant Date (as defined in Condition 7 (*Taxation*)).

## 10 Replacement of Notes

If any Note Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Registrar or any Transfer Agent, subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or any Transfer Agent may reasonably require. Mutilated or defaced Note Certificates must be surrendered before replacements will be issued.

## 11 Agents

In acting under the Agency Agreement and in connection with the Notes, the Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

The Issuer has initially appointed the Fiscal Agent, Paying Agents, Registrar and Transfer Agents named above. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Agent; provided, however, that the Issuer shall at all times maintain

(a) a fiscal agent, (b) a Paying Agent in Luxembourg and (c), if European Council Directive 2003/48/EC or any other Directive on the taxation of savings income is brought into force, a Paying Agent in a member state of the European Union that will not be obliged to withhold or deduct tax pursuant to such Directive or any law implementing or complying with, or introduced to conform to, such Directive.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Noteholders.

## 12 Meetings of Noteholders and Modification

*(a) Meetings of Noteholders*

The Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. All meetings of Noteholders will be held in accordance with the Belgian Company Code with respect to bondholders' meetings provided however that the Issuer shall, at its own expense, convene such a meeting upon the request in writing of Noteholders holding not less than 10% of the aggregate principal amount of the outstanding Notes. Subject to the quorum and majority requirements set out in Article 574 of the Belgian Company Code, and if required thereunder subject to validation by the court of appeal, the meeting of Noteholders shall be entitled to exercise the powers set out in Article 568 of the Belgian Company Code and, upon proposal of the Board of Directors, to modify or waive any provision of these Conditions; provided, however, that certain proposals (including any proposal (i) to change any date fixed for payment of principal or interest in respect of the Notes, (ii) to reduce the amount of principal or interest payable on any date in respect of the Notes, (iii) to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, (iv) to change the currency of payments under the Notes, (v) to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution, (vi) to modify or cancel any Guarantee, or (vii) to modify or cancel the Escrow Agreement (each, a "*Reserved Matter*")) may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more persons holding or representing not less than 75% or, at any adjourned meeting, 25% of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

*(b) Modification*

The Issuer and the Guarantor may amend the Notes and these Conditions without the consent of the Noteholders to correct a manifest error.

## 13 Further Issues

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## 14 Notices

Notices to the Noteholders shall be duly given or published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed. Any such notice shall be deemed to have been given on the date of first publication.

The Issuer will procure that any Reset Interest Rate is promptly communicated to the Fiscal Agent, the Holders and the Luxembourg Stock Exchange in accordance with this Condition 14 and in any event within three business days of a Rating Change and not later than three business days prior to the next Interest Payment Date. Such notice will specify the new rating, the new Interest Rate and the effective date of any such new Interest Rate.

## 15 Currency Indemnity

If any sum due from the Issuer or any Guarantor in respect of the Notes or under the Guarantee or any order or judgment given or made in relation thereto has to be converted from the currency (the "first currency") in which the same is payable under these Conditions or such order or judgment into another currency (the "second currency") for the purpose of (a) making or filing a claim or proof against the Issuer or any Guarantor, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer (or the Guarantors, as the case may be) shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer and the Guarantors or to the specified office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

This indemnity constitutes a separate and independent obligation of the Issuer and the Guarantors and shall give rise to a separate and independent cause of action.

## 16 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term and condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

## 17 Governing Law and Jurisdiction

The Agency Agreement, the Notes and the Guarantees and any non-contractual obligations arising out of or in connection therewith are governed by, and will be construed in accordance with, the laws of England, save that Condition 12 (*Meetings of Noteholders and Modifications*) shall be governed by, and construed in accordance with, Belgian law.

Each of the Issuer and the Guarantors agrees for the benefit of the Noteholders that the courts of England are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes and that accordingly any suit, action or proceedings arising thereout or in connection therewith (together referred to as "Proceedings") may be brought in the courts of England.

Each of the Issuer and the Guarantors irrevocably and unconditionally waives and agrees not to raise any objection which it may have now or subsequently to the laying of the venue of any Proceedings in the courts of England and any claim that any Proceedings have been brought in an inconvenient forum and has further irrevocably and unconditionally agreed that a judgment in any Proceedings brought in the courts of England shall be conclusive and binding upon each of the Issuer and the Guarantors and may be enforced in the courts of any other jurisdiction.

The submission to the jurisdiction of the courts of England referred to above shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

## CLEARANCE, SETTLEMENT AND PROVISIONS APPLICABLE TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System

#### *National Bank of Belgium*

The National Bank of Belgium (the "NBB") is the central bank of Belgium. The NBB operates a clearing system (the "NBB SSS") for, *inter alia*, corporate debt securities which may be traded on a fungible basis. The Notes will be traded on a fungible basis in accordance with the Belgian Coordinated Royal Decree Number 62 of November 10, 1967, governing the custody of transferable financial instruments and the settlement of transactions on these instruments. The NBB SSS is accessible through those of its participants whose membership extends to securities such as the Notes. Investors and financial intermediaries can hold Notes within exempt securities accounts opened with qualifying participants. Qualifying participants include most Belgian banks, some Luxembourg banks, Belgian investment firms, Euroclear and Clearstream. For a description of the tax implications of the clearing of the Notes through the NBB SSS. See "Tax Considerations—Belgian Taxation—Withholding Tax".

The Notes may be held only by, and transferred only to, eligible investors referred to in Article 4 of the Belgian Royal Decree of 26 May 1994 on the deduction of withholding tax, holding their securities in an exempt securities account that has been opened through Euroclear or Clearstream.

#### *Original Issue*

On or before the Issue Date, the "Belgian Agent", on behalf of the Issuer, will deliver duly executed and authenticated Global Notes in bearer form to the NBB where they will be immobilized. Upon receipt of the Global Notes, the NBB will credit the Belgian Agent's securities account, being an exempt account, in the NBB SSS with an amount equivalent to the principal amount of the Global Notes. On the Issue Date, the Belgian Agent, on behalf of the NBB, will credit Euroclear's and Clearstream's securities accounts (being exempt accounts) of the NBB SSS with an amount equivalent to their respective portion of the principal amount of the Global Notes. Following confirmation of payment to the Issuer of the gross proceeds for the issue of the Notes, Euroclear and Clearstream will credit the holders of book-entry interests in the Notes by crediting their securities accounts as participants of Euroclear and Clearstream, in accordance with the principal amount of Notes purchased by each of them.

The NBB SSS will not be involved in the payment of interest or other sums payable on the Notes. Such amounts will be paid outside the NBB SSS to participants holding positions in the Notes via Euroclear and Clearstream.

### Services Agreement

The Issuer, the NBB and the Belgian Agent will enter into a services agreement governed by Belgian law pursuant to which the NBB will agree to act as depositary of the Global Notes representing the Notes (the "Services Agreement"). Under the terms of the Services Agreement, on the Issue Date, the Issuer will deposit executed and duly authenticated Global Notes in bearer form with the NBB, the nominal amount of which will be credited by the NBB to the securities account of the Belgian Agent and thereafter allocated to Euroclear and Clearstream for the benefit of purchasers of the book-entry interests in the Notes. After settlement, transfers of book-entry interests in the Global Notes will be on the basis of book-entry transfers through Euroclear and Clearstream only. The Services Agreement will set out the procedures relating to the exchange of the Global Notes for Definitive Registered Notes in the limited circumstances described herein, payment of interest, principal and any other payment on the Global Notes and early redemption of the Notes. The NBB will be entitled to a fee under the Services Agreement.

### Registration and Form

Book-entry interests in the Notes held through any participants in the NBB SSS, including Euroclear and Clearstream, will be evidenced by the Global Notes held by the NBB. The NBB will credit the Belgian

Agent's securities account, being an exempt account in the NBB SSS with an amount equivalent to the principal amount of the Global Notes and thereafter allocated to Euroclear and Clearstream for the benefit of purchasers of the book-entry interests in the Notes.

The aggregate holdings of book-entry interests in the Notes by participants in Euroclear and Clearstream will be reflected in the book-entry accounts of each such participant in the NBB SSS.

Each participant will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interests in the Notes. The Belgian Agent will be responsible for ensuring that payments received by it from the Issuer for holders of book-entry interests in the Notes held through Euroclear and Clearstream as direct participants in the NBB SSS are properly credited.

The Issuer will not impose any fees in respect of the Notes. Holders of book-entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in the NBB SSS, Euroclear or Clearstream.

### Interests in Definitive Notes in Registered Form

Book-entry interests in the Notes will be exchangeable in whole, but not, except as provided below, in part, for Definitive Notes if (i) if the Global Notes are held on behalf of the NBB SSS and its participants (including Euroclear and Clearstream) or any alternative clearing system appointed pursuant to the Notes (each such alternative clearing system, an "Alternative Clearing System") and such clearing system is closed for business for a continuous period of fourteen days (other than by reason of legal holidays) or announces an intention permanently to cease business or has in fact done so and no successor clearing system is available or (ii) if any of the circumstances described in Condition 8 occurs. Thereupon (in the case of (ii) above) the holder may give notice to the Fiscal Agent and the Belgian Agent and (in the case of (i) above) the Issuer may give notice to the Fiscal Agent and the Belgian Agent and the Noteholders, of its intention to exchange the relevant Global Note for Definitive Notes on or after the date for exchange specified in such notice.

Further, if principal in respect of any Note is not paid when due and payable the holder of the Global Notes may by notice to the Fiscal Agent and the Belgian Agent require the exchange of a specified principal amount of the relevant Global Note (which may be equal to or (provided that if the Global Notes are held by or on behalf of the NBB SSS and its participants (including Euroclear and Clearstream) and/or an Alternative Clearing System, the NBB SSS and its participants (including Euroclear and Clearstream) and/or such Alternative Clearing System so agree) less than the outstanding principal amount of Notes represented hereby) for Definitive Notes on or after the date for exchange specified in such notice.

On or after any date for exchange, the Belgian Agent will instruct the NBB to cancel the Global Notes or, in the case of a partial exchange, instruct the NBB to present the Global Notes to the Belgian Agent to or to the order of the Belgian Agent. The NBB will remit the cancelled Global Notes to the Belgian Agent for the account of the Issuer. In exchange for the Global Notes, or the part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated Definitive Notes.

### Global Clearance and Settlement Procedures

On original issue, as described above, the Notes will be represented by duly authenticated Global Notes in bearer form. Interests in the Notes will be in uncertificated book-entry form. Purchasers electing to hold book-entry interests in the Notes through participants in the NBB SSS, including Euroclear and Clearstream accounts will follow the settlement procedures of the NBB SSS, Euroclear and Clearstream, as the case may be, applicable to conventional eurobonds, subject to the provisions described above. Book-entry interests in the Notes will be credited to Euroclear and Clearstream participant securities clearance accounts in same day funds on the Issue Date against payment (for value the Issue Date).

## Secondary Market Trading

Secondary market sales or purchases of book-entry interests in the Notes held through Euroclear or Clearstream will be conducted in accordance with the normal rules and operating procedures of Euroclear and Clearstream, as the case may be, and will be settled using the normal procedures applicable to conventional eurobonds.

## General

Although the foregoing sets out the procedures of the NBB SSS, Euroclear and Clearstream in order to facilitate the original issue and subsequent transfers of interests in the Notes among participants of the NBB SSS, including Euroclear and Clearstream, none of the NBB SSS, Euroclear or Clearstream is under any obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time.

None of the Issuer, the Guarantors nor any of their respective agents will have responsibility for the performance of the NBB, Euroclear or Clearstream or their respective participants of their respective obligations under the rules and procedures governing their operations.

## Agents

For so long as the Notes are represented by the Global Notes, the Belgian Agent will act as Principal Paying Agent and The Bank of New York Mellon (Luxembourg) S.A. will act as Paying Agent and Transfer Agent. If interests in the Global Notes are exchanged for Definitive Notes in the limited circumstances described above under "Interests in Definitive Notes in Registered Form", then The Bank of New York Mellon, acting through its London Branch will act as Fiscal Agent and Transfer Agent and The Bank of New York Mellon (Luxembourg) S.A. will act as Paying Agent and Transfer Agent. For the avoidance of doubt, The Bank of New York Mellon, acting through its London Branch will not act as Fiscal Agent or Transfer Agent while the Notes are represented by the Global Notes and the Belgian Agent will not act as Paying Agent or Transfer Agent if the Notes are exchanged for Definitive Notes.

## Optional Redemption

For so long as the Notes are represented by the Global Notes, if an optional redemption occurs pursuant to Condition 5 (Redemption and Purchase), the Belgian Agent in its capacity as Principal Paying Agent shall take any action expressed in that Condition to be taken by the Fiscal Agent.

## TRANSFER RESTRICTIONS

### Rule 144A Notes

Each purchaser of Rule 144A Notes and the Guarantee in relation to Rule 144A Notes, by purchasing such Notes and such Guarantee, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(a) it is (i) a QIB, (ii) acquiring the Notes and the Guarantee for its own account or for the account of one or more QIBs, (iii) not acquiring the Notes and the Guarantee with a view to further distribute such Notes and Guarantee and (iv) aware, and each beneficial owner of such Notes and Guarantee has been advised, that the sale of such Notes and Guarantee to it is being made in reliance on Rule 144A;

(b) it understands that such Notes and Guarantee have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (i) pursuant to a registration statement that has been declared effective under the Securities Act, (ii) in reliance on Rule 144A to a person that the holder and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of another QIB, (iii) in an offshore transaction in accordance with Regulation S, (iv) pursuant to Rule 144 under the Securities Act (if available) or (v) pursuant to any other available exemption from the registration requirements of the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States;

(c) it acknowledges that the Notes and the Guarantee offered and sold hereby in the manner set out in paragraph (a) are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and are being offered and sold in a transaction not involving any public offering in the United States within the meaning of the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Notes;

(d) it understands that any offer, sale, pledge or other transfer of the Notes and the Guarantee made other than in compliance with the above-stated restrictions may not be recognized by the Issuer;

(e) it understands that such Notes and Guarantee, unless otherwise agreed between the Issuer and the Fiscal Agent in accordance with applicable law, will bear a legend to the following effect:

    THIS SECURITY AND THE GUARANTEE IN RESPECT HEREOF HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "*SECURITIES ACT*") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT ("RULE 144A") TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A (A "*QIB*") PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QIB WHOM THE HOLDER HAS INFORMED, IN EACH CASE, THAT SUCH OFFER, SALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT ("REGULATIONS S") OR (3) PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER, IF AVAILABLE, AND IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, AND THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THE NOTES IN RESPECT HEREOF OF THE RESALE RESTRICTIONS REFERRED TO ABOVE. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY.

BY ACCEPTANCE OF THIS NOTE BEARING THE ABOVE LEGEND, WHETHER UPON ORIGINAL ISSUANCE OR SUBSEQUENT TRANSFER, EACH HOLDER OF THIS NOTE ACKNOWLEDGES THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET OUT ABOVE AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED HEREIN AND IN THE AGENCY AGREEMENT;

THIS NOTE HAS BEEN ISSUED WITH ORIGINAL ISSUE DISCOUNT (''OID'') FOR UNITED STATES FEDERAL INCOME TAX PURPOSES. THE ISSUE PRICE, AMOUNT OF OID, ISSUE DATE, COMPARABLE YIELD, AND PROJECTED PAYMENT SCHEDULE OF THESE NOTES MAY BE OBTAINED FROM THE CORPORATE TREASURER OF THE GROUP AT BARRY CALLEBAUT SERVICES N.V., AALSTERSESTRAAT 122, B-9280 LEBBEKE-WIEZE, BELGIUM.

(f) if it is acquiring any Notes and Guarantee for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make (and does make) the foregoing acknowledgments, representations and agreements on behalf of each such account. The Issuer, the Registrar, the Initial Purchasers and their respective affiliates, among others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements;

(g) it understands that the Notes and the Guarantee offered in reliance on Rule 144A will be represented by the Rule 144A Global Note. Before any interest in the Rule 144A Global Note may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Regulation S Global Note, it will be required to provide a Transfer Agent (as defined in the Conditions) with a written certification (in the form provided in the Agency Agreement) as to compliance with applicable securities laws;

(h) (A) either: (i) it is not, and for so long as it holds the Notes (or interest therein) it will not be, a Plan nor a Non-ERISA Arrangement (as each term is defined below) and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase, holding and subsequent disposition of such Notes shall not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any provision of Similar Law (as such term is defined below) and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws for which an exemption is not available, and are otherwise permissible under all applicable Similar Laws; and (B) it will not transfer the Notes to any person or entity unless such person or entity could itself truthfully make the foregoing representations and covenants. The term "Plan" includes (a) employee benefit plans (as defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and subject to Title I of ERISA, (b) individual retirement accounts, plans or other arrangements subject to Section 4975 of the Code, and (c) entities whose underlying assets include "plan assets" (within the meaning of regulations issued by the United States Department of Labor, set forth in 29 C.F.R., §2510.3-101, as modified by Section 3(42) of ERISA) by reason of any such plan's or arrangement's investment therein. The term "Non-ERISA Arrangement" includes certain governmental, church and non-U.S. plans which are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, "Similar Laws"); and

(i) The Issuer, the Registrar, the Joint Bookrunners and their respective affiliates, among others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

**Prospective investors are hereby notified that the sellers of the Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.**

## Regulation S Notes

Each purchaser of Regulation S Notes and the Guarantee in relation to Regulation S Notes, by purchasing such Notes and such Guarantee, will be deemed to have represented, agreed and acknowledged that it has received such information as it deems necessary to make an investment decision and that:

(a) it understands that the Notes and the Guarantee have not been and will not be registered under the Securities Act, and such Notes and the Guarantee are being offered and sold in accordance with Regulation S;

(b) it or any person on whose behalf it is acting is, or at the time the Notes and the Guarantee are purchased will be, the beneficial owner of such Notes and Guarantee and (i) it is purchasing the Notes and the Guarantee in an offshore transaction (within the meaning of Regulation S) and (ii) it is not an affiliate of the Issuer or a person acting on behalf of such an affiliate;

(c) it will not offer, sell, pledge or otherwise transfer Notes, except in accordance with the Securities Act and any applicable securities laws of any state of the United States;

(d) (A) either: (i) it is not, and for so long as it holds the Notes (or interest therein) it will not be, a Plan nor a Non-ERISA Arrangement (as each term is defined below) and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase, holding and subsequent disposition of such Notes shall not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any provision of Similar Law (as such term is defined below) and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws for which an exemption is not available, and are otherwise permissible under all applicable Similar Laws; and (B) it will not transfer the Notes to any person or entity unless such person or entity could itself truthfully make the foregoing representations and covenants. The term "Plan" includes (a) employee benefit plans (as defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and subject to Title I of ERISA, (b) individual retirement accounts, plans or other arrangements subject to Section 4975 of the Code, and (c) entities whose underlying assets include "plan assets" (within the meaning of regulations issued by the United States Department of Labor, set forth in 29 C.F.R., §2510.3-101, as modified by Section 3(42) of ERISA) by reason of any such plan's or arrangement's investment therein. The term "Non-ERISA Arrangement" includes certain governmental, church and non-U.S. plans which are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, "Similar Laws"); and

(e) the Issuer, the Registrar, the Initial Purchasers and their affiliates, among others, will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

## ERISA AND CERTAIN OTHER U.S. CONSIDERATIONS

The following is a summary of certain considerations associated with the purchase of the Notes by (a) employee benefit plans (as defined in Section 3(3) of Employee Retirement Income Security Act of 1974, as amended ("ERISA")) and subject to Title I of ERISA, (b) individual retirement accounts, plans or other arrangements subject to Section 4975 of the Code, (c) entities whose underlying assets include "plan assets" (within the meaning of regulations issued by the United States Department of Labor, set forth in 29 C.F.R., §2510.3-101, as modified by Section 3(42) of ERISA (the "Plan Asset Regulations")) (the "Plan Assets") by reason of any such plan's or arrangement's investment therein (we refer to the foregoing collectively as "Plans") and (e) persons who are fiduciaries with respect to Plans. In addition, certain governmental, church and non-U.S. plans ("Non-ERISA Arrangements") are not subject to Section 406 of ERISA or Section 4975 of the Code, but may be subject to federal, state, local, non-U.S. or other laws or regulations that are similar to such provisions of the Code or ERISA (collectively, "Similar Laws").

ERISA and the Code impose certain duties on persons who are fiduciaries of a Plan subject to Title I of ERISA or Section 4975 of the Code and prohibit certain transactions involving the assets of a Plan and its fiduciaries or other interested parties. Under ERISA and the Code, any person who exercises any discretionary authority or control over the administration of such a Plan or the management or disposition of the assets of such a Plan, or who renders investment advice for a fee or other compensation to such a Plan, is generally considered to be a fiduciary of the Plan.

In addition to ERISA's general fiduciary standards, Section 406 of ERISA and Section 4975 of the Code prohibit the Plans, subject to Title I of ERISA or Section 4975 of the Code, from engaging in specific transactions involving Plan Assets with persons or entities, including fiduciaries, who have specified relationships to the Plan, i.e., "parties in interest" as defined in ERISA or "disqualified persons" as defined in Section 4975 of the Code (we refer to the foregoing collectively as "parties in interest") unless exemptive relief is available under a statutory exemption or an exemption issued by the U.S. Department of Labor. Parties in interest that engage in a non-exempt prohibited transaction may be subject to excise taxes and other penalties and liabilities under ERISA and Section 4975 of the Code. In considering an investment in the Notes of a portion of the assets of any Plan, a fiduciary should determine whether the investment is in accordance with the documents and instruments governing the Plan and the applicable provisions of ERISA, the Code or any Similar Laws relating to a fiduciary's duties to the Plan including, without limitation, the prudence, diversification, delegation of control and prohibited transaction provisions of ERISA, the Code and any other applicable Similar Laws. No representation is made that the sale of any Notes to a Plan meets the fiduciary requirements for investments by Plans generally or any particular Plan or that such an investment is appropriate for Plans generally or any particular Plan. None of the Issuer, the Guarantors, any of the parties described in this Offering Circular or their affiliates is providing investment advice to any Plan, through this Offering Circular or otherwise, in connection with the sale of the Notes.

The acquisition and/or holding of Notes by a Plan with respect to which the Issuer or the Guarantors are considered a party in interest or a disqualified person may constitute or result in a direct or indirect prohibited transaction under Section 406 of ERISA and/or Section 4975 of the Code unless the investment is acquired and is held in accordance with an applicable statutory, class or individual prohibited transaction exemption. In this regard, the Department of Labor (the "DOL") has issued prohibited transaction class exemptions, ("PTCEs") that may apply to the acquisition and holding of the Notes. These class exemptions (as may be amended from time to time) include, without limitation: (A) the in-house asset manager exemption (PTCE 96-23); (B) the insurance company general account exemption (PTCE 95-60); (C) the bank collective investment fund exemption (PTCE 91-38); (D) the insurance company pooled separate account exemption (PTCE 90-1); and (E) the qualified professional asset manager exemption (PTCE 84-14). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a limited exemption for the purchase and sale of Notes and related lending transactions, provided that neither the issuer, a seller of the Notes nor any of its affiliates have or exercise any discretionary authority or control or render any investment advice with respect to the assets of any Plan involved in the transaction and provided further that the Plan pays no more than adequate consideration in connection with the transaction (the so-called "service provider exemption"). There can be no assurance that any of these statutory or class exemptions will be available with respect to transactions involving the Notes.

Each purchaser or holder of a Note and each fiduciary who causes any entity to purchase or hold a Note shall be deemed to have represented and warranted, on each day such purchaser or holder holds such Notes, that either: (i) it is not, and for so long as it holds the Notes (or interest therein) it will not be, a Plan nor a Non-ERISA Arrangement and it is not purchasing or holding Notes on behalf of or with the assets of any Plan or Non-ERISA Arrangement; or (ii) its purchase, holding and subsequent disposition of such Notes shall not constitute or result in a non-exempt prohibited transaction under ERISA, the Code or any provision of Similar Law and will not constitute or result in a prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or Similar Laws for which an exemption is not available, and are otherwise permissible under all applicable Similar Laws. The purchaser of Notes (or any interest therein) will be deemed to have represented, warranted and agreed, among other things, that the purchaser will not transfer the Notes to any person or entity unless such person or entity could itself truthfully make the foregoing representations and covenants.

Fiduciaries of any Plans and Non-ERISA Arrangements should consult their own legal counsel before purchasing the Notes. It is particularly important that fiduciaries or other persons considering purchasing the Notes on behalf of, or with the assets of, any Plan consult with their counsel regarding the potential applicability of ERISA, Section 4975 of the Code and any Similar Laws to such investment and whether an exemption would be applicable to the purchase and holding of the Notes. We also refer you to the portions of this Offering Circular addressing restrictions applicable under ERISA, the Code and Similar Laws.

The foregoing discussion is general in nature and is not intended to be all-inclusive. Each purchaser of a Note will have exclusive responsibility for ensuring that its purchase, holding and subsequent disposition of the Note does not violate the fiduciary or prohibited transaction rules of ERISA, the Code or any Similar Law. Nothing herein shall be construed as a representation that an investment in the Notes would meet any or all of the relevant legal requirements with respect to investments by, or is appropriate for, Plans or Non-ERISA Arrangements generally or any particular Plan or Non-ERISA Arrangement.

## PLAN OF DISTRIBUTION

Pursuant to a subscription agreement dated June 13, 2013 (the "Subscription Agreement"), each Initial Purchaser has agreed with the Issuer and the Guarantors, subject to the satisfaction of certain conditions, to subscribe for the aggregate principal amount of the Notes set out opposite each Initial Purchaser's name below at an issue price of 5.500% of their principal amount, and the Issuer, failing whom each of the Guarantors, has agreed to pay to the Initial Purchasers a commission for the performance of their services:

| Initial Purchaser | Principal Amount |
|---|---|
| | *(U.S.$)* |
| Coőperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Rabobank International) | 33,333,333 |
| Credit Suisse Securities (Europe) Limited | 66,666,670 |
| Goldman Sachs International | 66,666,666 |
| ING Bank N.V., London Branch | 66,666,666 |
| Jefferies International Limited | 33,333,333 |
| RBS Securities Inc. | 66,666,666 |
| UBS Limited | 66,666,666 |
| **Total** | 400,000,000 |

The Issuer, failing whom each of the Guarantors, has agreed to indemnify the Initial Purchasers, on a joint and several basis, against certain liabilities in connection with the offer and sale of the Notes.

Certain of the Initial Purchasers or their affiliates have from time to time engaged, and may in the future engage, in investment banking, consulting, commercial banking and other financial advisory and commercial dealings with us, the Issuer, our associates and/or our shareholders in the ordinary course of business with us, the Issuer, our shareholders or our and the Issuer's affiliates. They have received (or will receive) customary fees and commissions and expense reimbursements for these transactions.

In addition, in the ordinary course of their business activities, the Initial Purchasers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of the Group, the Issuer or our affiliates (including the Notes). Certain of the Initial Purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. Typically, such Initial Purchasers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities (including potentially the Notes). Any such short positions could adversely affect future trading prices of Notes. The Initial Purchasers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. (Antwerp Branch), Credit Suisse AG, ING Bank N.V. and The Royal Bank of Scotland N.V. are bookrunners for, UBS AG is a mandated arranger of and ING Bank N.V. is the agent for the Senior RCF. In connection with these roles, these Initial Purchasers or their affiliates will receive customary fees and commissions.

### Selling Restrictions

#### *United States*

The Notes and the related Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Notes and the related Guarantee are being offered and sold outside of the United States in reliance on Regulation S. The Initial Purchasers may, directly or through their respective U.S. broker-dealer affiliates, arrange for the offer and resale of the Notes and the related Guarantee within the United States only to QIBs in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of the Notes and the related Guarantee, an offer or sale of Notes and the related Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

### *United Kingdom*

Each of the Initial Purchasers has represented, warranted and agreed that:

(1) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000 (the "FSMA")) received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer or any of the Guarantors; and

(2) it has complied with and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from, or otherwise involving the United Kingdom.

### *Germany*

The offering of the Notes is not a public offering in the Federal Republic of Germany. The Notes may be offered and sold in the Federal Republic of Germany only in accordance with the provisions of the Securities Prospectus Act of the Federal Republic of Germany (*Wertpapierprospektgesetz*) (the "German Securities Prospectus Act") and any other applicable German law. Consequently, in Germany the Notes will only be available to, and this Offering Circular and any other offering material in relation to the Notes is directed only at, persons who are qualified investors (*qualifizierte Anleger*) within the meaning of Section 2 No. 6 of the German Securities Prospectus Act. Any resale of the Notes in Germany may only be made in accordance with the German Securities Prospectus Act and other applicable laws. The Issuer has not, and does not intend to, file a securities prospectus with the German Federal Financial Services Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*) ("BaFin") or obtain a notification to BaFin from another competent authority of a member state of the European Economic Area, with which a securities prospectus may have been filed, pursuant to Section 17 Para. 3 of the German Securities Prospectus Act.

### *France*

This Offering Circular has not been prepared in the context of a public offering of financial securities in France within the meaning of Article L.411-1 of the French Code *monétaire et financier* of the *Règlement Général de l'Autorité des marchés financiers* (the "AMF") and therefore has not been and will not be submitted for clearance to the AMF. Consequently, the Notes are not being offered, directly or indirectly, to the public in France and this Offering Circular (and any other offering material or information contained therein relating to the Notes) has not been and will not be released, issued or distributed or caused to be released, issued or distributed to the public in France or used in respect of any offering of Notes in France. Offers, sales and distributions of the Notes in France will be made only to qualified investors (*investisseurs qualifiés*) acting for their own accounts or to a closed circle of investors (*cercle restreint d'investisseurs*) acting for their own accounts, and/or to providers of the investment service of portfolio management for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour le compte de tiers*) as defined in, and in accordance with, Articles L.411-1, L.411-2, D.411-1, D.411-4, D.744-1, D.754-1 and D.764-1 of the French Code *monétaire et financier*.

### *Belgium*

The Notes that will be distributed in Belgium may not be distributed in Belgium by way of an offer of securities to the public, as defined in Article 3 §1 of the Belgian Law of June 16, 2006, on public offerings of investment instruments and the admission of investment instruments to trading on regulated markets (the "Prospectus Law"), save in those circumstances set out in Article 3 §2 of the Prospectus Law.

The offer is exclusively conducted under applicable private placement exemptions and therefore it has not been and will not be notified to, and the Offering Circular or any other offering material relating to the Notes has not been and will not be approved by, the Belgian Financial Services and Markets Authority ("*Autorité des services et marchés financiers/ Autoriteit voor Financiële Diensten en Markten*").

Accordingly, the offer may not be advertised and each of the Initial Purchasers has represented and agreed that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Notes and that it has not distributed, and will not distribute, any memorandum, information circular, brochure or any similar documents, directly or indirectly, to any individual or legal entity in Belgium other than:

(i) qualified investors, as defined in Article 10 of the Prospectus Law;

(ii) investors required to invest a minimum of U.S.$200,000 (per investor and per transaction);

and in any other circumstances set out in Article 3 §2 of the Prospectus Law.

This Offering Circular has been issued only for the personal use of the above listed investors and exclusively for the purpose of the offer of Notes. Accordingly, the information contained herein may not be used for any other purpose nor disclosed to any other person in Belgium.

### *Switzerland*

This Offering Circular is not intended to constitute an offer or solicitation to purchase or invest in the Notes described herein. The Notes may not be publicly offered, sold or advertised, directly or indirectly, in, into or from Switzerland and will not be listed on the SIX Swiss Exchange or on any other exchange or regulated trading facility in Switzerland. Neither this Offering Circular nor any other offering or marketing material relating to the Notes constitutes a prospectus as such term is understood pursuant to article 652a or article 1156 of the Swiss Code of Obligations or a listing prospectus within the meaning of the listing rules of the SIX Swiss Exchange or any other regulated trading facility in Switzerland, and neither this Offering Circular nor any other offering or marketing material relating to the Notes may be publicly distributed or otherwise made publicly available in Switzerland.

## General

No action has been or will be taken in any country or jurisdiction by the Issuer, any of the Guarantors or any of the Initial Purchasers that would, or is intended to, permit a public offering of the Notes, or possession or distribution of this Offering Circular or any other offering material, in any country or jurisdiction where action for that purpose is required. Persons into whose hands this Offering Circular comes are required by the Issuer, the Guarantors and each of the Initial Purchasers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or have in their possession, distribute or publish this Offering Circular or any other offering material relating to the Notes, in all cases at their own expense.

# TAX CONSIDERATIONS

## FATCA Withholding

Pursuant to the foreign account tax compliance provisions of the Hiring Incentives to Restore Employment Act of 2010 ("FATCA"), non-U.S. financial institutions that enter into agreements with the IRS ("IRS Agreements") or become subject to provisions of local law intended to implement an intergovernmental agreement ("IGA legislation") entered into pursuant to FATCA, may be required to identify "financial accounts" held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other financial institutions that are not themselves participating in (or otherwise exempt from) the FATCA reporting regime. In order (a) to obtain an exemption from FATCA withholding on payments it receives and/or (b) to comply with any applicable laws in its jurisdiction, a financial institution that enters into an IRS Agreement or is subject to IGA legislation may be required to (i) report certain information on its U.S. account holders to the government of the United States or another relevant jurisdiction (such as Belgium) and (ii) withhold 30 per cent. from all, or a portion of, certain payments made to persons that fail to provide the financial institution information, consents and forms or other documentation that may be necessary for such financial institution to determine whether such person is compliant with FATCA or otherwise exempt from FATCA withholding.

Under FATCA, withholding may be required with respect to payments to persons that are not compliant with FATCA or that do not provide the necessary information, consents or documentation made on or after (i) January 1, 2014 in respect of certain US source payments, (ii) January 1, 2017, in respect of payments of gross proceeds (including principal repayments) on certain assets that produce U.S. source interest or dividends and (iii) January 1, 2017 (at the earliest) in respect of "foreign passthru payments" and then only on "obligations" that are not treated as equity for U.S. federal income tax purposes and that are issued or materially modified on or after (a) January 1, 2014, and (b) if later, in the case of an obligation that pays only foreign passthru payments, the date that is six months after the date on which the final regulations applicable to "foreign passthru payments" are filed in the Federal Register.

However, withholding under FATCA generally should not apply to the Notes unless interest paid on the Notes were from U.S. sources, which is not expected to be the case, and the Notes were to be "significantly modified" under applicable U.S. Treasury Regulations on or after January 1, 2014. Furthermore, if any payment on the Notes were to be subject to the FATCA regulations governing "foreign passthru payments", which have not yet been released, withholding under FATCA could possibly apply to such payment if made on or after January 1, 2017, or a later date depending on when the FATCA regulations governing foreign passthru payments are released.

Whilst the Notes are in global form and held by the NBB and its participants, including Euroclear Bank and Clearstream (together, the "ICSDs"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, the Guarantor, any Paying Agent and the Belgian Agent on behalf of the NBB, given that each of the entities in the payment chain beginning with the Issuer and ending with the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the securities may go into definitive form and therefore that they may be taken out of the NBB. If this were to happen, then a non-FATCA compliant holder could be subject to withholding. However, definitive notes will only be printed in very limited circumstances.

## Belgian Taxation

*The following is a summary of the principal Belgian tax consequences for investors of receiving interest in respect of, and converting or disposing of, Notes and is of a general nature based on the Issuer's understanding of current law and practice. Except as otherwise indicated, this summary only addresses the position of investors who do not have any connection with Belgium other than the holding of Notes. Investors should appreciate that, as a result of changing law or practice, the tax consequences may be otherwise than as stated below. Investors should consult their professional advisers on the possible tax consequences of subscribing for, purchasing, holding, selling or converting Notes under the laws of their countries of citizenship, residence, ordinary residence or domicile.*

***Withholding Tax***

All payments by or on behalf of the Issuer of interest on the Notes are in principle subject to the 25 per cent. Belgian withholding tax on the gross amount of the interest.

For the purpose of Belgian withholding tax, "interest" means the periodic interest income, any amount paid by the Issuer in excess of the issue price (whether or not on the maturity date) and, in case of a transfer of the Notes between two interest payment dates, the pro rata of accrued interest corresponding to the detention period.

All payments by or on behalf of the Issuer of principal and interest on the Notes may be made without deduction of withholding tax in respect of notes only if and as long as at the moment of payment or attribution of interest they are held by certain Eligible Investors in an exempt securities account (an "Exempt Account") that has been opened with a financial institution that is a direct or indirect participant in the NBB SSS (a "Participant"). Euroclear and Clearstream are directly or indirectly Participants for this purpose.

The NBB SSS tax rules determine the Belgian withholding tax regime for securities accepted in the NBB SSS. The purpose of the NBB SSS tax regime is to allow investors to trade Belgian debt securities on a gross basis (free of withholding taxes). The law of August 6, 1993, and its implementing Royal Decrees, which introduced the NBB SSS tax rules, exempts from withholding tax all interest on debt securities received by non-resident investors, companies subject to the Belgian corporate tax, and several categories of other qualifying investors. Interest on debt securities held in an Exempt Account can be paid gross by the issuer of the securities. Additionally, transfers between two Exempt Accounts do not incur any withholding tax on accrued interest.

A participant in Euroclear that is not a resident of Belgium for tax purposes may hold the Notes through Euroclear only on behalf of exempted investors, which include Belgian corporations and non-resident corporations and individuals, but exclude Belgian non-profit organizations or individuals subject to income tax in Belgium. It is not necessary simultaneously to notify or inform the Belgian tax authorities that the Notes are held on behalf of exempt investors, but Euroclear may be required to disclose the identity of its participant.

A participant in Euroclear that is a resident of Belgium for tax purposes may hold the Notes through the Euroclear system for both exempt and non-exempt investors. The participant must comply with the NBB's certification, reporting and withholding requirements directly with the NBB. Euroclear will not collect any tax certificates nor will it report any amounts held to the NBB.

According to the Belgian Royal Decree of 26 May 1994, the Notes can only be held by persons or entities which qualify for an Exempt Account. Exempt Accounts are reserved for:

(1) Belgian corporations subject to Belgian corporate income tax;

(2) institutions, associations and companies provided for in article 2, paragraph 3 of the Belgian law of July 9, 1975, on the control of insurance companies other than those referred to in 1° and 3° subject to the application of article 262, 1° and 5° of the Income Tax Code 1992;

(3) state regulated institutions ("*institutions parastatales*") for social security, or institutions which are equated to these, provided for in article 105, paragraph 2 of the Royal Decree of August 27, 1993, implementing the Income Tax Code 1992;

(4) non-resident investors provided for in article 105, paragraph 5 of the same decree;

(5) investment funds, recognized in the framework of pension savings, provided for in article 115 of the same decree;

(6) companies, associations and other taxpayers provided for in article 227, paragraph 2 of the Income Tax Code 1992, which have used the income generating capital for the exercise of their professional activities in Belgium and which are subject to non-resident taxes pursuant to article 233 of the same code;

(7) the Belgian state in respect of investments which are exempt from withholding tax in accordance with article 265 of the Income Tax Code 1992;

(8) investment funds governed by foreign law which are an indivisible estate managed by a management company for the account of the participants, when their participation rights are not publicly issued in Belgium and are not traded in Belgium; and

(9) resident corporations, other than those referred to under (1), when their activities exclusively or principally consist in the granting of credits and loans.

Eligible Investors do not include, among others, Belgian resident investors who are individuals or not for profit organizations, other than those mentioned under (2) and (3) above.

Upon opening of an Exempt Account with a Participant, an Eligible Investor is required to provide a statement of its eligible status on a form approved by the Minister of Finance. There is no ongoing declaration to the NBB SSS as to the eligible status of each investor for whom they hold Notes in an Exempt Account.

An Exempt Account may be opened with a Participant by an intermediary (an "Intermediary") in respect of Notes that the Intermediary holds for the account of its customers (the "Beneficial Owners"), provided that each Beneficial Owner is an Eligible Investor. In such a case, the Intermediary must deliver to the Participant a statement on a form approved by the Minister of Finance confirming that:

- the Intermediary is itself an Eligible Investor; and
- the Beneficial Owners holding their Notes through it are also Eligible Investors.

A Beneficial Owner is also required to deliver a statement of its eligible status to the Intermediary. These identification requirements do not apply, however, to non-resident Participants, Eligible Investors or Beneficial Owners who hold their Notes in Euroclear or Clearstream.

In accordance with the NBB SSS, a Noteholder who withdraws Notes from an Exempt Account will, following payment of interest on those Notes from the last preceding interest payment date, be entitled to claim an indemnity from the Belgian tax authorities of an amount equal to the withholding tax on the interest payable on the Notes from the last preceding interest payment date until the date of withdrawal of the Notes from the NBB SSS.

Under article 338*bis* of the Income Tax Code 1992, implementing the Directive of June 3, 2003, on the taxation of savings income, Belgium is required to report systematically to the tax authorities of another Member State details of payments of interest (or other similar income) paid by a paying agent within its jurisdiction to an individual resident in such other Member State.

The Note Certificates will not be eligible for settlement through the NBB SSS. Payments of interest on the Note Certificates will, in principle, be subject to a 25 per cent. interest withholding tax.

However, if the Noteholder is resident of a country that has entered into a double taxation agreement with Belgium, a reduction or an exemption of withholding tax may be applicable under specified circumstances.

Interest payments on the Note Certificates can be exempt from Belgian interest withholding tax if made to non-resident Noteholders, provided that an affidavit is remitted to the Issuer in which it is certified that (i) the Noteholder is the legal owner, or holds the usufruct of the Note Certificate during the entire period to which the interest payment pertains; (ii) the Noteholder is (a) a non-resident individual or non-profit organization; (b) a non-resident company that is subject to an income tax regime that is not substantially more favorable than the Belgian regime or whose shares are not held by Belgian resident individuals for at least 50 per cent.; or (c) a public investment company ("*societe d'investissement qui a fait appel public a l'epargne*"); (iii) the Noteholder does not use the Note Certificates in the exercise of a business or professional activity in Belgium; and (iv) the Note Certificates have been registered with the Issuer in the name of the investor during the entire period to which the interest payment pertains.

Interest payments on the Note Certificates made to Belgian resident corporate Noteholders can be exempt from Belgian interest withholding tax under specified circumstances, provided a special affidavit is delivered. Belgian investors should consult their professional advisers in order to determine whether an exemption of withholding tax is applicable in their specific situation.

### *Capital Gains and Income Tax*

Noteholders who are not residents of Belgium for Belgian tax purposes and are not holding the Notes through a Belgian establishment ("*etablissement belge*") within the meaning of Article 229 of the "*Code des Impots sur les revenus 1992*" (the Belgian income tax code 1992) will not incur or become liable for any Belgian tax on income or capital gains or other like taxes by reason only of the acquisition, ownership or disposal of the Notes, provided, in relation to such transactions affecting Notes, that they hold their Notes in an Exempt Account.

Interest attributed or paid to corporations who are Noteholders and Belgian residents for tax purposes, i.e. who are subject to the Belgian corporate income tax, as well as capital gains realized upon the sale of the Notes, are taxable at the ordinary corporate income tax rate of in principle 33.99 per cent. Capital losses realized upon the sale of the Notes are in principle tax deductible.

For Belgian resident private investors holding Notes as a private investment, payments of interest on the Notes will be subject to a 25 per cent. withholding tax in Belgium. The Belgian withholding tax is a final tax which means that the interest payment need not be reported in the Noteholder's annual income tax return. Capital gains realized upon the sale of the Notes by Belgian resident private investors are tax exempt unless and to the extent the capital gain qualifies as "interest" (as defined above in the section "Withholding Tax"). Belgian resident private investors may also be subject to income tax in Belgium at the rate of 33 per cent. (to be increased by additional local taxes) if they realize a capital gain on Notes which is deemed to be speculative or outside the scope of normal management of one's private estate. Other tax rules may apply to Notes held for professional purposes.

For Belgian resident legal entities (i.e., legal entities subject to the Belgian tax on legal entities), if the 25 per cent. Belgian withholding tax has been withheld, this withholding tax is a final tax. Otherwise, they are required to declare and pay the 25 per cent. Belgian withholding tax to the Belgian tax administration. Capital gains realized on the sale of the Notes by Belgian legal entities are in principle tax exempt, unless the capital gains qualify as interest under Belgian tax law (as defined above in the section "Withholding Tax"). Capital losses are in principle not tax deductible.

For Belgian pension fund entities that have the form of an Organization for Financing Pensions ("OFP") the interest derived on the Notes and capital gains realized on the Notes will not be subject to income tax. Subject to certain conditions, any Belgian withholding tax that has been levied on interest payments is creditable and refundable.

### *Transfer Tax*

A tax on stock exchange transactions ("*taxe sur les operations de bourse*") at the rate of 0.09% (subject to a maximum of €650 per party and per transaction) will become due upon the sale and purchase or exchange of Notes entered into or settled in Belgium in which a professional intermediary acts for either party. A separate tax is due from each of the seller and the purchaser, both collected by the professional intermediary.

A tax on repurchase transactions ("*taxes sur les reports*") at the rate of 0.085% (subject to a maximum of €650 per party and per transaction) will be due from each party to any such transaction entered into or settled in Belgium in which a stockbroker acts for either party.

However, neither of the taxes referred to above will be payable by exempt persons acting for their own account, including investors who are not Belgian residents and certain Belgian institutional investors, as defined in Article 126/1, 2°, of the code of miscellaneous taxes ("*Code des droits et taxes divers*").

## Certain United States Federal Income Tax Considerations

TO ENSURE COMPLIANCE WITH TREASURY DEPARTMENT CIRCULAR 230, HOLDERS ARE HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF U.S. FEDERAL TAX ISSUES IN THIS OFFERING CIRCULAR IS NOT INTENDED OR WRITTEN TO BE RELIED UPON, AND CANNOT BE RELIED UPON, BY HOLDERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON HOLDERS

UNDER THE INTERNAL REVENUE CODE; (B) SUCH DISCUSSION IS INCLUDED HEREIN BY THE ISSUER IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF CIRCULAR 230) BY THE ISSUER OF THE TRANSACTIONS OR MATTERS ADDRESSED HEREIN; AND (C) HOLDERS SHOULD SEEK ADVICE BASED ON THEIR PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT TAX ADVISER.

* * * * *

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Notes at the issue price that are U.S. Holders and that will hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. dollar).

As used herein, the term “U.S. Holder” means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisers concerning the U.S. federal income tax consequences to their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

**THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE NOTES, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, NON-U.S. AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.**

### *General*

The Notes will be treated as “contingent payment debt instruments” for U.S. federal income tax purposes. Under applicable U.S. Treasury regulations, interest on the Notes will be treated as “original issue discount” (“OID”), and must be accrued on a constant-yield basis (regardless of a U.S. Holder’s method of accounting for U.S. federal income tax purposes) based on a yield to maturity that reflects the rate at which the Issuer would issue a fixed-rate instrument with no contingent payments, but with terms and conditions otherwise comparable to those of the Notes (the “comparable yield”), in accordance with a projected payment schedule (as defined below). As a result, a U.S. Holder may be required to include interest in income each year in excess of any stated interest on the Notes.

The Issuer is required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on the Notes (the "projected payment schedule"). This projected payment schedule must include each noncontingent payment on the Note and an estimated amount for each contingent payment, and must produce the comparable yield. The comparable yield and projected payment schedule will be available from the Issuer by submitting a written request for such information to the Corporate Treasurer of the Barry Callebaut Group at Barry Callebaut Services N.V., Aalstersestraat 122, B-9280 Lebbeke-Wieze, Belgium.

The use of the comparable yield and the calculation of the projected payment schedule is based upon a number of assumptions and estimates and is not a prediction, representation or guarantee of the actual amounts of interest that may be paid to a U.S. Holder or the actual yield of the Notes. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Issuer, unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses such schedule to the IRS, and explains to the IRS the reason for preparing its own schedule. The Issuer's determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE ARE NOT DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF THE NOTES FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND DO NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE NOTEHOLDERS.

A U.S. Holder of a Note must include the sum of the daily portions of OID with respect to the Note for each day during the taxable year or portion of the taxable year in which the U.S. Holder holds the Note ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year, and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the product of the Note's adjusted issue price at the beginning of the accrual period and the Note's comparable yield (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period). The "adjusted issue price" of a Note at the beginning of any accrual period is the issue price of the Note increased by the amount of accrued OID for each prior accrual period under the projected payment schedule (determined without regard to any adjustments to interest accruals described below), and decreased by the projected amount of any payments previously made on the Note under the projected payment schedule. No additional income will be recognized upon the receipt of payments of stated interest in amounts equal to the annual payments included in the projected payment schedule. Any differences between actual payments received by the U.S. Holder on the Notes in a taxable year and the projected amount of those payments under the projected payment schedule will be accounted for as additional interest (in the case of a net positive adjustment) or as an offset to accrued OID in respect of the Note (in the case of a net negative adjustment), for the taxable year in which the actual payment is made. If the net negative adjustment for any taxable year exceeds the amount of accrued OID in respect of the Note for that taxable year, the excess will be treated as an ordinary loss to the extent of the U.S. Holder's previously accrued OID on the Note in prior taxable years reduced to the extent such accrued OID was previously offset by prior net negative adjustments. Any net negative adjustment that is not allowed as an ordinary loss for the taxable year is carried forward to the next taxable year, and is taken into account in determining whether the U.S. Holder has a net positive or negative adjustment for that year. However, any net negative adjustment that is carried forward to a taxable year in which the Note is sold, exchanged or retired reduces the U.S. Holder's amount realized on the sale, exchange or retirement.

Interest and OID included in income by a U.S. Holder constitutes income from sources outside the United States.

### *Sale, Exchange and Retirement of the Notes*

A U.S. Holder will generally recognize gain or loss on the sale, exchange or retirement of a Note equal to the difference between the amount realized on the sale, exchange or retirement and the tax basis of the Note. A U.S. Holder's tax basis in a Note will generally be its cost increased by the amount of any OID included in the U.S. Holder's income with respect to the Note under the projected payment schedule (determined without regard to any adjustments to interest accruals described above) and decreased by the amount of any projected payments previously made on the Note under the projected payment schedule (without regard to the actual amount paid). The amount realized will equal the amount of cash plus the fair market value of any property received by the U.S. Holder (less any net negative adjustment carry forward as discussed above). As discussed above, to the extent that actual payments with respect to a Note during the year of the scheduled retirement are greater or lesser than the projected payments for such year, a U.S. Holder will incur a net positive or negative adjustment, resulting in additional ordinary income or loss, as the case may be.

Gain from the sale, exchange or retirement of a Note will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total accrued OID to the date of sale, exchange or retirement exceeds the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss (which will be long-term capital loss if the Note has been held for more than one year at the time of sale, exchange or retirement). The deductibility of capital losses is subject to limitations. Gain or loss (other than loss treated as capital loss) realized by a U.S. Holder on the sale, exchange or retirement of a Note will be from sources outside the United States. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale, exchange or retirement of Notes.

### *Further Issues*

The Issuer may, without the consent of the Holders of outstanding Notes, issue additional Notes with identical terms. These additional Notes, even if they are treated for non-tax purposes as part of the same series as the original Notes, in some cases may be treated as a separate series for U.S. federal income tax purposes. In such a case, the additional Notes may have a different projected payment schedule, or the additional Notes may have a greater amount of OID than the original Notes. These differences may affect the market value of the original Notes if the additional Notes are not otherwise distinguishable from the original Notes.

### *Backup Withholding and Information Reporting*

Payments of principal, and interest and accruals of OID on, and the proceeds of sale or other disposition of Notes, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments, including payments of accrued OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

### *Foreign Financial Asset Reporting*

Legislation enacted in 2010 imposes reporting requirements on the holding of certain foreign financial assets, including debt of foreign entities, if the aggregate value of all of these assets exceeds $50,000 at the end of the taxable year or $75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The Notes are expected to constitute foreign financial assets subject to these requirements unless the Notes are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). U.S. Holders should consult their tax advisors regarding the application of this legislation.

## Swiss Taxation

The following is a summary of several significant tax effects of the purchase, ownership and disposition of the Notes under prevailing Swiss tax law. This summary makes no claim as to completeness, nor does it take into account any special circumstances of individual investors or purport to constitute tax advice. It is for general information only and does not address every potential tax consequence of an investment in the Notes under the laws of Switzerland. This summary is based on Swiss tax law and treaties in effect at the date of this Offering Circular. Such law and treaties are subject to amendments (or amendments in interpretation), which may have retroactive effect. Prospective investors should seek the advice of their professional tax advisors to clarify any tax implications resulting from an investment in the Notes.

### *Stamp, Issue and Other Taxes*

Under the current Swiss Federal Stamp Duty legislation, there are no stamp, issue, registration, transfer or similar taxes imposed by Switzerland in connection with the issue, or redemption of the Notes. However, the transfer or sale of the Notes in the secondary market may be subject to the Swiss transfer stamp duty at a rate of up to 0.30% if such transfer or sale is made to or from, or through the intermediary of, a Swiss securities dealer, as defined in the Swiss Stamp Tax Act. The sale of Notes by or through a member of the SIX Swiss Exchange may also be subject to a stock exchange levy.

### *Withholding Tax*

All payments by or on behalf of the Issuer or the Company of principal and interest on the Notes may be made without deduction of Swiss federal withholding tax, provided that the proceeds of the Notes are used exclusively outside Switzerland at all times while any notes are outstanding.

As confirmed by the Swiss Federal Tax Administration to the Issuer on May 22, 2013, all payments by or on behalf of the Issuer or the Company of principal and interest on the Notes are without deduction of Swiss federal withholding tax.

All payments by or on behalf of the Issuer or the Company of principal and interest on the Notes may be made without deduction of Swiss federal withholding tax, provided that the proceeds of the Notes are used exclusively outside Switzerland at all times while any Notes are outstanding (as described in the letter to the Swiss Federal Tax Administration dated on May 21, 2013 and confirmed by the Swiss Federal Tax Administration on May 22, 2013).

On August 24, 2011, the Swiss Federal Council issued draft legislation, which, if enacted, may require a paying agent in Switzerland to deduct Swiss withholding tax at a rate of 35 per cent. on any payment of interest in respect of a Note to an individual resident in Switzerland or to a person resident in a country which has no double tax treaty with Switzerland. If this legislation or similar legislation were enacted and a payment in respect of a Note were to be made or collected through Switzerland and an amount of, or in respect of, Swiss withholding tax were to be deducted or withheld from that payment, neither the Issuer nor any paying agent nor any other person would pursuant to the Final Terms of the Notes be obliged to pay additional amounts with respect to any Note as a result of the deduction or imposition of such withholding tax.

### *Income Taxation on Principal or Interest*

#### *Notes held by Non-Swiss holders*

Payments by the Issuer of interest on, and repayment of principal of, the Notes to, and gain realized on the sale or redemption of Notes by, a holder of Notes, who is not a resident of Switzerland, and who during the relevant taxation year has not engaged in a trade or business through a permanent establishment or a fixed place of business in Switzerland to which the Notes are attributable, will not be liable for any Swiss federal, cantonal or communal income tax.

*Notes held as Private Assets by Swiss Resident Holders*

An individual who resides in Switzerland and holds a Note as a private asset will be required to include all payments of interest received on the Note in his or her personal income tax return for the relevant tax period and will be taxable on any net taxable income (including the payment of interest on the Note) for such tax period at the then prevailing tax rates. Conversely, a capital loss realized by him or her on the sale or other disposition of a Note and a capital loss incurred as a consequence of a write down of the Note will constitute a non-tax-deductible loss. See "—Notes held as Swiss Business Assets" below for a summary on the tax treatment of individuals classified as "professional securities dealers."

*Notes held as Swiss Business Assets*

Individuals who hold Notes as part of a business in Switzerland, and Swiss-resident corporate taxpayers, and corporate taxpayers residing abroad holding Notes as part of a Swiss permanent establishment or fixed place of business in Switzerland, are required to recognize payments of interest and any capital gain or loss, as applicable, realized on the sale or other disposal of such Notes, in their income statement for the respective tax period and will be taxable on any net taxable earnings for such period at the prevailing tax rates. The same taxation treatment also applies to Swiss-resident individuals who, for Swiss income tax purposes, are classified as "professional securities dealers" for reasons of, *inter alia*, frequent dealings, or leveraged transactions, in securities."

### *EU Savings Tax Retention*

On July 1, 2005, Switzerland introduced a tax retention on interest payments or similar income paid by a Swiss paying agent as defined in Articles 1 and 6 of the Agreement between the European Community and the Swiss Confederation providing for measures equivalent to those laid down in Council Directive 2003/48/EC on taxation of savings income in the form of interest payments to the beneficial owner who is an individual and resident in the EU unless the interest payments are made on debt-claims issued by debtors who are residents of Switzerland or pertaining to permanent establishments of non-residents located in Switzerland. The tax retention may be withheld at the rate of 35%. The Swiss paying agent may be explicitly authorized by the beneficial owner of the interest payments to report interest payments to the Swiss Federal Tax Administration. Such report will then substitute the tax retention.

### *Final Withholding Tax on Swiss Bank Accounts for Another Country*

In 2012 Switzerland concluded agreements with the United Kingdom and Austria on a final withholding tax (*Abgeltungssteuer*). The agreements entered into force on January 1, 2013. The taxation upon entry into force of those agreements is as follows:

Persons resident in the United Kingdom or Austria receiving investment income (such as among others payment of interest under the Notes) or realizing capital gains (such as among others on the sale of the Notes) on their Swiss bank accounts can either voluntarily disclose their Swiss bank accounts to the tax authorities of the United Kingdom or Austria, or a final withholding tax will be deducted by the Swiss bank on such investment income or capital gains. The Swiss bank will remit the tax to the Swiss Federal Tax Administration which in turn will remit the tax to the British and Austrian tax authorities. The final tax rate is 25% under the agreement with Austria and, depending on the category of income, between 27% and 48% under the agreement with the United Kingdom. In both agreements, this final withholding tax is in fulfillment of the tax obligations towards the United Kingdom or Austria. Both agreements on final withholding taxes provide for a carve-out for interest payments to the extent such interest payments are subject to the EU Savings Tax for Swiss paying agents.

Switzerland might conclude similar agreements on final withholding taxes with other European or non-European countries. Currently an agreement with Greece is being discussed.

### Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "Savings Directive"), member states of the European Union (the "EU Member States" and each an "EU Member State") are required to provide to the tax authorities of another EU Member State details of payments of interest (or similar income) paid by a person within their jurisdiction to, or for, an individual resident in that other EU Member State or to certain limited types of entities established in that other EU Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments. The transitional period is to terminate at the end of the first full fiscal year following an agreement by certain non-EU countries to the exchange of information relating to such payments. A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Savings Directive which may, if implemented, amend or broaden the scope of the requirements described above.

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor the paying agent nor any other person would be obliged to pay additional amounts to the Noteholder or to otherwise compensate the Noteholder for the reduction in the amounts that the Noteholder will receive as a result of the imposition of such withholding tax. However, the Issuer is required to maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to the Directive (if such a state exists).

Potential investors who are in any doubt as to their tax position should consult their own independent tax advisers.

## INFORMATION REGARDING THE ISSUER

Barry Callebaut Services NV is a company incorporated with limited liability under the laws of Belgium. Barry Callebaut Services NV was incorporated on August 2, 1991. The issued share capital of Barry Callebaut Services NV is €705,000,000.00, divided into 705,000,000 fully paid up shares without nominal value. Barry Callebaut Services NV is a direct wholly owned subsidiary of Barry Callebaut AG.

The registered office of Barry Callebaut Services NV is Aalstersestraat 122, B 9280 Lebbeke Wieze, Belgium. It is registered with the Crossroad Bank for Enterprises under number 444.734.706.

Barry Callebaut Services NV's corporate purpose is to serve as our financing company, and in connection therewith, Barry Callebaut Services NV may provide certain types of financial assistance to our companies, such as, among others, the provision of loans, the subscription of bonds, notes or other debt instruments. Barry Callebaut Services NV may borrow in any form including by issuing bonds, notes or other debt instruments and lend money or give credit to any company of the group, without security or upon the security of real or personal property of any kind. As of February 28, 2013, Barry Callebaut Services NV had outstanding for statutory purposes senior unsecured notes of €591,863,147, net of transaction costs, senior unsecured commercial paper of €95,972,256, long-term unsecured bank debt of €25,000,000 and short-term unsecured bank debt of €27,658,195. Barry Callebaut Services NV also enters into short-term foreign currency and interest rate derivatives. See "Description of Certain Indebtedness".

The following table presents selected historical statutory financial information for Barry Callebaut Services NV, which has been derived from the audited statutory financial statements for Barry Callebaut Services NV as of and for the fiscal year ended August 31, 2012, prepared in accordance with Belgian GAAP.

| | As of and for the Year ended August 31 | |
|---|---|---|
| | **2012** | **2011** |
| | *(€ in millions)* | |
| **Historical Balance Sheet Data (at end of period):** | | |
| Fixed assets | 1.6 | 1.9 |
| Intangible fixed assets | 1.5 | 1.1 |
| Tangible fixed assets | 0.0 | 0.9 |
| Assets under construction and advance payments | 0.0 | 0.9 |
| Current assets | 1,935.8 | 1,966.9 |
| Amounts receivable after more than one year | 779.8 | 492.9 |
| Other amounts receivable | 779.8 | 492.9 |
| Amounts receivable within one year | 1,019.7 | 1,374.7 |
| Trade debtors | 50.6 | 61.7 |
| Other amounts receivable | 969.1 | 1,313.0 |
| Cash at bank and in hand | 28.8 | 18.0 |
| Deferred charges and accrued income | 107.4 | 81.3 |
| Total assets | 1,937.3 | 1,968.9 |

| | As of and for the Year ended August 31 | |
|---|---|---|
| | 2012 | 2011 |
| | *(€ in millions)* | |
| Equity | 837.2 | 820.2 |
| Capital | 705.0 | 705.0 |
| Issued capital | 705.0 | 705.0 |
| Reserves | 12.9 | 12.1 |
| Legal reserve | 12.9 | 12.1 |
| Accumulated profits (losses) | 119.3 | 103.1 |
| Provisions and deferred taxes | 2.0 | 1.8 |
| Provisions for liabilities and charges | 2.0 | 1.8 |
| Pensions and similar obligations | 2.0 | 1.8 |
| Amounts payable | 1,098.1 | 1,146.9 |
| Amounts payable after more than one year | 701.3 | 587.9 |
| Financial debts | 701.3 | 587.9 |
| Unsubordinated debentures | 591.3 | 587.9 |
| Credit institutions | 110.0 | — |
| Amounts payable within one year | 319.1 | 489.7 |
| Financial debts | 300.2 | 463.4 |
| Other loans | 300.2 | 463.4 |
| Trade debts | 15.1 | 18.6 |
| Suppliers | 15.1 | 18.6 |
| Taxes, remuneration and social security | 2.7 | 3.9 |
| Taxes | 0.1 | 1.6 |
| Remuneration and social security | 2.5 | 2.4 |
| Other amounts payable | 1.1 | 3.8 |
| Accruals and deferred income | 77.8 | 69.3 |
| Total liabilities | 1,937.3 | 1,968.9 |
| **Historical income statement data:** | | |
| Operating income | 19.2 | 16.9 |
| Turnover | 17.8 | 16.5 |
| Own work capitalised | 1.5 | 0.4 |
| Other operating income | 0.0 | 0.0 |
| Operating charges | 23.6 | 20.1 |
| Services and other goods | 14.4 | 11.8 |
| Remuneration, social security costs and pensions | 8.3 | 7.6 |
| Depreciation of and other amounts written off formation expenses, intangible and tangible fixed assets | 0.5 | 0.5 |
| Provisions for liabilities and charges: Appropriations (uses and write-backs) | 0.2 | 0.1 |
| Other operating charges | 0.2 | 0.2 |
| Operating profit (loss) | (4.4) | (3.2) |
| Financial income | 75.1 | 70.3 |
| Income from current assets | 75.1 | 70.2 |
| Other financial income | — | 0.1 |
| Financial charges | 53.7 | 44.1 |
| Debt charges | 53.6 | 43.7 |
| Other financial charges | 0.2 | 0.4 |
| Gain (loss) on ordinary activities before taxes | 17.0 | 22.9 |
| Gain (loss) for the period before taxes | 17.0 | 23.0 |
| Gain (loss) of the period | 17.0 | 22.9 |

The board of directors for Barry Callebaut Services NV is composed of Ludwig Pausenberger, who is the Chief Financial Officer of the Barry Callebaut group in Western Europe, Viktor Balli, who is the Chief Financial Officer of the Barry Callebaut group and Tom Van de Vyver who is the Corporate Treasurer for the Barry Callebaut group.

The business address of the Board members is the same as the registered address of the Company, which can be found on the inside back cover of this Offering Circular.

The financial year for Barry Callebaut Services NV runs from September 1 to August 31. The audited statutory financial statements of Barry Callebaut Services NV, which are not included in this Offering Circular, are filed with the NBB and are available for viewing, in Dutch, on the website of the NBB (www.nbb.be).

## LEGAL MATTERS

Certain legal matters in connection with the Offering will be passed upon for us by Linklaters LLP, with respect to matters of U.S. federal, English, French, and Belgian law, by Bär & Karrer AG, with respect to matters of Swiss law, and by Richards, Layton & Finger, P.A. with respect to certain limited matters of Delaware law. Certain legal matters in connection with the Offerings will be passed upon for the Initial Purchasers by Latham & Watkins (London) LLP, with respect to matters of U.S. federal and English law.

# LISTING AND GENERAL INFORMATION

## Listing

Application has been made to the Luxembourg Stock Exchange for the Notes to be admitted to listing on the official list and to be admitted to trading on the Euro MTF market of the Luxembourg Stock Exchange in accordance with the rules of that exchange. Notice of any optional redemption, change of control, or change in the rate of interest payable on the Notes will be published in accordance with the rules of the Luxembourg Stock Exchange from time to time.

For so long as the Notes are listed on the Euro MTF, copies of the following documents may be inspected and obtained at the specified office of the listing agent in Luxembourg during normal business hours on any weekday:

(i) the organizational documents of Barry Callebaut Services NV, Barry Callebaut AG, and each of the Guarantors;

(ii) Barry Callebaut AG's most recent audited consolidated financial statements and any interim financial statements published by Barry Callebaut AG;

(iii) the Escrow Agreement;

(iv) the Agency Agreement; and

(v) the Guarantee.

We will maintain a paying and transfer agent in Luxembourg for as long as any of the Notes are listed on the Euro MTF. We reserve the right to vary such appointment and we will publish notice of such change of appointment in accordance with the rules of the Luxembourg Stock Exchange from time to time.

## Clearing Information

The Regulation S Notes and the Rule 144A Notes have been accepted for clearance through the facilities of the NBB SSS, Euroclear and Clearstream under common codes 094298032 and 094343321, respectively. The ISIN for the Regulation S Notes is BE6254003252 and the ISIN for the Rule 144A Notes is BE6254004268.

## Legal Information

### *Barry Callebaut Services NV*

The creation and issuance of the Notes was authorized by a resolution of Barry Callebaut Services NV's board of directors dated June 1, 2013.

### *Barry Callebaut AG*

Barry Callebaut AG is a stock corporation incorporated under the laws of Switzerland. The issued share capital of Barry Callebaut AG is CHF 96,162,000, divided into 5.17 million fully paid up registered shares with a nominal value of CHF 18.6 each. Approximately 64.8% of the issued share capital of Barry Callebaut AG is held and beneficially owned by the Jacobs Holding AG and certain members of the Jacobs family. The remaining 35.2% of the shares are held publicly. The entire share capital is listed and traded on the SIX Swiss Exchange. The registered office of Barry Callebaut AG is Westpark, Pfingstweidstrasse 60, 8005 Zürich, Switzerland, and its registration number at the commercial register in Zürich is CH-020.3.005.564-0.

Barry Callebaut AG is primarily engaged in the business of the acquisition, administration and sale of participations in businesses of the food and beverage industry, predominantly but not limited to the area of cocoa, chocolate and derivatives thereof, as well as similar products.

The Guarantee of the Notes was authorized by a resolution of Barry Callebaut AG's board of directors dated May 30, 2013.

Barry Callebaut AG produces statutory unconsolidated financial statements (which comprise the income statement, balance sheet and notes) for each fiscal year ending August 31, based on its activities as

distinct from the Barry Callebaut group. The unconsolidated statements are based on Swiss law and the company's articles of association. The unconsolidated financial statements are available at the offices of the Paying Agent in Luxembourg.

### *Barry Callebaut Belgium NV*

Barry Callebaut Belgium NV is a company incorporated with limited liability under the laws of Belgium. The issued share capital of Barry Callebaut Belgium NV is €61,537,705.00, divided into 61,289 fully paid up shares without nominal value. Barry Callebaut Belgium NV is a direct and indirect wholly owned subsidiary of Barry Callebaut AG. The registered office of Barry Callebaut Belgium NV is Aalstersestraat 122, B-9280 Lebbeke-Wieze, Belgium. It is registered with the Crossroad Bank for Enterprises under number 438.950.833.

Barry Callebaut Belgium NV is primarily engaged in the manufacturing and the production of chocolate, cocoa, patisserie products, and other foodstuffs.

The Guarantee of the Notes has been authorized by a resolution of Barry Callebaut Belgium NV's board of directors dated June 1, 2013 and a resolution of the shareholders dated June 1, 2013.

### *Barry Callebaut France SAS*

Barry Callebaut France SAS is a company incorporated with limited liability under the laws of France. The issued share capital of Barry Callebaut France SAS is €50 million, divided into 40,997,313 fully paid up shares. Barry Callebaut France SAS is an indirect wholly owned subsidiary of Barry Callebaut AG. The registered office of Barry Callebaut France SAS is 5 Boulevard Michelet, Hardricourt, 78250 Meulan, France, and its registration number is 352 714 745 RCS Versailles.

Barry Callebaut France SAS is primarily engaged in the business of the manufacture, transformation, sale and distribution of cocoa and chocolate products; trading, buying and selling agricultural and food products; buying and selling all raw materials necessary for manufacturing, in particular on French and foreign markets, as well as any machinery necessary for manufacturing products.

The Guarantee of the Notes was authorized by a decision of Barry Callebaut France SAS's president dated June 1, 2013.

### *Barry Callebaut Sourcing AG*

Barry Callebaut Sourcing AG is a stock corporation incorporated under the laws of Switzerland. The issued share capital of Barry Callebaut Sourcing AG is CHF 2 million, divided into 2,000 fully paid up registered shares with a nominal value of CHF 1,000 each. Barry Callebaut Sourcing AG is a wholly owned subsidiary of Barry Callebaut AG. The registered office of Barry Callebaut Sourcing AG is Westpark, Pfingstweidstrasse 60, 8005 Zurich, Switzerland, and its registration number at the commercial register in Zurich is CH-170.3.020.538-1.

Barry Callebaut Sourcing AG is primarily engaged in the business of trading with raw materials and further means of production, in particular for the companies of the Barry Callebaut group, as well as the purchase and the providing of services for these and other companies.

The Guarantee of the Notes was authorized by a resolution of Barry Callebaut Sourcing AG's board of directors dated June 1, 2013 and by a resolution of an extraordinary shareholders' meeting held on June 1, 2013.

### *Barry Callebaut Manufacturing (UK) Limited*

Barry Callebaut Manufacturing (UK) Limited is a limited liability company organized under the laws of England and Wales. The issued share capital of Barry Callebaut Manufacturing (UK) Limited is £15,467,852, divided into 15,467,852 fully paid-up shares. Barry Callebaut Manufacturing (UK) Limited is an indirect wholly owned subsidiary of Barry Callebaut AG. The registered office of Barry Callebaut Manufacturing (UK) Limited is Wildmere Road, OX16 3UU Banbury, and its company number is 01156841.

Barry Callebaut Manufacturing (UK) Limited is primarily engaged in the business of the manufacturing of, and trading in, chocolate, cocoa, sweets, and all kinds of confectionery and other foodstuffs, provisions and refreshments.

The Guarantee of the Notes was authorized by a resolution of Barry Callebaut Manufacturing (UK) Limited's directors dated June 1, 2013 and by a resolution of an extraordinary shareholders' meeting held on June 1, 2013.

### *Barry Callebaut U.S.A. LLC*

Barry Callebaut U.S.A. LLC is a limited liability company formed under the laws of the State of Delaware, and has a total of one member. Barry Callebaut U.S.A. LLC is an indirect wholly owned subsidiary of Barry Callebaut AG. The Barry Callebaut U.S.A. LLC's offices are located at 400 Industrial Park Road, St. Albans, Vermont 05478, USA.

Barry Callebaut U.S.A. LLC is primarily engaged in the business of the production, sale and distribution of chocolate and other confectionery.

The Guarantee of the Notes was authorized by a written resolution of Barry Callebaut U.S.A. LLC's board of directors dated June 12, 2013.

### *Barry Callebaut Manufacturing France SAS*

Barry Callebaut Manufacturing France SAS is a company incorporated with limited liability under the laws of France. The issued share capital of Barry Callebaut Manufacturing France SAS is €6,637,540 divided into 663,754 fully paid-up shares. Barry Callebaut Manufacturing France SAS is an indirect wholly owned subsidiary of Barry Callebaut AG. The registered office of Barry Callebaut Manufacturing France SAS is 5 Boulevard Michelet, Hadricourt, 78250 Meulan, France, and its registration number is 438 773 525 RCS Versailles.

Barry Callebaut Manufacturing France SAS is primarily engaged in the business of the manufacture and sale of chocolate products.

The Guarantee of the Notes was authorized by a resolution of Barry Callebaut Manufacturing France SAS's president dated June 1, 2013.

### *Barry Callebaut Schweiz AG*

Barry Callebaut Schweiz AG is a stock corporation incorporated under the laws of Switzerland. The issued share capital of Barry Callebaut Schweiz AG is CHF 4.6 million, divided into 920 fully paid-up registered shares with a nominal value of CHF 5,000 each. Barry Callebaut Schweiz AG is a wholly owned subsidiary of Barry Callebaut AG. The registered office of Barry Callebaut Schweiz AG is Ringstrasse 19, 8600 Dübendorf, Switzerland, and its registration number at the commercial register in Zürich is CH-020.3.904.625-0.

Barry Callebaut Schweiz AG is primarily engaged in the manufacturing, sale and distribution of cocoa and chocolate products as well as other bakery and pastry products for professional users such as chocolatiers, pastry chefs, bakeries, hotels, restaurants and caterers.

The Guarantee of the Notes was authorized by a resolution of Barry Callebaut Schweiz AG's board of directors dated June 1, 2013 and by a resolution of an extraordinary shareholders' meeting held on June 1, 2013.

### *Barry Callebaut Cocoa AG*

Barry Callebaut Cocoa AG is a stock corporation incorporated under the laws of Switzerland. The issued share capital of the company amounts to CHF 100,000, divided into 100 fully paid-up registered shares with a nominal value of CHF 1,000 each. Barry Callebaut Cocoa AG is a wholly owned subsidiary of Barry Callebaut AG. The registered office of Barry Callebaut Cocoa AG is at Pfingstweidstrasse 60, Westpark, 8005 Zurich, Switzerland, and its registration number at the commercial register in Zurich is CH-020.3.036.593-7.

Barry Callebaut Cocoa AG is primarily engaged in the trading of raw materials, in particular cocoa products.

The Guarantee of the Notes was authorized by a resolution of Barry Callebaut Cocoa AG's board of directors dated June 1, 2013 and by a resolution of an extraordinary shareholders' meeting held on June 1, 2013.

### Litigation

Neither the Issuer nor any member of the Group is involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Issuer or the Group.

### Significant Change

Except as disclosed in this Offering Circular, there has been no significant change in relation to the financial or trading position of the Issuer or the Group (taken as a whole) since August 31, 2012, and there has been no material change in the prospects of the Issuer since August 31, 2012.

### Independent Auditors

The consolidated financial statements of Barry Callebaut AG as at August 31, 2012 and 2011, and for each of the years then ended, and the consolidated financial statements of Barry Callebaut AG as at August 31, 2011 and 2010, and for each of the years then ended, which are included in this Offering Circular, have been audited by KPMG AG, independent auditors, as stated in their reports appearing herein.

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# Consolidated Financial Statements

Barry Callebaut
Annual Report 2011/12

## Consolidated Income Statement

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

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

## Consolidated Statement of Comprehensive Income

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

## Consolidated Balance Sheet

### Assets

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

### Liabilities and equity

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

## Consolidated Cash Flow Statement

### Cash flows from operating activities[1]

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

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

# Consolidated Cash Flow Statement

## Cash flows from investing activities[1]

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

## Cash flows from financing activities[1]

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

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

## Consolidated Statement of Changes in Equity

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

# Summary of Accounting Policies

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### Foreign currency transactions

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

#### Foreign currency translation

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

#### Major foreign exchange rates

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

#### Cash and cash equivalents

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

#### Trade receivables and other current assets

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*No hedge accounting designation*
The Group's purchasing and sourcing center and the In-house Bank of the Group fair value their derivative financial instruments without applying hedge accounting.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Leased assets**

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

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

**Financial liabilities**

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

**Provisions**

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

**Employee benefit obligations/post-employment benefits**

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

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

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

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

**Post-retirement benefits other than pensions**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Amended International Financial Reporting Standards and Interpretations which became effective for this financial year**
*Amendments to IAS 24 – Related Party Disclosures (effective January 1, 2011)*
The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. A reporting entity might be exempted from the general disclosure requirements set out in IAS 24 in relation to related party transactions and outstanding balances, if certain requirements are met. The amendment includes new related party relationships such as associates of the controlling shareholder, entities managed by their key management personnel who has control or joint control over the reporting entity, entities jointly controlled by an individual investor (or the individual investor's close family member) having joint control or significant influence over the reporting entity, and entities being controlled or jointly controlled by an individual investor having significant influence over the reporting entity.

*Amendments to IFRS 7 – Financial Instruments: Disclosures – Transfer of Financial Assets (effective July 1, 2011)*
The IASB introduced enhanced disclosure requirements to IFRS 7 Financial Instruments as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for example securitizations), including the possible effects of any risks that remain with the entity that transfers the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. This amendment impacted the Group on the disclosures.

*Improvements to IFRS (effective January 1, 2011)*
Several standards have been modified on miscellaneous points. No material impacts on the Group's Consolidated Financial Statements were identified.

**Amended International Financial Reporting Standards and Interpretations, not yet effective for the Group and not early adopted**
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after September 1, 2012, but the Group has not early adopted them.

*Amendments to IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income (effective for periods beginning on or after July 1, 2012)*
The IASB introduced changes to the presentation of items of other comprehensive income. The amendments require that an entity presents separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met. The amendments change the title of the statement of comprehensive income to the Consolidated Income Statement and other comprehensive income. However, the entity is still allowed to use other titles. Potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

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

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

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

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

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

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

*IAS 27 – Consolidated and Separate Financial Statements (effective for periods beginning on or after January 1, 2013)*
This standard has been amended due to the release of IFRS 10 – Consolidated Financial Statements. IAS 27 carries forward the existing accounting for separate financial statements, with some minor clarifications. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

*IAS 28 – Investments in Associates (effective for periods beginning on or after January 1, 2013)*
This standard has been amended due to the release of IFRS 11 – Joint Arrangements. Some minor clarifications have been added. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

*Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2014)*
These amendments clarify when an entity currently has a legally enforceable right to set off financial assets and financial liabilities, and also clarifies the circumstances when gross settlement is equivalent to net settlement. The amendments are to be applied retrospectively. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

*Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2013)*
These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are offset in the balance sheet, and are subject to enforceable master netting agreements or similar agreements. The amendments are to be applied retrospectively. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's Consolidated Financial Statements were not yet fully assessed.

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

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

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

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

## 1 Acquisitions

**Acquisitions in 2011/12**

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

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

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

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

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

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

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

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

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

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

**Acquisitions in 2010/11**
On June 24, 2011, the Group entered into a long-term Chocolate and Compound Manufacturing and Supply Agreement with the Mexican chocolate and compound food service distributor Turín and purchased the necessary properties, equipment and inventories for the production. In addition, the staff necessary to meet the contractual obligations was also taken over by the Group. Based on IFRS 3 Business Combinations, this transaction qualifies as a business combination.

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

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

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

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

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

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

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

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

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

## 2 Discontinued operations and disposals

**Discontinuation of the Dijon operations**

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

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

**Disposal of the European Consumer Products business**

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

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

## Result and cash flow of the discontinued operations and disposals

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

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

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

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

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

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

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

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

## 3 Segment information

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

**Financial information by reportable segments**

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

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

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

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

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

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

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

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

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

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

**Reconciliation of EBIT to net profit for the year**

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

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

**Additional entity-wide disclosures**

*Information on geographical regions*

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

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

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

*Information on Product Groups*

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

**Segment information by product group**

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

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

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

## 4 Personnel expenses

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

## 5 Research and development expenses

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

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

## 6 Other income

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

## 7 Other expenses

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

## 8 Financial income

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

## 9 Financial expenses

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

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

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

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

## 10 Income tax expenses

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

**Reconciliation of income taxes**

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

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

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

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

## 11 Earnings per share from continuing operations

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

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

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

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

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

## 12 Trade receivables and other current assets

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

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

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

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

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

#### Ageing of trade receivables

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

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

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

**Movements in impairment provision for trade receivables**

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

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

## 13 Inventories

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

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

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

## 14 Derivative financial instruments and hedging activities

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

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

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

### Effect of cash flow hedges on equity

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

### Cash flow hedges

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

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

### Fair value hedges

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

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

### Hedged firm commitments

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

### Other – no hedge accounting

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

## 15 Property, plant and equipment

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

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

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

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

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

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

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

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

## 16 Obligations under finance leases

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

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

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

## 17 Investments in associates and joint ventures

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

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

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

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

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

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

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

## 18 Intangible assets

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

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

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

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

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

**Impairment testing for cash-generating units containing goodwill**

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

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

1 Excluding discontinued operations

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

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

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

**Key assumptions used for value-in-use calculations**

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

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

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

## 19 Deferred tax assets and liabilities

**Movement in deferred tax assets and liabilities**

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

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

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

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

**Tax losses carried forward excluded from recognition of related deferred tax assets**
Tax losses carried forward not recognized as deferred tax assets have the following expiry dates:

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

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

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

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

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

## 20 Bank overdrafts and short-term debt

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

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

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

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

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

## 21 Trade payables and other current liabilities

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

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

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

## 22 Provisions

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

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

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

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

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

## 23 Long-term debt

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

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

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

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

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

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

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

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

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

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

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

## 24 Employee benefit obligations

*A. Pension and other long-term employment benefit plans*

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

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

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

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

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

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

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

**Composition of plan assets**

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

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

The amounts recognized in profit or loss are as follows:

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

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

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

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

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

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

### Weighted average assumption used

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

### Additional historical information

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

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

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

## 25 Equity

**Share capital**

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

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

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

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

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

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

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

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

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

**Movements in non-controlling interests**

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

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

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

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

## 26 Financial risk management

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

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

The Group manages its business based on the following two business models:

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

*Commodity price risks*

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

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

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

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

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

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

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

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

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

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

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

The Group's Treasury Policy giving guidance on treasury risk management including foreign currency and interest rate risks is approved and annually reviewed by the AFRQCC. The Group's Risk Management department reviews the consistency of the Group's treasury management strategy with the Group's Treasury Policy and reports the status to the Group's CFO periodically. The AFRQCC is informed by the CFO about the status and important matters in their quarterly meetings and approves requests of the Group's Finance Committee on important treasury risk matters including foreign currency risks for recommendation to the Board of Directors. The Board of Directors is the highest approval authority for all Group Treasury Risk Management matters.
The table below provides an overview of the net exposure of EUR, GBP and USD against the main functional currencies in the Group. According to the Group's Treasury Policy,

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

**Net foreign currency exposures**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Short-term deposits*
The carrying value approximates fair value because of the short period to maturity of these financial instruments.

*Short-term debts*
The carrying value approximates fair value because of the short period to maturity of these financial instruments.

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

*Other receivables and payables representing financial instruments*
The carrying value approximates fair value because of the short-term maturity of these financial instruments.

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

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

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

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

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

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

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

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

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

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

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

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

## 27 Related parties

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

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

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

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

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

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

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

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

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

## 28 Commitments and contingencies

### Capital commitments

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

### Operating lease commitments

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

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

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

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

### Contingencies

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

## 29 Group entities

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

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

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

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

## 30 Risk assessment disclosure required by Swiss law

*Group Risk Management*

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

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

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

## 31 Subsequent events

*Batory acquisition*

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

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

The consideration paid amounted to CHF 12.2 million.

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

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

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

*Outsourcing agreement with Arcor*

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

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

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

*Approval of the Financial Statements*

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

References to page numbers in this Report of the Statutory Auditor are to the pages in the Barry Callebaut Annual Report 2011/2012 and not the pages in this document.

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

## Barry Callebaut, Zurich

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

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

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

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

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

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

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

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

KPMG AG

Marc Ziegler
*Licensed Audit Expert*
*Auditor in Charge*

Patricia Bielmann
*Licensed Audit Expert*

Zurich, November 5, 2012

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

Member of the Swiss Institute of Certified Accountants and Tax Consultants

## Consolidated Income Statement

| for the fiscal year ended August 31, | | 2010/11 | 2009/10 |
|---|---|---|---|
| in thousands of CHF | Notes | | restated[1] |
| | | | |
| **Revenue from sales and services** | | **4,554,363** | **4,524,544** |
| | | | |
| Cost of goods sold | | (3,895,362) | (3,874,997) |
| **Gross profit** | | **659,001** | **649,547** |
| | | | |
| Marketing and sales expenses | | (88,145) | (95,143) |
| General and administration expenses | | (219,362) | (217,730) |
| Other income | 6 | 19,518 | 17,456 |
| Other expenses | 7 | (10,454) | (13,030) |
| **Operating profit (EBIT)** | | **360,558** | **341,100** |
| | | | |
| Financial income | 8 | 1,359 | 2,021 |
| Financial expenses | 9 | (74,415) | (72,997) |
| Result from investments in associates and joint ventures | 17 | 1,168 | (225) |
| **Profit before income taxes** | | **288,670** | **269,899** |
| | | | |
| Income tax expenses | 10 | (29,786) | (32,447) |
| | | | |
| **Net profit from continuing operations** | | **258,884** | **237,452** |
| | | | |
| Net result from discontinued operations, net of tax | 26 | **(82,134)** | **14,291** |
| | | | |
| **Net profit for the year** | | **176,750** | **251,743** |
| of which attributable to: | | | |
| – shareholders of the parent company | | 177,606 | 251,226 |
| – non-controlling interest | | (856) | 517 |
| | | | |
| **Earnings per share from continuing and discontinued operations** | | | |
| Basic earnings per share (CHF/share) | | 34.39 | 48.62 |
| Diluted earnings per share (CHF/share) | | 34.23 | 48.47 |
| | | | |
| **Earnings per share from continuing operations**[2] | 11 | | |
| Basic earnings per share (CHF/share) | | 50.29 | 45.86 |
| Diluted earnings per share (CHF/share) | | 50.07 | 45.71 |

1 Due to the discontinuation of the European Consumer Products business, certain comparatives have been restated to conform with the current period's presentation. See discontinued operations – note 26

2 Based on the net profit for the year attributable to the shareholders of the parent company excluding the net result from discontinued operations

## Consolidated Statement of Comprehensive Income

| for the fiscal year ended August 31, | | 2010/11 | 2009/10 |
|---|---|---|---|
| in thousands of CHF | Notes | | |
| | | | |
| **Net profit for the year** | | **176,750** | **251,743** |
| Cash flow hedges | 14 | 13,869 | (3,580) |
| Tax effect on cash flow hedges | | (4,739) | 1,585 |
| Currency translation differences | | (199,114) | (138,026) |
| **Other comprehensive (loss)/income for the year, net of tax** | | **(189,984)** | **(140,021)** |
| | | | |
| **Total comprehensive income for the year** | | **(13,234)** | **111,722** |
| of which attributable to: | | | |
| – shareholders of the parent company | | (12,182) | 111,309 |
| – non-controlling interest | | (1,052) | 413 |

## Consolidated Balance Sheet

### Assets

| as of August 31, | | 2011 | 2010 |
|---|---|---|---|
| in thousands of CHF | Notes | | |
| | | | |
| Current assets | | | |
| Cash and cash equivalents | | 41,977 | 17,360 |
| Short-term deposits | | 433 | 750 |
| Trade receivables and other current assets | 12 | 462,787 | 587,380 |
| Inventories | 13 | 1,065,653 | 1,186,231 |
| Current income tax assets | | 2,099 | 2,760 |
| Derivative financial assets | 14 | 245,924 | 370,580 |
| Assets held for sale | 26 | 235,841 | – |
| **Total current assets** | | **2,054,714** | **2,165,061** |
| | | | |
| Non-current assets | | | |
| Property, plant and equipment | 15 | 655,846 | 830,866 |
| Investments in associates | 17 | 4,041 | 3,479 |
| Intangible assets | 18 | 465,905 | 512,494 |
| Deferred income tax assets | 19 | 76,724 | 51,361 |
| Other non-current assets | | 5,901 | 7,586 |
| **Total non-current assets** | | **1,208,417** | **1,405,786** |
| **Total assets** | | **3,263,131** | **3,570,847** |

### Liabilities and equity

| as of August 31, | | 2011 | 2010 |
|---|---|---|---|
| in thousands of CHF | Notes | | |
| | | | |
| Current liabilities | | | |
| Bank overdrafts | 20 | 17,327 | 13,466 |
| Short-term debt | 20 | 129,970 | 175,938 |
| Trade payables and other current liabilities | 21 | 657,167 | 769,537 |
| Current income tax liabilities | | 70,165 | 41,968 |
| Derivative financial liabilities | 14 | 143,536 | 371,059 |
| Provisions | 22 | 7,450 | 15,558 |
| Liabilities directly associated with assets held for sale | 26 | 222,509 | – |
| **Total current liabilities** | | **1,248,124** | **1,387,526** |
| | | | |
| Non-current liabilities | | | |
| Long-term debt | 23 | 684,960 | 699,516 |
| Employee benefit obligations | 24 | 47,874 | 105,114 |
| Provisions | 22 | 5,398 | 5,861 |
| Deferred income tax liabilities | 19 | 50,105 | 58,721 |
| Other non-current liabilities | | 9,827 | 10,946 |
| **Total non-current liabilities** | | **798,164** | **880,158** |
| **Total liabilities** | | **2,046,288** | **2,267,684** |
| | | | |
| Equity | 25 | | |
| Share capital | | 125,114 | 197,494 |
| Retained earnings and other reserves | | 1,092,004 | 1,104,787 |
| **Total equity attributable to the shareholders of the parent company** | | **1,217,118** | **1,302,281** |
| Non-controlling interest | | (275) | 882 |
| **Total equity** | | **1,216,843** | **1,303,163** |
| **Total liabilities and equity** | | **3,263,131** | **3,570,847** |

## Consolidated Cash Flow Statement

### Cash flows from operating activities

| for the fiscal year ended August 31, | | 2010/11 | 2009/10 |
|---|---|---|---|
| in thousands of CHF | Notes | | |
| | | | |
| Profit before income taxes from continuing operations | | 288,670 | 269,899 |
| (Loss)/profit before income taxes from discontinued operations | 26 | (76,605) | 19,186 |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 15 | 70,045 | 77,861 |
| Amortization of intangible assets | 18 | 22,009 | 22,428 |
| Impairment of property, plant & equipment | 15 | 1,973 | – |
| Impairment of intangible assets | | 59,041 | – |
| Loss/(gain) on sale of property, plant and equipment, net | | 445 | (6,152) |
| Foreign exchange loss/(gain) | | 8,670 | (15,852) |
| Fair value (gain) on derivative financial instruments | | (13,751) | (58,016) |
| Fair value loss on inventories | | – | 77,535 |
| Write-down of inventories | | 11,043 | 4,768 |
| Increase (decrease) of bad debt allowance | | (1,139) | (1,384) |
| Increase (decrease) of provisions | | 1,619 | 2,615 |
| Increase (decrease) of employee benefit obligations | | (822) | (6,078) |
| Equity-settled share-based payments | 4, 24 | 8,380 | 5,716 |
| Result from investments in associates and joint ventures | | (1,168) | 225 |
| (Interest income) | 8 | (1,275) | (2,021) |
| Interest expenses | 9 | 73,533 | 67,061 |
| **Operating cash flow before working capital changes** | | **450,668** | **457,791** |
| | | | |
| (Increase) decrease in trade receivables and other current assets | | (63,436) | (24,513) |
| (Increase) decrease in inventories | | (191,059) | (143,387) |
| Increase (decrease) in trade payables and other current liabilities | | 82,423 | 2,025 |
| Use of provisions | | (7,732) | (11,151) |
| **Cash generated from operations** | | **270,864** | **280,765** |
| | | | |
| (Interest paid) | | (57,079) | (62,221) |
| (Income taxes paid) | | (41,030) | (40,800) |
| **Net cash flow from operating activities** | | **172,755** | **177,744** |

## Consolidated Cash Flow Statement

### Cash flows from investing activities

| for the fiscal year ended August 31, | | 2010/11 | 2009/10 |
|---|---|---|---|
| in thousands of CHF | Notes | | |
| | | | |
| Purchase of property, plant and equipment | 15 | (113,311) | (119,258) |
| Proceeds from sale of property, plant and equipment | | 4,406 | 19,580 |
| Purchase of intangible assets | 18 | (60,502) | (25,850) |
| Proceeds from sale of intangible assets | | 480 | – |
| Acquisition of businesses, net of cash acquired | 1 | (16,073) | (36,199) |
| Proceeds from disposal of financial assets | | 8 | – |
| Proceeds from sale of short-term deposits | | 193 | 1,309 |
| Sale/(Purchase) of other non-current assets | | 625 | (141) |
| Proceeds from sale of other non-current assets | | – | 2,453 |
| Interest received | | 1,273 | 1,986 |
| Dividends received | | 83 | – |
| **Net cash flow from investing activities** | | **(182,818)** | **(156,120)** |

### Cash flows from financing activities

| for the fiscal year ended August 31, | | 2010/11 | 2009/10 |
|---|---|---|---|
| in thousands of CHF | Notes | | |
| | | | |
| Proceeds from the issue of short-term debt | | 122,462 | 112,546 |
| Repayment of short-term debt | | (81,005) | (136,198) |
| Proceeds from the issue of long-term debt | | 312,215 | 151,820 |
| Repayment of long-term debt | | (239,022) | (80,750) |
| Capital reduction and repayment | 25 | (72,317) | (64,619) |
| Purchase of treasury shares | 25 | (9,044) | (5,988) |
| Sale of treasury shares | | – | 307 |
| Dividends paid to non-controlling interests | 25 | (105) | (120) |
| **Net cash flow from financing activities** | | **33,184** | **(23,002)** |
| | | | |
| Effect of exchange rate changes on cash and cash equivalents | | (2,365) | 617 |
| **Net increase (decrease) in cash and cash equivalents** | | **20,756** | **(761)** |
| | | | |
| Cash and cash equivalents at beginning of year | | 3,894 | 4,655 |
| Cash and cash equivalents at end of year | | 24,650 | 3,894 |
| **Net increase (decrease) in cash and cash equivalents** | | **20,756** | **(761)** |
| | | | |
| Cash and cash equivalents | | 41,977 | 17,360 |
| Bank overdrafts | | (17,327) | (13,466) |
| **Cash and cash equivalents as defined for the cash flow statement** | | **24,650** | **3,894** |

# Consolidated Statement of Changes in Equity

| Attributable to the shareholders of the parent company | Share capital | Treasury shares | Retained earnings | Hedging reserves | Cumulative translation adjustments | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| in thousands of CHF | | | | | | | | |
| **As of August 31, 2009** | **262,119** | **(4,613)** | **1,129,068** | **(4,992)** | **(126,026)** | **1,255,556** | **589** | **1,256,145** |
| Currency translation adjustments | | | | | (137,922) | (137,922) | (104) | (138,026) |
| Effect of cash flow hedges (note 14) | | | | (3,580) | | (3,580) | | (3,580) |
| Taxes recognized in equity (note 14, 19) | | | | 1,585 | | 1,585 | | 1,585 |
| **Other comprehensive income, net of tax** | | | | **(1,995)** | **(137,922)** | **(139,917)** | **(104)** | **(140,021)** |
| Net profit for the year | | | 251,226 | | | 251,226 | 517 | 251,743 |
| **Total comprehensive income for the year** | | | **251,226** | **(1,995)** | **(137,922)** | **111,309** | **413** | **111,722** |
| Capital reduction/repayment (note 25) | (64,625) | | 6 | | | (64,619) | | (64,619) |
| Movements of non-controlling interest (note 25) | | | | | | – | (120) | (120) |
| Purchase of treasury shares | | (5,988) | | | | (5,988) | | (5,988) |
| Sale of treasury shares | | 329 | (22) | | | 307 | | 307 |
| Equity-settled share-based payments | | 7,081 | (1,365) | | | 5,716 | | 5,716 |
| **As of August 31, 2010** | **197,494** | **(3,191)** | **1,378,913** | **(6,987)** | **(263,948)** | **1,302,281** | **882** | **1,303,163** |
| Currency translation adjustments | | | | | (198,918) | (198,918) | (196) | (199,114) |
| Effect of cash flow hedges (note 14) | | | | 13,869 | | 13,869 | | 13,869 |
| Taxes recognized in equity (note 14, 19) | | | | (4,739) | | (4,739) | | (4,739) |
| **Other comprehensive income, net of tax** | | | | **9,130** | **(198,918)** | **(189,788)** | **(196)** | **(189,984)** |
| Net profit for the year | | | 177,606 | | | 177,606 | (856) | 176,750 |
| **Total comprehensive income for the year** | | | **177,606** | **9,130** | **(198,918)** | **(12,182)** | **(1,052)** | **(13,234)** |
| Capital reduction/repayment (note 25) | (72,380) | | 63 | | | (72,317) | | (72,317) |
| Movements of non-controlling interest (note 25) | | | | | | – | (105) | (105) |
| Purchase of treasury shares | | (9,044) | | | | (9,044) | | (9,044) |
| Sale of treasury shares | | – | – | | | – | | – |
| Equity-settled share-based payments | | 4,697 | 3,683 | | | 8,380 | | 8,380 |
| **As of August 31, 2011** | **125,114** | **(7,538)** | **1,560,265** | **2,143** | **(462,866)** | **1,217,118** | **(275)** | **1,216,843** |

# Summary of Accounting Policies

### Organization and business activity
Barry Callebaut AG ("The Company") was incorporated on November 24, 1994 under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2011, Barry Callebaut's market capitalization based on issued shares was CHF 3,955.1 million (August 31, 2010: CHF 3,632 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.11% of the shares issued (August 31, 2010: 50.11%).

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

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

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

### Basis of presentation
The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

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

| | |
|---|---|
| Note 1 | Acquisitions – Fair value measurement |
| Note 18 | Goodwill – Measurement of the recoverable amounts of cash-generating units |
| Note 19 | Deferred tax assets and liabilities – Utilization of tax losses |
| Note 24 | Employee benefit obligation – Measurement of defined benefit obligations |
| Note 26 | Discontinued operations and assets held for sale and liabilities directly associated with assets held for sale – Valuation of assets |

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

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

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

**Options over existing non-controlling interest**
The Group accounts for written put options over existing non-controlling interest in de-recognizing the non-controlling interest and records instead of a liability to the extent of the put option exercise price, discounted to the balance sheet date. Should the option expire without being exercised by the minority shareholders, the liability is derecognized and non-controlling interest is recorded.

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

### Foreign currency transactions

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

### Foreign currency translation

For consolidation purposes, assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses are translated at the average rates of exchange for the year. Differences arising from the translation of financial statements using the above method are recorded as cumulative translation adjustments in equity.

### Major foreign exchange rates

| | 2010/11 | | 2009/10 | |
|---|---|---|---|---|
| | Closing rate | Average rate | Closing rate | Average rate |
| EUR | 1.1576 | 1.2682 | 1.2925 | 1.4482 |
| GBP | 1.3074 | 1.4643 | 1.574 | 1.6561 |
| USD | 0.8037 | 0.9128 | 1.021 | 1.0578 |

### Cash and cash equivalents

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

### Trade receivables and other current assets

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

The Group maintains an asset-backed securitization program for trade receivables, transferring the contractual rights to the cash flows of third-party trade receivables at their nominal value minus a discount. These receivables are derecognized from the balance sheet. The net amount reported under "Other current assets" (see note 12) or "Other current liabilities" (see note 21) is the amount of the discount minus the receivables already collected at the balance sheet date but not yet remitted to the asset-purchasing company.

**Derivative financial instruments and hedging activities**

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

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

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

Derivative financial instruments are accounted for at fair value with fair value changes recognized in the income statement.

*Hedge accounting*

The operating companies require cocoa beans and semi-finished cocoa products for manufacturing and selling of their products. Thus, the Group is exposed to the cocoa price risk on the purchase side due to increasing cocoa prices, on the sales side and inventory held to decreasing cocoa prices. The Group therefore applies hedge accounting to hedge its fair value risk on inventory and uses commodity futures and forward contracts to manage cocoa price risks (Contract Business – see risk management note 27).

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

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

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

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

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

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

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

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

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

*No hedge accounting designation*
The Group's purchasing and sourcing center and the In-house Bank of the Group fair value their derivative financial instruments without applying hedge accounting.

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

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

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

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

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

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

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

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

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

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

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

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

*Research and development costs*

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

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

*Other intangible assets*

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

**Property, plant and equipment**

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

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

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

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

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

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

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

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

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

**Employee benefit obligations/Post-employment benefits**
The liabilities of the Group arising from defined benefit obligations and the related current service costs are determined on an actuarial basis using the projected unit credit method.

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

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

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the income statement as incurred.

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

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

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

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

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

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

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

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

#### Revenue recognition

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

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

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

#### Government grants

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

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

#### Segment reporting

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

#### Discontinued operations

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

#### Changes in accounting policies

In line with the Group's strategy of increased sourcing in the origin countries, the Group modified its accounting model used for inventory valuation. The new accounting policy is introduced prospectively as from fiscal year 2010/11 and prior-year figures were not restated in accordance with IFRS. In the revised accounting model, the broker-trader exemption is no longer applied whereas in prior year, Barry Callebaut applied the broker-trader exemption in accordance with IAS 2.5 for the Contract Business and therefore measured its inventories at fair value less costs to sell. Going forward, inventories will be measured at the lower of cost and net realizable value. The cocoa price risks related to cocoa inventories exceeding the firm

sales commitments for chocolate are hedged with cocoa futures in a fair value hedge relationship. The hedged firm commitments previously fair valued under the fair value hedge accounting model with regard to the sales price risk of its raw material components including cocoa and non-cocoa components such as dairy, sweeteners and nuts, are no longer fair valued in the new model, but carried as executory contracts off-balance sheet.

The modification primarily affects the amounts recognized for inventories and firm sales commitments on the balance sheet and the allocation of the amounts between cash flow positions "Fair value (gain) loss on hedged firm commitments" and "Fair value (gain) loss on inventories" resulting in a shift between line items within operating cash flow.

At August 31, 2010, balance sheet included inventories carried at fair value in the amount of CHF 941.8 million, whereas in the balance sheet at August 31, 2011, the inventories are carried at lower of cost or net realizable value in the amount of CHF 1,065.7 million. In fiscal year 2009/10, the firm sales commitments were hedged, therefore a fair value gain/loss was included in the balance sheet amounting to CHF 56.9 million. In fiscal year 2010/11, fair value hedge accounting for the commodity price risk components of firm sales commitments was terminated.

**Changes in accounting estimates**

During its annually performed review of the useful lives of assets, the Group has come to the conclusion that certain strategic software-related assets have a useful life longer than the previously used maximum term of 5 years. Consequently, any new software projects as well as qualifying items with a residual value have been assessed and useful lives adapted according to the outcome. The useful life span for software intangibles has therefore been increased to not exceeding 8 years. The effect of the reassessment of useful lives led to a decrease of the amortization charge for fiscal year 2010/11 by CHF 2.2 million, which is accounted for as a change in estimates in accordance with IAS 8.

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

*IFRS 2 – Share-based Payments (effective January 1, 2010)*

These amendments clarify the accounting for group-settled share-based payment transactions. In these arrangements, the subsidiary receives goods or services from employers or suppliers, but its parent or another entity in the group must pay those suppliers. An entity that receives goods or services in a share-based arrangement must account for those goods or services no matter which entity in the group settles the transaction and no matter whether the transaction is settled in shares or cash. The IASB additionally clarified that in IFRS 2 a "group" has the same meaning as in IAS 27 – Consolidated and Separate Financial Statements. The adoption of the amendment did not result in a material impact on the presentation of the Group's result of operations, financial position and cash flows.

*IAS 32 – Financial Instruments: Classification of rights issued (effective February 1, 2010)*

Under the amendment rights, options and warrants otherwise meeting the definition of equity instruments in IAS 32 issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments provided the offer is made pro rata to all existing owners of the same class of the entity's own non-derivative equity instruments. The adoption of the amendment did not result in a material impact on the presentation of the Group's result of operations, financial position and cash flows.

*IFRIC 19 – Extinguishing financial liabilities with equity instruments (effective July 1, 2010)*
The interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as debt-for-equity swaps). An entity should measure the equity instruments issued as extinguishment of the financial liability at their fair value on the date of extinguishment of the liability, unless the fair value is not reliably measureable. The adoption of the amendment did not result in a material impact on the presentation of the Group's result of operations, financial position and cash flows.

*Improvements to IFRS (effective January 1/July 1, 2010)*
Several standards have been modified on miscellaneous points. No material impacts on the Group's consolidated financial statements were identified.

**Amended International Financial Reporting Standards and Interpretations, not yet effective for the Group and not early adopted**
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after September 1, 2011, but the Group has not early adopted them:

*IFRS 7 – Financial Instruments: Disclosures (effective July 1, 2011)*
The IASB introduced enhanced disclosure requirements to IFRS 7 Financial Instruments as part of its comprehensive review of off-balance sheet activities. The amendments are designed to ensure that users of financial statements are able to more readily understand transactions involving the transfer of financial assets (for examples securitizations), including the possible effects of any risks that remain with the entity that transfers the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

*IFRS 9 – Financial Instruments (effective January 1, 2013)*
This standard introduces new requirements for the classification and measurement of financial assets and financial liabilities.

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

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

The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's consolidated financial statements were not yet fully assessed.

*IFRS 10 – Consolidated Financial Statements (effective January 1, 2013)*
IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are in the scope of SIC-12. The consolidation procedures are carried forward from IAS 27. The potential impacts on the Group's consolidated financial statements were not yet fully assessed.

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

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

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

**Interpretations and amendments to existing standards, not yet effective and not relevant for the Group's operations**

*IAS 24 – Related party disclosures (effective January 1, 2011)*
The revised standard simplifies the disclosure requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. A reporting entity might be exempted from the general disclosure requirements set out in IAS 24 in relation to related party transactions and outstanding balances (including commitments), if certain requirements are met.

*IFRIC 14 – Prepayments of a minimum funding requirement (effective January 1, 2011)*
Under the amended IFRIC 14, if there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions (and, therefore, the surplus that should be recognized as an asset) is comprised of: (a) any amount that reduces future minimum funding requirement contributions for future services because the entity made a prepayment; and (b) the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service in that period if there were no prepayment of those contributions as described in (a).

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

*Improvements for IFRS (effective January 1, 2011)*
Several standards have been modified on miscellaneous points. They are not going to have a material impact to the Group's consolidated financial statements. The Group will apply these changes for the accounting period starting September 1, 2011.

# Notes to the Consolidated Financial Statements

**Changes in the scope of consolidation**
During the fiscal year 2010/11, the scope of consolidation changed due to the following acquisition/business combination.

## 1 Acquisitions in 2010/11

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

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

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

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

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

The goodwill of CHF 4.1 million arising from the acquisition is attributable to the skills and technical talents of the work force taken over, synergies expected to be achieved from integrating the business and the acquired site into the Group's existing business and footprint. It also reflects economies of scale expected from combining the operations of the Group and the new business and the expected mutual good business relationship with Turín, one of the leading chocolate and compound food service distributor in the Mexican market. None of the goodwill recognized is expected to be deductible for income tax purposes. The goodwill is allocated to Region Americas.

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

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

**Finalization of acquisition accounting for Chocovic Group acquired in 2009/10**
The initial accounting for the acquisition of Chocovic Group in fiscal year 2009/10 has been completed in the period under review. The finalization of purchase accounting of the defined benefit obligation upon receipt of the actuarial valuation did not lead to any adjustment.

**Acquisitions in 2009/10**
On December 23, 2009, the Group obtained control of Chocovic Group, a Spanish chocolate manufacturing group, by acquiring 100% of the shares and voting interests of Trade & Trade, S.A, Chocovic Group's ultimate parent. As a result of the acquisition, the Group is expected to further expand its core business with industrial and artisanal customers as well as its geographic presence, mainly in Southern Europe.

The following summarizes the major classes of consideration transferred:

| in thousands of CHF | 2009/10 |
|---|---|
| | |
| **Consideration** | |
| Cash paid | 23,374 |
| Consideration offset with receivables from seller | 16,870 |
| Consideration deferred | 15,835 |
| **Total consideration transferred** | **56,079** |

The deferred payments are contractually due at the first and fifth anniversary of the closing date. Most of the deferred payment is due short term. The consideration due on the fifth anniversary of the closing shall be offset with indemnification claims by the Group. No pre-existing relationships were settled in this transaction. The agreements with the seller do not contain arrangements for contingent considerations.

The Group expensed acquisition-related costs, such as fees for due diligence work and lawyers, of CHF 1.1 million over the course of the project immediately in the Consolidated Income Statement (included in "General and administration expenses"), of which CHF 0.7 million was recognized in the prior fiscal year.

| in thousands of CHF | 2009/10 |
|---|---|
| | |
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | |
| Cash and cash equivalents | 2,218 |
| Trade receivables and other assets | 42,031 |
| Inventories | 8,684 |
| Property, plant and equipment | 6,786 |
| Intangible assets | 6,291 |
| Deferred income tax assets | 290 |
| Bank overdrafts | (7,625) |
| Trade payables and other current liabilities | (20,247) |
| Deferred income tax liabilities | (1,012) |
| Other non-current liabilities | (6,166) |
| **Total identifiable net assets** | **31,250** |
| Goodwill | 24,829 |
| **Total consideration at fair value** | **56,079** |

The goodwill of CHF 24.8 million arising from the acquisition is attributable to the skills and technical talents of Chocovic work force, synergies expected to be achieved from integrating the company into the Group's existing business and economies of scale expected from combining the operations of the Group and Chocovic Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of trade receivables and other assets is CHF 42.0 million and includes trade receivables with a fair value of CHF 18.3 million. The gross contractual amount of trade receivables due is CHF 20.8 million, of which CHF 2.5 million is expected to be uncollectible.

Contingent liabilities of CHF 2.7 million have been recognized for potential outflow of resources embodying economic benefits arising from past events. The liabilities have not been discounted as the settlement is expected to take place within 12 months. As of August 31, 2010, there has been no change in the amounts recognized at the acquisition date, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

The selling shareholders have contractually agreed to indemnify Barry Callebaut for amounts that may become payable in respect of certain above-mentioned past events. An indemnification asset of CHF 0.8 million, equivalent to the fair value of the indemnified liability, has been recognized by the Group. The indemnification asset is deducted from consideration transferred for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognized for the indemnification asset as of August 31, 2010, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.

**Financial information by reportable segments**

| in thousands of CHF | Europe | | Americas | | Asia-Pacific | |
|---|---|---|---|---|---|---|
| | 2010/11 | 2009/10[1] | 2010/11 | 2009/10[1] | 2010/11 | 2009/10[1] |
| Revenues from external customers | 2,241,321 | 2,366,867 | 978,855 | 987,624 | 221,870 | 207,457 |
| Revenues from transactions with other operating segments of the Group | 136,433 | 91,587 | – | – | – | – |
| **Net revenue** | **2,377,754** | **2,458,454** | **978,855** | **987,624** | **221,870** | **207,457** |
| **Operating profit (EBIT)** | **242,981** | **236,895** | **71,921** | **89,320** | **24,937** | **20,292** |
| Depreciation and amortization | (29,459) | (28,993) | (13,471) | (15,676) | (4,846) | (5,262) |
| Impairment losses | (113) | – | – | – | – | – |
| **Total assets** | **1,045,202** | **1,443,612** | **508,766** | **593,921** | **98,796** | **114,038** |
| Additions to property, plant, equipment and intangible assets | (48,480) | (48,997) | (46,796) | (41,706) | (2,516) | (4,274) |

1 Due to the discontinuation of the European Consumer Products business, certain comparatives have been restated to conform with the current period's presentation. See discontinued operations – note 26.

The revenue included in the Consolidated Income Statement since December 23, 2009, contributed by Chocovic Group, was CHF 42.5 million. Chocovic Group has also contributed profit of CHF 3.1 million over the same period.

Had Chocovic Group been consolidated from September 1, 2009, it would have contributed revenue of CHF 72.1 million and net profit for the year of CHF 4.4 million to the Consolidated Income Statement.

## 2 Disposals

**Disposals in 2010/11**
No subsidiaries were disposed of in 2010/11.

**Disposals in 2009/10**
No subsidiaries were disposed of in 2009/10.

## 3 Segment information

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

| | Global Sourcing & Cocoa | | Total Segments | | Corporate | | Eliminations | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|
| | 2010/11 | 2009/10 | 2010/11 | 2009/10[1] | 2010/11 | 2009/10 | 2010/11 | 2009/10 | 2010/11 | 2009/10[1] |
| | | | | | | | | | | |
| | 1,112,317 | 962,596 | 4,554,363 | 4,524,544 | – | – | – | – | 4,554,363 | 4,524,544 |
| | 2,013,253 | 2,138,833 | 2,149,686 | 2,230,420 | – | – | (2,149,686) | (2,230,420) | – | – |
| | **3,125,570** | **3,101,429** | **6,704,049** | **6,754,964** | **–** | **–** | **(2,149,686)** | **(2,230,420)** | **4,554,363** | **4,524,544** |
| | **76,554** | **54,476** | **416,393** | **400,983** | **(55,835)** | **(59,883)** | **–** | **–** | **360,558** | **341,100** |
| | | | | | | | | | | |
| | (21,429) | (20,773) | (69,205) | (70,704) | (2,287) | (3,248) | – | – | (71,492) | (73,952) |
| | (1,431) | – | (1,544) | – | – | – | – | – | (1,544) | – |
| | **1,370,024** | **1,538,286** | **3,022,788** | **3,689,857** | **674,705** | **661,502** | **(670,203)** | **(780,512)** | **3,027,290** | **3,570,847** |
| | (57,136) | (27,349) | (154,928) | (122,326) | (26,477) | (22,782) | – | – | (181,405) | (145,108) |

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

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

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

Segment revenue, segment results (operating profit EBIT) and segment assets correspond to the Group's consolidated financial statements. Financial income and expense, the Group's interest in the profit of associates and joint ventures accounted by the equity method and income taxes are not allocated to the respective segment for internal management purposes. These items can be found below in the reconciliation of the EBIT to the net profit for the year.

The segment reporting no longer includes the discontinued operations related to the Group's European Consumer Products business. Consequently, also the prior-year figures related to the income statement have been restated for the regions affected (mainly Europe). In accordance with IFRS 5, the information related to the balance sheet have not been restated. Detailed disclosures related to the discontinued operations can be found in note 26.

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

**Reconciliation of EBIT to net profit for the year**

| in thousands of CHF | 2010/11 | 2009/10[1] |
|---|---|---|
| | | |
| **Operating profit** | **360,558** | **341,100** |
| Financial income | 1,359 | 2,021 |
| Financial expense | (74,415) | (72,997) |
| Result from investments in associates and joint ventures | 1,168 | (225) |
| **Profit before income taxes** | **288,670** | **269,899** |
| Income tax expenses | (29,786) | (32,447) |
| **Net profit from continuing operations** | **258,884** | **237,452** |
| Net result from discontinued operations, net of tax | (82,134) | 14,291 |
| **Net profit for the year** | **176,750** | **251,743** |

1 Certain comparatives have been restated to conform with the current period's presentation.
See discontinued operations – note 26.

**Additional entity-wide disclosures**

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

| | 2010/11 | 2009/10[1] | 2010/11 | 2009/10[2] |
|---|---|---|---|---|
| in thousands of CHF | Revenues | | Non-current assets | |
| Switzerland | 58,478 | 33,590 | 43,598 | 74,546 |
| United States | 779,276 | 820,523 | 158,814 | 182,103 |
| France | 497,233 | 470,047 | 96,723 | 100,714 |
| United Kingdom | 399,049 | 492,403 | 26,634 | 30,120 |
| Belgium | 313,761 | 287,932 | 259,038 | 269,770 |
| Italy | 304,217 | 326,545 | 22,127 | 24,630 |
| Germany | 299,317 | 331,684 | 4,924 | 127,467 |
| Other | 1,903,032 | 1,761,820 | 509,893 | 534,010 |
| **Total** | **4,554,363** | **4,524,544** | **1,121,751** | **1,343,360** |

1 Certain comparatives have been restated to conform with the current period's presentation. See discontinued operations – note 26.
2 Prior year figures include assets related to discontinued operations (in accordance with IFRS 5).

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

**Segment information by product group**

| in thousands of CHF | 2010/11 | 2009/10[1] |
|---|---|---|
| Cocoa Products | 1,112,317 | 962,596 |
| Food Manufacturers Products | 2,728,224 | 2,854,312 |
| Gourmet & Specialties Products | 713,822 | 707,636 |
| **Revenues from external customers** | **4,554,363** | **4,524,544** |

1 Certain comparatives have been restated to conform with the current period's presentation. See discontinued operations – note 26.

The biggest single customer contributes CHF 663.5 million of total revenues (reported across various regions). No other single customer contributes more than 10% of total consolidated revenues.

In fiscal year 2009/10, no single external customer had accounted for more than 10% of total consolidated revenues.

## 4 Personnel expenses

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| Wages and salaries | (276,133) | (290,884) |
| Compulsory social security contributions | (66,946) | (69,466) |
| Equity-settled share-based payments | (8,380) | (5,716) |
| Expenses related to defined benefit plans | (11,375) | (11,926) |
| Contributions to defined contribution plans | (1,353) | (1,058) |
| Increase in liability for long service leave | (70) | (32) |
| **Total personnel expenses** | **(364,257)** | **(379,082)** |

## 5 Research and development expenses

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| **Total research and development expenses** | **(20,524)** | **(14,483)** |

Research and development costs not qualifying for capitalization are directly charged to the Consolidated Income Statement and are reported under "Marketing and sales expenses" and "General and administration expenses".

## 6 Other income

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| Gain on disposal of property, plant and equipment | 358 | 5,514 |
| Group training centers, museums, outlets and rental income | 3,861 | 2,867 |
| Sale of shells of cocoa beans and waste | 1,300 | 2,941 |
| Litigations, claims and insurance | 6,535 | 2,477 |
| Release of unused provisions and accruals | 5,369 | 1,678 |
| Other | 2,095 | 1,979 |
| **Total other income** | **19,518** | **17,456** |

## 7 Other expenses

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| Restructuring costs | (3,472) | (7,264) |
| Loss on sale of waste | (6) | (2,088) |
| Litigations and claims | (2,362) | (1,615) |
| Costs related to chocolate museums | (57) | (327) |
| Loss on sale of property, plant and equipment | (803) | (25) |
| Impairment on property, plant and equipment (note 15) | (1,537) | – |
| Other | (2,217) | (1,711) |
| **Total other expenses** | **(10,454)** | **(13,030)** |

## 8 Financial income

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| Interest income | 1,275 | 2,021 |
| Income from investments | 84 | – |
| **Total financial income** | **1,359** | **2,021** |

## 9 Financial expenses

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| Interest expenses | (65,669) | (58,358) |
| Loss on derivative financial instruments | (329) | (6,664) |
| Structuring fees | (4,793) | (973) |
| Charges on undrawn portion of committed credit facilities | (565) | (713) |
| **Total interest expenses** | **(71,356)** | **(66,708)** |
| Bank charges and other financial expenses | (2,622) | (4,354) |
| Foreign exchange losses, net | (437) | (1,935) |
| **Total financial expenses** | **(74,415)** | **(72,997)** |

Interest expenses include the net cost of interest rate swaps and result from paying fixed interest rates in exchange for receiving floating interest rates. Interest expenses for 2010/11 also include interest paid under the asset-backed securitization program for trade receivables of an amount of CHF 3.7 million (2009/10: CHF 3.5 million).

In prior year, loss on derivative financial instruments amounted to CHF 6.7 million and, among other, comprised the fair value change of the free-standing interest rate derivatives for 2009/10.

Structuring fee expenses are mainly attributable to the EUR 850 million Revolving Credit Facility, which has been refinanced in June 2011 through an EUR 600 million Revolving Credit Facility and an EUR 250 million Senior Note and the EUR 350 million Senior Note, issued in July 2007 (see note 23).

The charges on the undrawn portion of the committed EUR 850 million Revolving Credit Facility (till June 2011) and the EUR 600 million Revolving Credit Facility (as of June 2011) amount to CHF 0.6 million for 2010/11 (2009/10: CHF 0.7 million).

## 10 Income tax expenses

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| Current income tax expenses | (78,662) | (44,750) |
| Deferred income tax income | 48,876 | 12,303 |
| **Total income tax expenses** | **(29,786)** | **(32,447)** |

**Reconciliation of income tax expenses**

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| Profit before income taxes | 288,670 | 269,899 |
| Expected income tax expenses at weighted average applicable tax rate | (35,791) | (43,276) |
| Non-tax deductible expenses | (2,438) | (3,491) |
| Tax deductible items not qualifying as an expense under IFRS | 22,204 | 16,024 |
| Tax exempt income | 4,121 | 1,845 |
| Income recognized for tax declarations purposes only | (4,552) | (1,186) |
| Prior period related items | (13,454) | (5,436) |
| Changes in tax rates | 655 | 1,013 |
| Losses carried forward not yet recognized as deferred tax assets | (2,946) | (5,130) |
| Tax relief on losses carried forward formerly not recognized as deferred tax assets | 2,415 | 7,190 |
| **Total income taxes** | **(29,786)** | **(32,447)** |

For the reconciliation as above, the Group determines the expected income tax rate by weighting the applicable tax rates in the jurisdictions concerned based on the mix of the profit before taxes per jurisdiction, resulting for 2010/11 in a weighted average applicable tax rate of 12.40% (2009/10: 16.03%).

The applicable expected tax rate per company is the domestic corporate income tax rate applicable to the profit before taxes of the company for fiscal year 2010/11. The decrease of the weighted average applicable tax rate is due to the more favorable company mix of the profit before taxes.

The tax relief on tax losses carried forward formerly not recognized as deferred tax assets amounts to CHF 2.4 million for the year 2010/11 (2009/10: CHF 7.2 million). The amount consists of CHF 0.5 million utilization of tax losses carried forward previously not recognized (2009/10: CHF 4.6 million) and CHF 1.9 million tax losses carried forward recognized as a deferred tax asset for the first time during the year 2010/11 (2009/10: CHF 2.6 million).

## 11 Earnings per share from continuing operations

| in CHF | 2010/11 | 2009/10 |
|---|---|---|
| Basic earnings per share from continuing operations (CHF/share) | 50.29 | 45.86 |
| Diluted earnings per share (CHF/share) | 50.07 | 45.71 |

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

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| Net profit for the year attributable to ordinary shareholders, used as numerator for basic earnings per share adjusted for net loss from discontinued operations | 259,740 | 236,935 |
| After-tax effect of income and expenses on dilutive potential ordinary shares | – | – |
| Adjusted net profit for the year used as numerator for diluted earnings per share | 259,740 | 236,935 |

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

| | 2010/11 | 2009/10 |
|---|---|---|
| Weighted average number of shares issued | 5,170,000 | 5,170,000 |
| Weighted average number of treasury shares held | 4,888 | 2,978 |
| Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share | 5,165,112 | 5,167,022 |
| Equity-settled share-based payments | 22,820 | 16,196 |
| Adjusted weighted average number of ordinary shares, used as denominator | 5,187,932 | 5,183,218 |

## 12 Trade receivables and other current assets

| as of August 31,<br>in thousands of CHF | 2011 | 2010 |
|---|---|---|
| Trade receivables | 276,153 | 314,636 |
| Accrued income | 8,283 | 4,123 |
| Receivables from related parties | – | 2 |
| Loans and other receivables | 22,168 | 34,000 |
| Other current financial assets | 17,917 | 6,806 |
| **Receivables representing financial assets** | **324,521** | **359,567** |
| Fair values of hedged firm commitments | 726 | 98,651 |
| Prepayments | 62,836 | 72,063 |
| Other current non financial assets | 1,308 | 1,109 |
| Other taxes and receivables from government | 73,396 | 55,990 |
| **Other receivables** | **138,266** | **227,813** |
| **Total trade receivables and other current assets** | **462,787** | **587,380** |

The Group runs an asset-backed securitization program, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The net amount of the sold receivables is CHF 246.7 million as of August 31, 2011 (2010: CHF 255.1 million), and was derecognized from the balance sheet.

### Aging of trade receivables

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| | | |
| Total trade receivables | 294,465 | 334,650 |
| Less impairment provision for trade receivables | (18,312) | (20,014) |
| **Total trade receivables** | **276,153** | **314,636** |
| | | |
| Of which: | | |
| Not overdue | 256,074 | 269,092 |
| Impairment provision for trade receivables not overdue | (168) | (144) |
| Past due less than 90 days | 14,590 | 35,427 |
| Impairment provision for trade receivables past due less than 90 days | (316) | (347) |
| Past due more than 90 days | 23,801 | 30,131 |
| Impairment provision for trade receivables past due more than 90 days | (17,828) | (19,523) |
| **Total trade receivables** | **276,153** | **314,636** |

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

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

### Movements in impairment provision for trade receivables

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| as of September 1, | 20,014 | 22,592 |
| Additions | 9,127 | 7,171 |
| Amounts written off as uncollectible | (4,268) | (3,850) |
| Unused amounts reversed | (2,999) | (2,330) |
| Currency translation adjustment | (2,197) | (3,569) |
| Reclassified to assets held for sale | (1,365) | – |
| | | |
| **as of August 31,** | **18,312** | **20,014** |

Based on historic impairment rates and expected performance of the customers' payment behavior, the Group believes that the impairment provision for trade receivables sufficiently covers the risk of default. Based on an individual assessment on the credit risks related with other receivables, the Group identified no need for an impairment provision. Details on credit risks can be found in note 27.

## 13 Inventories

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| | | |
| Cocoa bean stocks | 372,856 | 369,758 |
| Semi-finished and finished products | 603,191 | 698,243 |
| Other raw materials and packaging materials | 89,606 | 118,230 |
| **Total inventories** | **1,065,653** | **1,186,231** |

As of August 31, 2010, inventories carried at fair value less costs to sell amounted to CHF 941.8 million (as of August 31, 2011, the Group did not have inventories carried at fair value less costs to sell due to the related change of the accounting policy).

As of August 31, 2011, inventories amounting to CHF 16.1 million (2010: CHF 19.1 million) are pledged as security for financial liabilities.

In fiscal year 2010/11, inventory write-downs of CHF 3.5 million were recognized as expenses (2009/10: CHF 4.8 million).

## 14 Derivative financial instruments and hedging activities

| as of August 31, | 2011 | | 2010 | |
|---|---|---|---|---|
| in thousands of CHF | Derivative financial assets | Derivative financial liabilities | Derivative financial assets | Derivative financial liabilities |
| **Cash flow hedges** | | | | |
| Interest rate risk | | | | |
| Swaps | – | – | – | 7,030 |
| **Fair value hedges** | | | | |
| Sales and inventory price risk (Cocoa/other ingredients) | | | | |
| Forward and futures contracts | – | – | 41,175 | 13,290 |
| Foreign exchange risk | | | | |
| Forward and futures contracts | 10,540 | 10,137 | 23,332 | 16,149 |
| **Other – no hedge accounting** | | | | |
| Raw materials | | | | |
| Forward and futures contracts and other derivatives | 184,856 | 107,081 | 256,285 | 267,420 |
| Foreign exchange risk | | | | |
| Forward and futures contracts | 50,528 | 26,318 | 49,788 | 63,744 |
| Interest rate risk | | | | |
| Swaps | – | – | – | 3,426 |
| **Total derivative financial assets** | **245,924** | | **370,580** | |
| **Total derivative financial liabilities** | | **143,536** | | **371,059** |

Derivative financial instruments consist of items used in hedge relationships and derivatives, for which no hedge accounting is applied.

For detailed information on fair value measurement refer to note 27, "Fair value – hierarchy".

#### Effect of cash flow hedges on equity

| in thousands of CHF | Interest rate risk | Total hedging reserve |
|---|---|---|
| **as of August 31, 2009** | **(4,992)** | **(4,992)** |
| **Movements in the period:** | | |
| Gains/(losses) taken into equity | (6,465) | (6,465) |
| Transfer to the Consolidated Income Statement for the period | 1,801 | 1,801 |
| Income taxes | 1,585 | 1,585 |
| Currency translation adjustment | 1,084 | 1,084 |
| **as of August 31, 2010** | **(6,987)** | **(6,987)** |
| **Movements in the period:** | | |
| Gains/(losses) taken into equity | 11,403 | 11,403 |
| Transfer to the Consolidated Income Statement for the period | 2,539 | 2,539 |
| Income taxes | (4,739) | (4,739) |
| Currency translation adjustment | (73) | (73) |
| **as of August 31, 2011** | **2,143** | **2,143** |

#### Cash flow hedges
In the course of fiscal year 2010/2011, the Group has unwound its interest rate derivatives as a result of the issuance of the EUR 250 million Senior Note in June 2011. The following table provides an overview over the periods in which the unwound interest rates derivatives are expected to impact the Consolidated Income Statement (before taxes).

| as of August 31, | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| in thousands of CHF | First year | Second to fifth year | After five years | Expected cash flows | First year | Second to fifth year | After five years | Expected cash flows |
| Derivative financial assets | 723 | 2,672 | 726 | 4,121 | – | – | – | – |
| Derivative financial liabilities | (525) | (373) | – | (898) | (3,035) | (4,921) | 555 | (7,401) |
| **Total net** | **198** | **2,299** | **726** | **3,223** | **(3,035)** | **(4,921)** | **555** | **(7,401)** |

#### Fair value hedges
Fair value hedges include forward and future contracts designated as the hedging instruments for inventories exceeding firm sales commitments as well as in relation to foreign currency risks.

Until the end of fiscal year 2009/10, all financial derivatives and the hedged items were recognized at fair value. For fair value hedges, the Group recorded a loss on hedging instruments of CHF 92.8 million and a gain on hedged items of CHF 92.8 million in fiscal year 2009/10.

Beginning from fiscal year 2010/11, financial derivatives continue to be measured at fair value, but in case of the hedged cocoa inventories the cumulative gain or loss during the hedge relationship adjusts the cost of the inventory.

The fair value of hedged firm commitments is outlined in the table "Hedged firm commitments" below. The balance of these items at balance sheet date is presented under "Trade receivables and other current assets" (see note 12) and "Trade payables and other current liabilities" (see note 21), respectively. Firm sales commitments for chocolate sales are no longer fair valued in the current fiscal year due to the changes discussed in section "Changes in accounting policies" before.

**Hedged firm commitments**

| as of August 31, | 2011 | | 2010 | |
|---|---|---|---|---|
| in thousands of CHF | Assets | Liabilities | Assets | Liabilities |
| Commodity price risk | | | | |
| (cocoa and other ingredients) – sales contracts | – | – | 91,406 | 41,174 |
| Foreign exchange risk – sales and purchase contracts | 726 | 3,151 | 7,245 | 581 |
| **Total fair value of hedged firm commitments** | **726** | **3,151** | **98,651** | **41,755** |

**Other – no hedge accounting**
This position contains the fair values of derivative financial instruments of the Group's purchasing and sourcing center and the Group's Treasury center, which are not designated for hedge accounting.

## 15 Property, plant and equipment

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

| 2009/10 | Land and buildings | Plant and machinery | Office equipment, furniture and motor vehicles | Under construction | Total |
|---|---|---|---|---|---|
| in thousands of CHF | | | | | |
| At cost | | | | | |
| **as of August 31, 2009** | **606,490** | **1,408,051** | **144,002** | **40,546** | **2,199,089** |
| Change in Group structure – acquisitions | 80 | 5,595 | 275 | 836 | 6,786 |
| Additions | 12,241 | 50,624 | 7,517 | 48,876 | 119,258 |
| Disposals | (26,520) | (17,188) | (2,441) | – | (46,149) |
| Currency translation adjustments | (63,213) | (146,098) | (17,327) | (3,733) | (230,371) |
| Reclassifications from under construction | 2,100 | 20,720 | 1,361 | (24,181) | – |
| Other reclassifications | 189 | 30 | (219) | – | – |
| **as of August 31, 2010** | **531,367** | **1,321,734** | **133,168** | **62,344** | **2,048,613** |
| Accumulated depreciation and impairment losses | | | | | |
| **as of August 31, 2009** | **319,830** | **888,114** | **118,687** | **–** | **1,326,631** |
| Depreciation charge | 14,973 | 54,782 | 8,106 | – | 77,861 |
| Disposals | (19,608) | (10,897) | (2,216) | – | (32,721) |
| Currency translation adjustments | (38,362) | (101,127) | (14,535) | – | (154,024) |
| Other reclassifications | 861 | (798) | (63) | – | – |
| **as of August 31, 2010** | **277,694** | **830,074** | **109,979** | **–** | **1,217,747** |
| **Net as of August 31, 2010** | **253,673** | **491,660** | **23,189** | **62,344** | **830,866** |

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

Impairment loss in property, plant and equipment in fiscal year 2010/11 amounted to CHF 2.0 million, whereof CHF 0.4 million are related to investments on assets to be sold during the consumer business disposal and CHF 1.6 million are related to assets no longer in use (2009/10: CHF 0.0 million).

Repair and maintenance expenses for the fiscal year 2010/11 amounted to CHF 76.6 million (2009/10: CHF 65.0 million).

The fire insurance value of property, plant and equipment amounted to CHF 2,487.8 million as of August 31, 2011 (2010: CHF 2,749.8 million).

As of August 31, 2011, plant and equipment held under financial leases amounted to CHF 1.6 million (2010: CHF 2.9 million). The related liabilities are reported under short-term and long-term debt (see notes 20 and 23).

As of August 31, 2011, no financial liabilities were secured by means of mortgages on properties (2010: none).

## 16 Obligations under finance leases

| as of August 31, | 2011 | 2010 | 2011 | 2010 |
|---|---|---|---|---|
| in thousands of CHF | Minimum lease payments | | Present value of minimum lease payments | |
| Amounts payable under finance leases | | | | |
| within one year | 377 | 673 | 317 | 637 |
| in the second to fifth year inclusive | 731 | 1'027 | 590 | 895 |
| more than five years | 237 | 457 | 215 | 359 |
| **Total amount payable under finance leases** | **1,345** | **2,157** | **1,122** | **1,891** |
| Less: future finance charges | (223) | (266) | n/a | n/a |
| **Present value of lease obligations** | **1,122** | **1,891** | **1,122** | **1,891** |
| Amount due for settlement next 12 months (note 20) | | | 317 | 637 |
| Amount due for settlement after 12 months (note 23) | | | 805 | 1,254 |

The Group entered into finance leasing arrangements for various assets. The weighted average term of finance leases entered into is 6.4 years (2009/10: 5.8 years). The average effective interest rate was 5.2% (2009/10: 4.7%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payment.

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | Net carrying amount of property, plant and equipment under finance lease | |
| Land and buildings | 1,108 | 1,286 |
| Plant and machinery | 359 | 936 |
| Furniture, equipment and motor vehicles | 115 | 696 |
| **Total assets under financial lease** | **1,582** | **2,918** |

## 17 Investments in associates and joint ventures

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

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| as of September 1 , | 3,479 | 4,038 |
| Share of (loss)/profit | 1,168 | (225) |
| Exchange differences | (606) | (334) |
| **as of August 31,** | **4,041** | **3,479** |

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

| Ownership in % | 2011 | 2010 |
|---|---|---|
| | | |
| as of August 31, | | |
| African Organic Produce AG, Switzerland | 49 | 49 |
| Biolands International Ltd, Tanzania | 49 | 49 |
| Shanghai Le Jia Food Service Co. Ltd, China | 50 | 50 |
| Pastelería Totel, S.L., Spain | 20 | 20 |
| Bombones y Chocolates Semar, S.L., Spain | 20 | 20 |

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

| in thousands of CHF | 2011 | 2010 |
|---|---|---|
| | | |
| Total current assets | 8,915 | 12,584 |
| Total non-current assets | 5,167 | 6,334 |
| Total current liabilities | 7,120 | 13,187 |
| Total non-current liabilities | 2,614 | 2,943 |
| **Net assets as of August 31,** | **4,348** | **2,788** |
| **Group's share of net assets of associates and joint ventures** | **4,041** | **3,479** |

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| Total revenue | 26,690 | 34,143 |
| Total profit for the period | 897 | (477) |
| **Group's share of profits of associates and joint ventures** | **1,168** | **(225)** |

## 18 Intangible assets

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

| 2009/10 | Goodwill | Brand names and licenses | Develop-ment costs | Other | Total |
|---|---|---|---|---|---|
| in thousands of CHF | | | | | |
| At cost | | | | | |
| **as of August 31, 2009** | **411,843** | **38,134** | **194,960** | **14,585** | **659,522** |
| Change in Group structure – acquisitions | 24,372 | 6,749 | – | – | 31,121 |
| Additions | – | – | 23,974 | 1,876 | 25,850 |
| Disposals | – | – | (598) | – | (598) |
| Currency translation adjustments | (7,079) | (821) | (26,614) | (1,011) | (35,525) |
| **as of August 31, 2010** | **429,136** | **44,062** | **191,722** | **15,450** | **680,370** |
| Accumulated amortization and impairment losses | | | | | |
| **as of August 31, 2009** | **–** | **26,335** | **132,899** | **6,604** | **165,838** |
| Amortization charge | – | 2,180 | 19,302 | 946 | 22,428 |
| Disposals | – | – | (540) | – | (540) |
| Currency translation adjustments | – | (38) | (19,002) | (810) | (19,850) |
| **as of August 31, 2010** | **–** | **28,477** | **132,659** | **6,740** | **167,876** |
| **Net as of August 31, 2010** | **429,136** | **15,585** | **59,063** | **8,710** | **512,494** |

Additions in brand names and licenses also included exclusive delivery rights acquired in fiscal year 2010/11.

Additions to development costs amount to CHF 28.9 million in fiscal year 2010/11 (2009/10: CHF 24.0 million). In both years, additions mainly included costs related to various projects of internally generated software, amounting to CHF 21.3 million in fiscal year 2010/11 (2009/10: CHF 21.1 million). Costs related to the development of recipes and innovations of CHF 2.6 million were capitalized as development costs (2009/10: CHF 2.5 million).

During its annually performed review of the useful lives of assets, the Group has come to the conclusion that certain strategic software related intangible assets have a useful life longer than the previously used maximum term of five years. Consequently any new software projects with a residual value have been assessed and useful lives been adapted according to outcome. The useful life span for software intangibles has therefore been increased to not exceeding eight years. The effect of the reassessment of useful lives led to a decrease of the amortization charge for fiscal year 2010/11 by CHF 2.2 million, which is accounted for as a change in estimates in accordance with IAS 8.

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

**Impairment testing for cash-generating units containing goodwill**

The carrying amount of goodwill for the Group amounts to CHF 366.4 million (2009/10: CHF 429.1 million). The allocation to the segments is as follows:

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| | | |
| Global Sourcing & Cocoa | 140.5 | 149.5 |
| Europe (excluding discontinued operations for fiscal year 2010/11) | 193.5 | 248.9 |
| Americas | 27.7 | 25.2 |
| Asia-Pacific | 4.7 | 5.5 |
| **Total** | **366.4** | **429.1** |

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

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

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

**Key assumptions used for value-in-use calculations**

| | 2011 | | 2010 | |
|---|---|---|---|---|
| | Discount rate | Terminal growth rate | Discount rate | Terminal growth rate |
| Global Sourcing & Cocoa | 9.2% | 2.2% | 9.5% | 1.5% |
| Europe (excluding discontinued operations for fiscal year 2010/11) | 9.1% | 1.3% | 9.3% | 1.0% |
| Americas | 10.4% | 1.2% | 10.7% | 0.9% |
| Asia-Pacific | 10.2% | 4.1% | 9.5% | 3.8% |

Due to the discontinuation of the European Consumer Products business (please refer to note 26 "Discontinued operations and assets held for sale and liabilities directly associated with assets held for sale"), the impairment testing for 2010/11 excluded the discontinued European Consumer Products business (which was mainly affecting Region Europe). Impairment of Goodwill related to the discontinued operations was tested separately (see note 26).

Based on the impairment tests, no need for recognition of impairment losses in fiscal year 2010/11 has been identified.

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

## 19 Deferred tax assets and liabilities

**Movement in deferred tax assets and liabilities**

| | Inventories | Property, plant, equipment/ intangible assets | Other assets | Provisions | Other liabilities | Tax loss carry-forwards | Total |
|---|---|---|---|---|---|---|---|
| in thousands of CHF | | | | | | | |
| **as of August 31, 2009** | **(7,235)** | **(45,502)** | **(5,927)** | **(12,940)** | **9,710** | **45,357** | **(16,537)** |
| Charged to the income statement (continuing operations) | 5,407 | (7,089) | (6,181) | 13,401 | (831) | 7,596 | 12,303 |
| Charged to the income statement (discontinued operations) | (375) | (173) | (40) | – | (204) | (2,052) | (2,844) |
| Charged to equity | – | – | – | – | 1,585 | – | 1,585 |
| Effect of acquisitions | – | (1,697) | (110) | – | 1,085 | – | (722) |
| Currency translation effects | 159 | 5,722 | 109 | 684 | (1,877) | (5,942) | (1,145) |
| **as of August 31, 2010** | **(2,044)** | **(48,739)** | **(12,149)** | **1,145** | **9,468** | **44,959** | **(7,360)** |
| Charged to the income statement (continuing operations) | (2,508) | 43,609 | (2,165) | 340 | (403) | 10,003 | 48,876 |
| Charged to the income statement (discontinued operations) | (1,053) | 662 | (542) | – | (271) | – | (1,204) |
| Charged to equity | – | – | (1,208) | – | (3,531) | – | (4,739) |
| Effect of acquisitions | – | 616 | – | – | – | – | 616 |
| Reclassified to held for sale | 387 | 5,423 | 41 | – | (1,793) | (8,988) | (4,930) |
| Currency translation effects | (2) | 2,204 | 516 | (162) | (389) | (6,807) | (4,640) |
| **As of August 31, 2011** | **(5,220)** | **3,775** | **(15,507)** | **1,323** | **3,081** | **39,167** | **26,619** |

The effect of acquisitions for fiscal year 2009/10 is related to the fair value measurement at acquisition of Chocovic.

**Recognized deferred tax assets and liabilities**

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

| as of August 31, | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| in thousands of CHF | Assets | Liabilities | Net | Assets | Liabilities | Net |
| Inventories | 1,693 | (6,913) | (5,220) | 5,077 | (7,121) | (2,044) |
| Property, plant & equipment/intangible assets | 46,330 | (42,555) | 3,775 | 14,344 | (63,083) | (48,739) |
| Other assets | 4,917 | (20,424) | (15,507) | 7,746 | (19,895) | (12,149) |
| Provisions | 1,323 | – | 1,323 | 1,176 | (31) | 1,145 |
| Other liabilities | 15,389 | (12,308) | 3,081 | 19,690 | (10,222) | 9,468 |
| Tax loss carry-forwards | 39,167 | – | 39,167 | 44,959 | – | 44,959 |
| **Tax assets/(liabilities)** | **108,819** | **(82,200)** | **26,619** | **92,992** | **(100,352)** | **(7,360)** |
| Set-off of tax | (32,095) | 32,095 | – | (41,631) | 41,631 | – |
| **Reflected in the balance sheet** | **76,724** | **(50,105)** | **26,619** | **51,361** | **(58,721)** | **(7,360)** |

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

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

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| Expiry | | |
| Within 1 year | 1,795 | 189 |
| After 1 up to 2 years | 2,013 | 1,549 |
| After 2 up to 3 years | 3,676 | 2,396 |
| After 3 up to 10 years | 46,038 | 58,716 |
| After 10 years | 170,461 | 213,353 |
| Unlimited[1] | 143,250 | 284,981 |
| **Total unrecognized tax losses carried forward[1]** | **367,233** | **561,184** |

1 These amounts in fiscal year 2010/11 exclude unrecognized tax losses carried forward related to the discontinued operations in the amount of CHF 210.7 million

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

Tax losses carried forward utilized during the year 2010/11 were CHF 13.4 million (2009/10: CHF 41.7 million). The related tax relief amounted to CHF 3.6 million, of which CHF 2.6 million were already recognized as a deferred tax asset in the year before (2009/10: CHF 12.8 million of which CHF 8.2 million were already recognized as a deferred tax asset in the year before).

As of August 31, 2011, the Group had unutilized tax losses carried forward of approximately CHF 756.7 million (of which CHF 210.7 million related to the discontinued operations; August 31, 2010: CHF 711.5 million) available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 178.7 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 48.2 million (2009/10: CHF 150.3 million recognized resulting in a deferred tax asset of CHF 45.0 million).

## 20 Bank overdrafts and short-term debt

| as of August 31, | 2011 | 2010 | 2011 | 2010 |
|---|---|---|---|---|
| in thousands of CHF | Carrying amounts | | Fair values | |
| **Bank overdrafts** | **17,327** | **13,466** | **17,327** | **13,466** |
| Commercial Paper | – | 69,570 | – | 69,570 |
| Short-term bank debts | 128,694 | 105,157 | 128,694 | 105,157 |
| Short-term portion of long-term bank debts (note 23) | 953 | 552 | 953 | 552 |
| Interest-bearing loans from employees | 6 | 22 | 6 | 22 |
| Finance lease obligations (note 16) | 317 | 637 | 317 | 637 |
| **Short-term debt** | **129,970** | **175,938** | **129,970** | **175,938** |
| **Bank overdrafts and short-term debt** | **147,297** | **189,404** | **147,297** | **189,404** |

For reporting purposes, the commercial paper outstanding (as per August 31, 2011) have been linked to the discontinued activities (see note 26 under section "Short term debt").

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

| as of August 31, | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| Split per currency | Amount | Interest range | | Amount | Interest range | |
| in thousands of CHF | | from | to | | from | to |
| EUR | 5,703 | 0.50% | 5.90% | 102,363 | 0.57% | 5.90% |
| USD | 5,423 | 0.22% | 0.37% | 4,685 | 0.26% | 2.00% |
| BRL | 56,590 | 4.50% | 7.00% | 12,518 | 4.50% | 4.50% |
| XAF | 67,683 | 5.50% | 6.00% | 63,980 | 5.00% | 6.00% |
| MYR | 7,279 | 3.62% | 4.03% | 2,921 | 3.62% | 4.00% |
| Other | 4,619 | 0.14% | 5.11% | 2,937 | 0.13% | 5.50% |
| **Total** | **147,297** | **0.14%** | **7.00%** | **189,404** | **0.13%** | **6.00%** |

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| Split fixed/floating interest rate: | | |
| Fixed rate | 59,861 | 1,003 |
| Floating rate | 87,436 | 188,401 |
| **Total bank overdrafts and short-term debt** | **147,297** | **189,404** |

## 21 Trade payables and other current liabilities

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| | | |
| Trade payables | 415,342 | 460,442 |
| Accrued wages and social security | 59,810 | 75,854 |
| Related parties | 1,845 | 3,531 |
| Accrued expenses | 38,219 | 52,586 |
| Liability put option over existing non-controlling interest | – | 31,188 |
| Other payables | 116,961 | 81,288 |
| **Payables representing financial liabilities** | **632,177** | **704,889** |
| Fair value of hedged firm commitments (note 14) | 3,151 | 41,755 |
| Other taxes and payables to governmental authorities | 21,839 | 19,752 |
| Deferred income | – | 3,141 |
| **Other liabilities** | **24,990** | **64,648** |
| **Total trade payables and other current liabilities** | **657,167** | **769,537** |

As disclosed in notes 9 and 12, the Group participates in a program where receivables are sold to a financial institution and derecognized from the balance sheet. Amounts payable to the financial institution amounted to CHF 14.9 million as of August 31, 2011 (2010: CHF 22.8 million), consisting of the balance of receivables collected before the next rollover date of CHF 41.2 million (2010: CHF 44.2 million), less discounts on receivables sold of CHF 26.3 million (2010: CHF 21.4 million). These amounts are included in other payables.

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

To support Barry Callebaut's geographic expansion and to further strengthen its footprint in fast-growing emerging markets such as Asia, the Group signed an agreement to acquire the remaining 40% stake in Barry Callebaut Malaysia Sdn Bhd, Malaysia as foreseen in the initial agreement under the title of a put and call option. As a result of the put option agreement, the Group had not recorded any non-controlling interest. Instead, a liability on the remaining 40% non-controlling interest in Barry Callebaut Malaysia Sdn Bhd had been recognized previously. The remaining 40% non-controlling interest was acquired in April 2011 for CHF 37.7 million, with the related liability derecognized at the same time.

## 22 Provisions

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

| 2009/10 | Restructuring | Litigation & claims | Other | Total |
|---|---|---|---|---|
| in thousands of CHF | | | | |
| | | | | |
| **Balance as of August 31, 2009** | **10,467** | **3,834** | **6,652** | **20,953** |
| Change in Group structure – acquisitions | 500 | 775 | 3,439 | 4,714 |
| Additions | 4,435 | 574 | 4,666 | 9,675 |
| Usage | (7,920) | (648) | (2,582) | (11,150) |
| Release of unused provisions | (61) | (165) | – | (226) |
| Currency translation adjustments | (1,235) | (385) | (927) | (2,547) |
| **as of August 31, 2010** | **6,186** | **3,985** | **11,248** | **21,419** |
| | | | | |
| of which: | | | | |
| Current | 5,846 | 3,395 | 6,317 | 15,558 |
| Non-current | 340 | 590 | 4,931 | 5,861 |

*Restructuring*
Usage of restructuring provisions in 2010/11 mainly related to plant reorganizations.

*Litigation & claims*
The amount includes provisions for certain litigations and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as of August 31, 2011.

*Other provisions*
Other provisions relate mainly to amounts that have been provided to cover the negative outcome of onerous contracts related to operational issues and tax matters.

## 23 Long-term debt

| as of August 31, | 2011 | 2010 | 2011 | 2010 |
|---|---|---|---|---|
| in thousands of CHF | Carrying amounts | | Fair values | |
| Senior notes | 680,579 | 442,394 | 701,777 | 461,524 |
| Long-term bank debts | 3,853 | 256,406 | 3,853 | 256,406 |
| Less current portion (note 20) | (953) | (552) | (953) | (552) |
| Interest-bearing loans from employees | 7 | 14 | 7 | 14 |
| Long-term other loans | 669 | – | 669 | – |
| Finance lease obligation (note 16) | 805 | 1,254 | 805 | 1,254 |
| **Total long-term debt** | **684,960** | **699,516** | **706,158** | **718,646** |

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

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

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

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

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

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| 2011/12 | – | 5,013 |
| 2012/13 | 1,066 | 247,413 |
| 2013/14 | 1,243 | 3,303 |
| 2014/15 | 1,414 | 349 |
| 2015/16 and thereafter (for 2009/10) | 327 | 443,438 |
| 2016/17 and thereafter (for 2010/11) | 680,910 | – |
| **Total long-term debt** | **684,960** | **699,516** |

The weighted average maturity of the total debt increased from 4.5 years to 6.7 years.

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

| as of August 31, | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| Split per currency | Amount | Interest range | | Amount | Interest range | |
| in thousands of CHF | | from | to | | from | to |
| EUR | 682,977 | 3.00% | 7.11% | 572,151 | 0.97% | 6.14% |
| CAD | – | n/a | n/a | 115,552 | 1.10% | 1.58% |
| MYR | – | n/a | n/a | 8,763 | 3.62% | 4.00% |
| USD | – | n/a | n/a | – | n/a | n/a |
| BRL | 1,983 | 4.50% | 4.50% | 2,700 | 4.50% | 4.50% |
| Other | – | n/a | n/a | 350 | 4.00% | 6.80% |
| **Total long-term debt** | **684,960** | **3.00%** | **7.11%** | **699,516** | **0.97%** | **6.80%** |

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| Split fixed/floating interest rate: | | |
| Fixed rate | 684,792 | 447,148 |
| Floating rate | 168 | 252,368 |
| **Total long-term debt** | **684,960** | **699,516** |

## 24 Employee benefit obligations

*A. Pension and other long-term employment benefit plans*

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

Reconciliation of assets and employee benefit obligations recognized in the balance sheet:

| as of August 31, | 2011 | 2010 | 2011 | 2010 |
|---|---|---|---|---|
| in thousands of CHF | Defined benefit pension plans | | Other long-term employment benefit plans | |
| Present value of funded obligations | 204,696 | 229,610 | – | – |
| Fair value of plan assets | (128,742) | (144,177) | – | – |
| **Excess of liabilities (assets) of funded obligations** | **75,954** | **85,433** | **–** | **–** |
| Present value of unfunded obligations | 11,306 | 66,538 | 10,125 | 19,325 |
| Net unrecognized actuarial gains (losses) | (49,917) | (65,136) | 130 | (1,231) |
| **Net employee benefit obligations recognized in the balance sheet**[1] | **37,343** | **86,835** | **10,255** | **18,094** |
| thereof recognized as an asset | (276) | (185) | – | – |
| thereof recognized as a liability | 37,619 | 87,020 | 10,255 | 18,094 |

1 Main reason for the decrease in obligations is the discontinuation of the European Consumer Products business

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

| in thousands of CHF | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
|---|---|---|---|---|
| | Defined benefit pension plans | | Other long-term employment benefit plans | |
| **Present value of defined benefit obligation as of September 1,** | **296,148** | **271,757** | **19,325** | **19,987** |
| Current service cost | 9,312 | 8,820 | 620 | 788 |
| Past service cost | 133 | 368 | (614) | – |
| Interest cost | 12,505 | 14,972 | 560 | 736 |
| Actuarial losses (gains) | (6,142) | 42,978 | (665) | 3,074 |
| Losses (gains) on curtailment | – | (756) | – | (10) |
| Reclassifications | 25 | – | 166 | – |
| Exchange differences on foreign plans | (37,670) | (25,016) | (1,993) | (2,992) |
| Benefits received | 3,603 | – | – | – |
| Benefits paid | (17,064) | (16,975) | (1,458) | (2,258) |
| Reclassification to held for sale | (44,848) | – | (5,816) | – |
| **Present value of defined benefit obligation as of August 31,** | **216,002** | **296,148** | **10,125** | **19,325** |
| thereof funded obligations | 204,696 | 229,610 | – | – |
| thereof unfunded obligations | 11,306 | 66,538 | 10,125 | 19,325 |

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

| in thousands of CHF | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
|---|---|---|---|---|
| | Defined benefit pension plans | | Other long-term employment benefit plans | |
| **Fair value of plan assets as of September 1,** | **144,177** | **151,719** | **–** | – |
| Expected return | 7,362 | 8,447 | – | – |
| Actuarial gains (losses) | (1,352) | (6,527) | – | – |
| Contributions by employer | 8,200 | 6,911 | – | – |
| Contributions by employees | 3,143 | 3,261 | – | – |
| Exchange differences on foreign plans | (19,083) | (9,094) | – | – |
| Benefits received | 3,603 | – | – | – |
| Benefits paid | (11,875) | (10,540) | – | – |
| Reclassification to held for sale | (5,433) | – | – | – |
| **Fair value of plan assets as of August 31,** | **128,742** | **144,177** | **–** | – |

**Composition of plan assets**

| as of August 31, in thousands of CHF | 2011 | 2010 |
|---|---|---|
| | Defined benefit pension plans | |
| Equities | 47,305 | 53,021 |
| Bonds | 19,607 | 25,883 |
| Cash and other assets | 61,830 | 65,273 |
| **Total fair value of plan assets** | **128,742** | **144,177** |

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

The amounts recognized in the income statement are as follows:

| in thousands of CHF | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
|---|---|---|---|---|
| | Defined benefit pension plans | | Other long-term employment benefit plans | |
| Current service costs | 9,312 | 8,820 | 620 | 788 |
| Interest on obligation | 12,505 | 14,972 | 560 | 736 |
| Expected return on plan assets | (7,362) | (8,447) | – | – |
| Net actuarial losses (gains) recognized in year | 1,384 | 576 | 630 | 1,821 |
| Past service cost | 133 | 368 | (614) | – |
| Losses (gains) on curtailments and settlements | – | (756) | – | (10) |
| Contributions by employees | (3,143) | (3,261) | – | – |
| Reclassification to discontinued operations[1] | (2,666) | (3,216) | 16 | (466) |
| **Total defined benefit expenses** | **10,163** | **9,056** | **1,212** | **2,869** |
| **Actual return on plan assets** | **6,010** | **1,918** | – | – |

1 Due to the discontinuation of the European Consumer Products business – note 26

The service costs for 2011/12 are expected to amount to CHF 9.3 million. The expected return on plan assets is based on market expectations and composition of plan assets.

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| **Total defined contribution expenses** | **1,353** | **1,058** |

The defined benefit expenses are recognized in the Consolidated Income Statement in the following line items:

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| Cost of goods sold | (3,604) | (5,324) |
| Marketing and sales expenses | (799) | (1,182) |
| General and administration expenses | (4,969) | (4,044) |
| Research and development expenses | (347) | (332) |
| Other income | (1) | (1) |
| Other expenses | (1,655) | (1,043) |
| **Total defined benefit expenses recognized in income statement** | **(11,375)** | **(11,926)** |

**Weighted average assumption used**

| in thousands of CHF | 2010/11 | 2009/10 | 2010/11 | 2009/10 |
|---|---|---|---|---|
| | Defined benefit pension plans | | Other long-term employment benefit plans | |
| Discount rate | 4.5% | 4.1% | 4.9% | 4.0% |
| Expected return on plan assets | 5.3% | 5.7% | – | – |
| Expected rate of salary increase | 1.2% | 1.1% | 1.3% | 2.1% |
| Medical cost trend rates | – | – | 5.0% | 5.0% |

**Additional historical information**

| in thousands of CHF | 2010/11 | 2009/10 | 2008/2009 | 2007/08 | 2006/07 |
|---|---|---|---|---|---|
| | Defined benefit plans | | | | |
| Present value of defined benefit obligations | 226,127 | 315,473 | 291,744 | 300,549 | 323,740 |
| Fair value of plan assets | (128,742) | (144,177) | (151,719) | (167,121) | (182,024) |
| **Funding deficit of the plans** | **97,385** | **171,296** | **140,025** | **133,428** | **141,716** |
| Experience adjustments arising from plan liabilities | (4,691) | (17,719) | (9,427) | 6,573 | 5,151 |
| Experience adjustments arising from plan assets | (1,352) | (6,529) | (18,192) | (15,018) | (338) |

*B. Equity compensation benefits*

**Employee Stock Ownership Program**

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

The fair value of the shares granted is measured at the market price at grant date. 13,629 shares were granted in fiscal year 2010/11 (15,260 shares in 2009/10). The fair value of the shares at grant date is recognized over the vesting period as a personnel expense. For 2010/11, the amount recognized (before taxes) was CHF 8.4 million with a corresponding increase in equity (2009/10: CHF 5.7 million). The average fair value for the shares granted during the fiscal year 2010/11 amounted to CHF 780 (2009/10: CHF 581).

## 25 Equity

**Share capital**

| as of August 31, in thousands of CHF | 2011 | 2010 | 2009 |
|---|---|---|---|
| Share capital is represented by 5,170,000 authorized and issued shares of each CHF 24.20 fully paid in (in 2010: 38.20; in 2009: 50.70) | 125,114 | 197,494 | 262,119 |

The issued share capital is divided into 5,170,000 registered shares with a nominal value of CHF 24.20 each (CHF 38.20 as of August 31, 2010). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind.

Instead of a dividend, the Annual General Meeting held on December 7, 2010, resolved a share capital reduction and repayment of CHF 14.00 per share resulting in a total share capital reduction of CHF 72.4 million (December 2009: capital reduction and repayment of CHF 12.50 per share resulting in a total share capital reduction of CHF 64.6 million). The respective repayment took place in March 2011.

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

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The fair value of the treasury shares as of August 31, 2011, amounted to CHF 7.5 million (2010: CHF 3.3 million).

As of August 31, 2011, the number of outstanding shares amounted to 5,159,819 (2010: 5,165,239) and the number of treasury shares to 10,181 (2010: 4,761). During this fiscal year, 12,124 shares have been purchased, 6,704 transferred to employees under the Employee Stock Ownership Program and 0 sold (2009/10: 9,174 purchased; 10,845 transferred and 500 sold).

*Retained earnings*
As of August 31, 2011, retained earnings contain legal reserves of CHF 32.6 million (2010: CHF 42.7 million), which are not distributable to the shareholders pursuant to Swiss law.

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

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

**Movement of the non-controlling interest**

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| as of September 1, | 882 | 589 |
| Non-controlling share of profits/(losses) | (856) | 517 |
| Dividends paid to non-controlling shareholders | (105) | (120) |
| Currency translation adjustment | (196) | (104) |
| **as of August 31,** | **(275)** | **882** |

## 26 Discontinued operations and assets held for sale and liabilities directly associated with assets held for sale

On July 8, 2011, the Group signed an agreement with the Belgium based Baronie Group on the sale of its European Consumer Products business. The disposal is consistent with the Group's long-term policy no longer considering this business as strategic core business. The Group completed the sale (transfer of ownership and control) on September 30, 2011.

The figures for fiscal year 2010/11 and 2009/10 include the result of operations as well as costs in connection with the discontinuation of the business. All prior year figures related to the Consolidated Statement of Income and notes thereon have been restated accordingly.

In the Consolidated Balance Sheet, the assets and liabilities related to the discontinued operations are reported under "Assets held for sale" and "Liabilities directly associated with assets held for sale". However, in accordance with IFRS 5, the comparables of the prior year have not been restated for the Balance Sheet. For movement tables related to assets and liabilities, discontinued operations have been eliminated at the closing values of the fiscal year 2010/11. The Consolidated Statement of Cash Flows in accordance with IFRS 5 includes the cash flows from discontinued operations and this note provides a summary of the cash flows related to the discontinued business separately.

### Result and cash flow of the discontinued operations

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| **Revenue from sales and services** | **642,027** | **723,529** |
| Operating expenses[1] | (631,725) | (694,220) |
| **Operating result before impairment on assets and disposal costs** | **10,302** | **29,309** |
| Impairment of assets[2] | (59,161) | |
| Transaction and separation costs | (16,776) | – |
| **Operating result (EBIT)** | **(65,635)** | **29,309** |
| Financial items | (10,970) | (10,123) |
| Income taxes | (5,527) | (4,895) |
| **Net result from discontinued operations** | **(82,132)** | **14,291** |
| | | |
| **Earnings per share from discontinued operations** | | |
| Basic earnings per share (CHF/share) | (15.90) | 2.76 |
| Diluted earnings per share (CHF/share) | (15.84) | 2.76 |
| | | |
| **Cash flows from discontinued operations** | **4,013** | **42** |
| Net cash flow from operating activities | 21,847 | 20,470 |
| Net cash flow from investing activities | (8,424) | (9,993) |
| Net cash flow from financing activities | (9,410) | (10,435) |

1 Includes depreciation and amortization of CHF 20.6 million (2009/10: CHF 26.8 million)
2 Impairment of assets relates to the write down of goodwill (incl. CHF 12.0 million translation effects accumulated since acquisition) as a result of the impairment test, as well as some other impairments recorded as a consequence of the sale and purchase agreement signed for the discontinued European Consumer Products business

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

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

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

## 27 Financial risk management

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

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

The Group manages its business based on the following two business models:

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

*Commodity price risks*

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

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

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

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

In order to quantify and manage the Group's consolidated exposure to commodity price risks, the concept of historical VaR is applied. The VaR concept serves as the analytical instrument for assessing the Group's commodity price risk incurred under normal market conditions. The VaR indicates the loss which, within a time horizon of 10 days for raw materials, will not be exceeded at a confidence level of 95% using 7 years of historical market prices for each major raw material component. The VaR is complemented through the calculation of the expected shortfall and worst cases as well as the use of stress test scenarios. However, liquidity and credit risks are not included in the calculation and the VaR is based on a static portfolio during the time horizon of the analysis. The GCRC breaks down the Group VaR limit into a VaR limit for the Sourcing unit as well as limits in metric tonnes for the other risk reporting units. The Board of Directors is the highest approval authority for all Group Commodity Risk Management (GCRM) matters and approves the GCRM Policy as well as the Group VaR limit.

The VaR framework of the Group is based on the standard historical VaR methodology; taking 2,000 days (equivalent to 7 years) of the most recent prices, based on which the day-to-day relative price changes are calculated. This simulation of past market conditions is not predicting the future movement in commodity prices. Therefore, it does not represent actual losses. It only represents an indication of the future commodity price risks. VaR is applied to materials with prices considered to exceed certain volatility levels (e.g. cocoa beans, dairy products, sweeteners, oils and fats), where risk arising from this volatility needs to be managed according to management. As of August 31, 2011, the Group had a total VaR for raw materials of CHF 6.3 million (2010: CHF 10.8 million) well within the Group limit. The nominal exposure to commodity price risks is shown under contractual maturities.

*Foreign currency risks*

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

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

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

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

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

The table below provides an overview of the net exposure of EUR, GBP and USD against the main functional currencies in the Group. According to the Group's Treasury Policy, foreign exchange exposures are hedged as from identification on an intra-day basis in line with the approved exposure limits. In case of deviation from the agreed foreign exchange exposure limits, approval has to be sought from the Group's Finance Committee. Companies with the same functional currency are shown in one group.

**Net foreign currency exposures**

| as of August 31, | 2011 | | | 2010 | | |
|---|---|---|---|---|---|---|
| Net exposure in thousands of functional currency | EUR | GBP | USD | EUR | GBP | USD |
| EUR | | 11,349 | 604 | | (1,524) | (446) |
| CHF | (654) | (459) | 1,525 | (533) | (486) | 309 |
| CAD | | | 113 | | | |
| USD | (442) | | | 5 | | |
| BRL | | | 406 | | | 1,266 |
| SGD | | | 50 | | | 154 |
| CNY | (680) | | (1,074) | (613) | | (681) |
| MYR | (99) | (368) | 419 | (310) | (390) | 562 |
| RUB | 26 | | 763 | 699 | | (1,346) |
| SEK | (2,976) | 64 | (78) | 115 | 18 | (28) |
| **Total** | **(4,825)** | **10,586** | **2,728** | **(637)** | **(2,382)** | **(210)** |

In order to quantify and manage the Group's consolidated exposure to foreign currency risks, the concept of historical VaR has been implemented. The VaR concept serves as the analytical instrument for assessing the Group's foreign currency risk incurred under normal market conditions. The VaR indicates the loss, which, within a time horizon of 1 day, will not be exceeded at a confidence level of 95% using 7 years of historical market prices for each major currency pair. The VaR is complemented with the calculation of the expected shortfall and worst cases. The VaR is based on static exposures during the time horizon of the analysis. The simulation of past market conditions is not predicting the future movement in foreign currency rates. Therefore, it does not represent actual losses. It only represents an indication of future foreign currency risks. As of August 31, 2011, the Group had a VaR of CHF 0.3 million (2010: CHF 0.1 million).

| as of August 31, | 2011 | 2010 |
|---|---|---|
| Value at Risk on net exposures in thousands of CHF<br>Total for the Group and per main exposure currencies | | |
| | | |
| **Total Group** | **265** | **97** |
| | | |
| CHF | 24 | 17 |
| EUR | 222 | 83 |
| USD | 32 | 24 |
| GBP | 135 | 26 |
| Others | 66 | 37 |
| Diversification effect | 45% | 48% |

*Interest rate risks*

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

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

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

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

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

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| | | |
| **Fixed interest bearing items** | | |
| Carrying amount of financial liabilities | 744,653 | 448,151 |
| Reclassification due to interest rate derivative | – | 245,572 |
| **Net fixed interest position** | **744,653** | **693,723** |
| | | |
| **Floating interest bearing items** | | |
| Carrying amount of financial assets | (42,410) | (18,110) |
| Carrying amount of financial liabilities | 87,604 | 440,769 |
| Reclassification due to interest rate derivative | – | (245,572) |
| **Net floating interest position** | **45,194** | **177,087** |

*Sensitivity analysis on interest rate risks*
The following table shows the impact of a parallel shift of interest rates by 100 basis points (bps) up and 50 bps down on the Group's equity and income statement, net of tax. Due to lower interest rates, the underlying assumptions for the sensitivity analysis have been aligned with prevailing market circumstances. The calculation is performed on both, the portion of the outstanding debt (excluding the asset-backed securitization program; see notes 9 and 12) at floating interest rates and the outstanding derivatives exchanging floating into fixed interest rates at the respective year-end. This sensitivity analysis only indicates the potential impact for the respective fiscal year at the prevailing conditions in the financial markets. Consequently, it does not represent actual or future gains or losses, which are strictly managed and controlled, as clearly indicated in the Group's Treasury Policy.

| as of August 31, | 2011 | | | | 2010 | | | |
|---|---|---|---|---|---|---|---|---|
| Impact on | Income statement | | Equity | | Income statement | | Equity | |
| in thousands of CHF | 100 bps increase | 50 bps decrease | 100 bps increase | 50 bps decrease | 100 bps increase | 25 bps decrease | 100 bps increase | 25 bps decrease |
| | | | | | | | | |
| Floating rate bearing items | (339) | 169 | – | – | (3,076) | 769 | – | – |
| Interest rate swaps | – | – | – | – | 2,366 | (608) | 8,039 | (2,123) |
| **Total interest rate sensitivity** | **(339)** | **169** | **–** | **–** | **(710)** | **161** | **8,039** | **(2,123)** |

*Credit risk and concentration of credit risk*
Credit risk, i.e. the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. As of August 31, 2011, the largest customer represents 8% (2010: 10%) whereas the 10 biggest customers represent 24% (2010: 26%) of trade receivables. Due to the diverse geographic and large customer base, the Group has no material credit risk concentration.

The extent of the Group's credit risk exposure is represented on the one hand by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements, if any, with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 627.7 million as of August 31, 2011 (2010: CHF 750.4 million). The Group has insured certain credit risks through a credit insurance policy. Selected number of customers with significant outstanding amounts are covered by that policy.

On the other hand, the Group's credit risk also arises from derivative financial instruments foreign exchange derivatives, interest rate derivatives and commodity (cocoa) derivatives. The Group has foreign exchange and interest rate derivatives with 10–15 banks acting on an international scale and having sound credit ratings. In case of commodity derivatives, the Group enters into future deals in the New York and the London terminal markets with usually 10–15 counterparties, with insignificant open net balances per counterparty.

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

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

| as of August 31, 2011 | In the first year | In the second to the fifth year | After five years | Contractual amount |
|---|---|---|---|---|
| in thousands of CHF | | | | |
| | | | | |
| **Non derivative financial liabilities** | | | | |
| Bank overdrafts | (17,327) | | | (17,327) |
| Short-term debt | (129,970) | | | (129,970) |
| Trade payables | (417,187) | | | (417,187) |
| Long-term debt | (39,940) | (163,810) | (795,578) | (999,328) |
| Other liabilities | (214,990) | | | (214,990) |
| **Derivatives** | | | | |
| Interest rate derivatives | | | | |
| Currency derivatives | | | | |
| Inflow | 2,895,019 | 110,182 | | 3,005,201 |
| Outflow | (2,891,458) | (111,752) | | (3,003,210) |
| Commodity derivatives | | | | |
| Inflow | 536,154 | 12,666 | | 548,820 |
| Outflow | (1,380,190) | | | (1,380,190) |
| **Total net** | **(1,659,889)** | **(152,714)** | **(795,578)** | **(2,608,181)** |

| as of August 31, 2010 | In the first year | In the second to the fifth year | After five years | Contractual amount |
|---|---|---|---|---|
| in thousands of CHF | | | | |
| **Non derivative financial liabilities** | | | | |
| Bank overdrafts | (13,466) | | | (13,466) |
| Short-term debt | (175,938) | | | (175,938) |
| Trade payables | (463,973) | | | (463,973) |
| Long-term debt | (30,646) | (372,780) | (504,730) | (908,156) |
| Other liabilities | (240,916) | | | (240,916) |
| **Derivatives** | | | | |
| Interest rate derivatives | (4,883) | (6,887) | 555 | (11,215) |
| Currency derivatives | | | | |
| Inflow | 5,620,356 | 56,847 | | 5,677,203 |
| Outflow | (5,630,801) | (57,511) | | (5,688,312) |
| Commodity derivatives | | | | |
| Inflow | 1,372,061 | 12,440 | | 1,384,501 |
| Outflow | (1,346,632) | (1,389) | | (1,348,021) |
| **Total net** | **(914,838)** | **(369,280)** | **(504,175)** | **(1,788,293)** |

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

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

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

*Short-term deposits*
The carrying value approximates fair value because of the short period to maturity of these financial instruments.

*Short-term debts*
The carrying value approximates fair value because of the short period to maturity of these financial instruments.

*Long-term debts*
In calculating the fair value of long-term debts, future principal and interest payments are discounted using the effective interest rate method.

*Other receivables and payables representing financial instruments*
The carrying value approximates fair value because of the short-term maturity of these financial instruments.

*Derivative financial assets and liabilities*

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

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

| as of August 31, 2011 | Loans and receivables | Fair value through profit and loss – trading[1] | Financial liabilities at amortized cost | Derivatives used in hedging | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|
| in thousands of CHF | | | | | | |
| Cash equivalents | 41,977 | | | | 41,977 | 41,977 |
| Short-term deposits | 433 | | | | 433 | 433 |
| Trade receivables | 276,153 | | | | 276,153 | 276,153 |
| Derivative financial assets | | 235,384 | | 10,540 | 245,924 | 245,924 |
| Other assets | 49,713 | | | | 49,713 | 49,713 |
| **Total Assets** | **368,276** | **235,384** | | **10,540** | **614,200** | **614,200** |
| Bank overdrafts | | | 17,327 | | 17,327 | 17,327 |
| Short-term debt | | | 129,970 | | 129,970 | 129,970 |
| Trade payables | | | 417,187 | | 417,187 | 417,187 |
| Derivative financial liabilities | | 133,399 | | 10,137 | 143,536 | 143,536 |
| Long-term debt | | | 684,960 | | 684,960 | 706,158 |
| Other liabilities | | | 214,990 | | 214,990 | 214,990 |
| **Total Liabilities** | | **133,399** | **1,464,434** | **10,137** | **1,607,970** | **1,629,168** |

1 The category "Fair value through profit and loss – trading" mainly includes derivatives held in subsidiaries with the broker/trader status and does not mean that they are held for trading

| as of August 31, 2010 | Loans and receivables | Fair value through profit and loss – trading[1] | Financial liabilities at amortized cost | Available for sale | Derivatives used in hedging | Total carrying amount | Fair value |
|---|---|---|---|---|---|---|---|
| in thousands of CHF | | | | | | | |
| Cash equivalents | 17,360 | | | | | 17,360 | 17,360 |
| Short-term deposits | 750 | | | | | 750 | 750 |
| Trade receivables | 314,638 | | | | | 314,638 | 314,638 |
| Derivative financial assets | | 306,073 | | | 64,507 | 370,580 | 370,580 |
| Other assets | 46,650 | | | 432 | | 47,082 | 47,082 |
| **Total Assets** | **379,398** | **306,073** | | **432** | **64,507** | **750,410** | **750,410** |
| Bank overdrafts | | | 13,466 | | | 13,466 | 13,466 |
| Short-term debt | | | 175,938 | | | 175,938 | 175,938 |
| Trade payables | | | 463,973 | | | 463,973 | 463,973 |
| Derivative financial liabilities | | 334,590 | | | 36,469 | 371,059 | 371,059 |
| Long-term debt | | | 699,516 | | | 699,516 | 718,646 |
| Other liabilities | | | 240,916 | | | 240,916 | 240,916 |
| **Total Liabilities** | | **334,590** | **1,593,809** | | **36,469** | **1,964,868** | **1,983,998** |

1 The category "Fair value through profit and loss – trading" mainly includes derivatives held in subsidiaries with the broker/trader status and does not mean that they are held for trading

*Fair value – hierarchy*

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

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

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

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

| as of August 31, 2010 | Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|
| in thousands of CHF | | | | |
| | | | | |
| Derivative financial assets | 13,100 | 357,480 | – | 370,580 |
| Derivative financial liabilities | 3,383 | 367,676 | – | 371,059 |

There have been no transfers between the levels during the fiscal year 2010/11 and 2009/10.

*Capital management*
It is the Group's policy to maintain a sound capital base to support the continued development of the business. The Board of Directors seeks to maintain a prudent balance between debt and equity. In compliance with bank covenants, the minimal target solvency ratio (equity in % of total assets, adjusted for derivative financial instruments on a netted basis) is set at 20%.

The target payout ratio to shareholders currently amounts to approximately 30% of the net profit for the year in the form of a share capital reduction and repayment or dividend. The target ratio and the form of the payout recommended by the Board are reviewed on an annual basis and are subject to the decision of the Annual General Meeting of Shareholders.

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

## 28 Related parties

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

| as of August 31, | 2011 | 2010 |
|---|---|---|
| Jacobs Holding AG, Zurich, Switzerland | 50.11% | 50.11% |
| Renata Jacobs | 8.48% | 8.48% |
| Nicolas and Philippe Jacobs[1] | 5.53% | 6.14% |
| Nathalie Jacobs | 3.07% | 3.07% |

1 Form a group of shareholders according to Swiss Stock exchange regulations as published in the Swiss Official Gazette of Commerce of February 4, 2008

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

| in thousands of CHF | Nature of cost/revenue | 2010/11 | 2009/10 |
|---|---|---|---|
| **Sales to related parties** | | **52** | **173** |
| Pastelería Totel, S.L. | Revenue from sales and services | 52 | 173 |
| **Purchases from related parties** | | **(10,415)** | **(11,424)** |
| African Organic Produce AG | Cost of goods sold | (10,415) | (11,424) |
| **Operating expenses charged by related parties** | | **(8,258)** | **(7,692)** |
| Jacobs Holding AG | Management services | (1,716) | (1,650) |
| Adecco Group | Human resources services | (6,431) | (5,940) |
| Biolands International Ltd | Management services | (11) | – |
| Other | | (100) | (102) |
| **Trade receivables from related parties** | | – | **2** |
| Jacobs Holding AG | | – | 2 |
| **Trade payables to related parties** | | **1,845** | **3,531** |
| Jacobs Holding AG | | 231 | 310 |
| Adecco Group | | 873 | 1,282 |
| African Organic Produce AG | | 741 | 1,882 |
| Other | | – | 57 |

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

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

| in million of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| Short-term employee benefits | 8.7 | 8.2 |
| Post-employment benefits | 1.6 | 1.5 |
| Share-based payments | 6.6 | 4.2 |
| **Total** | **16.9** | **13.9** |

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

## 29 Commitments and contingencies

### Capital commitments

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| | | |
| Property, plant and equipment | 3,817 | 1,047 |
| Intangible assets | 2,357 | 2,747 |
| **Total capital commitments** | **6,174** | **3,794** |

### Operating lease commitments

Operating lease commitments represent rentals payable by the Group for certain vehicles, equipment, buildings and offices. Equipment and vehicle leases were negotiated for an average term of 2.5 years (2009/10: 3.6 years).

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

| as of August 31, | 2011 | 2010 |
|---|---|---|
| in thousands of CHF | | |
| | | |
| In the first year | 12,707 | 13,697 |
| In the second to the fifth year | 34,144 | 37,096 |
| After five years | 25,681 | 28,517 |
| **Total future operating lease commitments** | **72,532** | **79,310** |

| in thousands of CHF | 2010/11 | 2009/10 |
|---|---|---|
| | | |
| Lease expenditure charged to the income statement | 14,092 | 14,274 |

**Contingencies**

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

## 30 Group companies

The principal subsidiaries of Barry Callebaut as of August 31, 2011, are the following:

| Country | Subsidiary | Ownership in % | Currency | Capital |
|---|---|---|---|---|
| **Switzerland** | Barry Callebaut Sourcing AG | 100 | CHF | 2,000,000 |
| | Barry Callebaut Schweiz AG | 100 | CHF | 4,600,000 |
| | Chocolat Alprose SA | 100 | CHF | 7,000,000 |
| | Barry Callebaut Cocoa AG | 100 | CHF | 100,000 |
| **Belgium** | Barry Callebaut Services N.V. | 100 | EUR | 705,000,000 |
| | Barry Callebaut Belgium N.V. | 100 | EUR | 61,537,705 |
| | Barry Callebaut Belgium Consumer N.V. | 100 | EUR | 1,223,795 |
| | International Business Company Belgium BVBA | 100 | EUR | 65,000 |
| | Pierre Iserentant SA | 100 | EUR | 260,908 |
| **Brazil** | Barry Callebaut Brasil SA | 100 | BRL | 26,114,993 |
| **Cameroon** | Société Industrielle Camerounaise des Cacaos SA | 78.35 | XAF | 1,147,500,000 |
| | SEC Cacaos SA | 100 | XAF | 10,000,000 |
| **Canada** | Barry Callebaut Canada Inc. | 100 | CAD | 2,000,000 |
| **China** | Barry Callebaut Suzhou Chocolate Ltd | 100 | USD | 27,000,000 |
| | Barry Callebaut Suzhou Chocolate R&D Center | 100 | USD | 2,000,000 |
| **Côte d'Ivoire** | Société Africaine de Cacao SACO SA | 100 | XAF | 25,695,651,316 |
| | Barry Callebaut Négoce SA | 100 | XAF | 3,700,000,000 |
| **Czech Republic** | Barry Callebaut Czech Republic S.R.O. | 100 | CZK | 200,000 |
| **Denmark** | Barry Callebaut Danmark APS | 100 | DKK | 125,000 |
| **Ecuador** | Barry Callebaut Ecuador SA | 100 | USD | 50,000 |
| **France** | Barry Callebaut Manufacturing France SAS | 100 | EUR | 6,637,540 |
| | Barry Callebaut France SAS | 100 | EUR | 50,000,000 |
| | Barry Callebaut Manufacturing Bourgogne SAS | 100 | EUR | 2,000,000 |
| **Germany** | Barry Callebaut Deutschland GmbH | 100 | EUR | 51,129 |
| | Van Houten GmbH & Co KG | 100 | EUR | 15,338,756 |
| | C.J. van Houten & Zoon Holding GmbH | 100 | EUR | 72,092,155 |
| | Van Houten Beteiligungs AG & Co KG | 100 | EUR | 99,975,000 |
| | Stollwerck GmbH | 100 | EUR | 20,500,000 |
| | Stollwerck Schokoladen Vertriebs GmbH | 100 | EUR | 7,184,000 |
| | Van Houten Beteiligungs GmbH | 100 | EUR | 25,000 |
| | Schloss Marbach GmbH | 100 | EUR | 1,600,000 |
| **Ghana** | Barry Callebaut Ghana Ltd | 100 | USD | 9,204,219 |
| **Great Britain** | Barry Callebaut Manufacturing (UK) Ltd | 100 | GBP | 15,467,852 |
| | Barry Callebaut (UK) Ltd | 100 | GBP | 3,200,000 |
| | Barry Callebaut Vending UK Ltd | 100 | GBP | 40,000 |
| **Hong Kong** | Van Houten (Asia Pacific) Ltd | 100 | HKD | 2 |
| **India** | Barry Callebaut India Private Ltd | 100 | INR | 35,000,000 |
| **Italy** | Barry Callebaut Italia S.p.A. | 100 | EUR | 104,000 |
| | Barry Callebaut Manufacturing Italy Srl. | 100 | EUR | 2,646,841 |
| | Dolphin Srl. | 100 | EUR | 110,000 |
| **Japan** | Barry Callebaut Japan Ltd | 100 | JPY | 1,260,000,000 |
| **Malaysia** | Barry Callebaut Malaysia Sdn Bhd | 100 | MYR | 36,000,000 |
| | Selbourne Food Services Sdn Bhd | 100 | MYR | 2,000,000 |
| | Barry Callebaut Services Asia Pacific Sdn Bhd | 100 | MYR | 500,000 |

| Country | Subsidiary | Ownership in % | Currency | Capital |
|---|---|---|---|---|
| | | | | |
| **Mexico** | Barry Callebaut Mexico Distributors SA de CV | 100 | MXN | 117,196,530 |
| | Barry Callebaut Servicios SA de CV | 100 | MXN | 50,000 |
| | Barry Callebaut Mexico, S. de RL de CV | 100 | MXN | 13,027,200 |
| **Poland** | Barry Callebaut Manufacturing Polska Sp. z o.o. | 100 | PLN | 10,000,000 |
| | Barry Callebaut Polska Sp. z o.o. | 100 | PLN | 50,000 |
| **Russia** | Barry Callebaut NL Russia LLC | 100 | RUB | 1,046,463,481 |
| | Gor Trade LLC | 100 | RUB | 685,000,000 |
| **Singapore** | Barry Callebaut Asia Pacific (Singapore) Pte. Ltd | 100 | SGD | 83,856,669 |
| **Spain** | Barry Callebaut Ibérica SL | 100 | EUR | 25,000 |
| | Barry Callebaut Pastry Manufacturing Ibérica SL | 99 | EUR | 7,800,000 |
| | Barry Callebaut Manufacturing Ibérica, S.A.U. | 100 | EUR | 987,600 |
| **Sweden** | Barry Callebaut Sweden AB | 100 | SEK | 100,000 |
| **The Netherlands** | Barry Callebaut Nederland B.V. | 100 | EUR | 21,435,000 |
| | Barry Callebaut Decorations B.V. | 100 | EUR | 18,242 |
| | Hoogenboom Benelux BV | 100 | EUR | 18,152 |
| | Dings Décor B.V. | 70 | EUR | 22,689 |
| **Turkey** | Barry Callebaut Eurasia Gida Sanayi VE Ticaret Ltd Sti | 100 | TRL | 40,000 |
| **USA** | Barry Callebaut Cocoa USA Inc. | 100 | USD | 7,663 |
| | BC North America Holding Inc. | 100 | USD | 100,001,000 |
| | Barry Callebaut USA LLC. | 100 | USD | 100,190,211 |

1 Barry Callebaut has some dormant companies which are not enclosed as principal subsidiaries, for example Van Houten Service AG (in liquidation), Barry Callebaut Manufacturing Germany GmbH, Barry Callebaut Holding (UK) Ltd, Barry Callebaut Nigeria, Adis Holding Inc., Barry Callebaut USA Holding, Inc., BC USA Service company Inc., Omnigest SAS, Alliance Cacao SA

## 31 Risk assessment disclosure required by Swiss Law

*Group Risk Management*

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

The ERM is based on the framework of the Committee for Sponsoring Organizations (COSO) and classifies risks into five major risk categories: Strategic, Market, Financial Reporting, Operating and Compliance/Legal Risks. The Group's ERM is multidimensional in the form, that risks are identified, assessed and controlled not only directly by the legal entity but also by specialized Corporate Functions such as Quality Assurance, Sourcing and Cocoa, Group Finance and Treasury, Operations & Supply Chain Organization (OSCO), Information Management, Global Human Resources, Innovations and Research and Development and Group Insurance and supervised by the GRM. Risk assessments are in the responsibility of line management but overseen and controlled by GRM. Thus, issues and risks on all levels can be identified, addressed and mitigated efficiently and effectively. Financial risk management is described in more detail in note 27.

The results of the Group ERM are presented to the AFRQCC quarterly or immediately in the event of an emergency individual risk issue.

## 32 Subsequent events

The Group completed the sale of the European consumer business on September 30, 2011 (as referred to in note 26). In accordance with the share purchase agreement, the final purchase price is determined based on the closing balance sheet on September 30, 2011. At this stage the assessment and agreement on final amounts are ongoing. Consequently, the adjusted sales price for the transaction cannot yet be determined reliably.

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 7, 2011, and are subject to approval by the Annual General Meeting of Shareholders on December 8, 2011.

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References to page numbers in this Report of the Statutory Auditor are to the pages in the Barry Callebaut Annual Report 2010/2011 and not to the pages in this document.

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

## Barry Callebaut, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Barry Callebaut AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on pages 64 to 130 for the year ended August 31, 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 as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

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

*Opinion*
In our opinion, the consolidated financial statements for the year ended August 31, 2011 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

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

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

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

KPMG AG

Roger Neininger
*Licensed Audit Expert*
*Auditor in Charge*

Marc Ziegler
*Licensed Audit Expert*

Zurich, November 7, 2011

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

Member of the Swiss Institute
of Certified Accountants and Tax Consultants

## Consolidated Income Statement (unaudited)

| For the 6-month period ended February 28/29, | 2013 | 2012 |
|---|---|---|
| in million CHF | | restated[1] |
| **Revenue from sales and services** | **2,391.6** | **2,449.6** |
| Cost of goods sold | (2,034.3) | (2,110.8) |
| **Gross profit** | **357.3** | **338.8** |
| Marketing and sales expenses | (52.5) | (47.2) |
| General and administration expenses | (130.5) | (118.8) |
| Other income | 5.3 | 8.4 |
| Other expenses | (5.8) | (3.6) |
| **Operating profit (EBIT)** | **173.8** | **177.6** |
| Financial income | 2.5 | 6.2 |
| Financial expenses | (37.9) | (37.2) |
| Result from investments in associates and joint ventures | (0.3) | 0.3 |
| **Profit before income taxes** | **138.1** | **146.9** |
| Income taxes | (21.7) | (21.2) |
| **Net profit from continuing operations** | **116.4** | **125.7** |
| Net result from discontinued operations, net of tax | (6.1) | (35.6) |
| **Net profit for the period** | **110.3** | **90.1** |
| of which attributable to: | | |
| – shareholders of the parent company | 110.2 | 90.4 |
| – non-controlling interest[2] | 0.1 | (0.3) |
| **Earnings per share from continuing and discontinued operations** | | |
| Basic earnings per share (CHF/share) | 21.32 | 17.50 |
| Diluted earnings per share (CHF/share) | 21.21 | 17.40 |
| **Earnings per share from continuing operations[3]** | | |
| Basic earnings per share (CHF/share) | 22.50 | 24.39 |
| Diluted earnings per share (CHF/share) | 22.39 | 24.25 |

1 Due to the discontinuation of the consumer activities, certain comparatives have been restated to conform with the current period's presentation. See Discontinued Operations – Note 4.
2 None of the results from discontinued operations is related to non-controlling interests.
3 Based on the net profit for the period attributable to the shareholders of the parent company excluding the net result from discontinued operations.

## Consolidated Statement of Comprehensive Income (unaudited)

| For the 6-month period ended February 28/29, | 2013 | 2012 |
|---|---|---|
| in million CHF | | |
| | | |
| **Net profit for the period** | **110.3** | **90.1** |
| Cash flow hedges | 0.9 | (4.9) |
| Tax effect on cash flow hedges | – | (1.2) |
| Currency translation differences | 2.3 | 74.2 |
| thereof recycled into profit or loss related to divestiture | 1.7 | (2.3) |
| **Items that may be reclassified subsequently to profit or loss** | **3.2** | **68.1** |
| **Other comprehensive income for the period, net of tax** | **3.2** | **68.1** |
| | | |
| **Total comprehensive income for the period** | **113.5** | **158.2** |
| of which attributable to: | | |
| – shareholders of the parent company | 113.6 | 158.8 |
| – non-controlling interests | (0.1) | (0.6) |

## Consolidated Balance Sheet (unaudited)

### Assets

| As of<br>in million CHF | Feb 28, 2013 | Aug 31, 2012[1] | Feb 29, 2012 |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | 39.3 | 53.9 | 83.7 |
| Short-term deposits | 1.0 | 0.6 | 1.7 |
| Trade receivables and other current assets | 641.5 | 570.2 | 674.6 |
| Inventories | 1,111.5 | 1,108.2 | 1,149.2 |
| Current income tax assets | 5.7 | 4.7 | 2.5 |
| Derivative financial assets | 268.6 | 414.2 | 610.9 |
| **Current assets without assets held for sale** | **2,067.6** | **2,151.8** | **2,522.6** |
| Assets held for sale | – | – | – |
| **Total current assets** | **2,067.6** | **2,151.8** | **2,522.6** |
| **Non-current assets** | | | |
| Property, plant and equipment | 826.9 | 799.7 | 753.8 |
| Investments in associates and joint ventures | 4.9 | 4.6 | 4.5 |
| Intangible assets | 570.6 | 526.5 | 509.5 |
| Deferred income tax assets | 78.9 | 87.1 | 77.0 |
| Other non-current assets | 7.1 | 6.9 | 8.3 |
| **Total non-current assets** | **1,488.4** | **1,424.8** | **1,353.1** |
| **Total assets** | **3,556.0** | **3,576.6** | **3,875.7** |

### Liabilities and equity

| As of<br>in million CHF | Feb 28, 2013 | Aug 31, 2012[1] | Feb 29, 2012 |
|---|---|---|---|
| **Current liabilities** | | | |
| Bank overdrafts | 50.3 | 34.3 | 16.6 |
| Short-term debt | 213.6 | 117.3 | 318.2 |
| Trade payables and other current liabilities | 770.9 | 657.6 | 901.4 |
| Current income tax liabilities | 44.5 | 38.3 | 72.9 |
| Derivative financial liabilities | 195.5 | 362.3 | 416.1 |
| Provisions | 7.6 | 12.2 | 8.7 |
| **Current liabilities without liabilities directly associated with assets held for sale** | **1,282.4** | **1,222.0** | **1,733.9** |
| Liabilities directly associated with assets held for sale | – | 25.3 | – |
| **Total current liabilities** | **1,282.4** | **1,247.3** | **1,733.9** |
| **Non-current liabilities** | | | |
| Long-term debt | 770.3 | 845.9 | 716.1 |
| Employee benefit obligations | 46.1 | 47.5 | 48.6 |
| Provisions | 10.6 | 2.6 | 6.7 |
| Deferred income tax liabilities | 44.9 | 54.0 | 51.5 |
| Other non-current liabilities | 11.4 | 17.6 | 17.0 |
| **Total non-current liabilities** | **883.3** | **967.6** | **839.9** |
| **Total liabilities** | **2,165.7** | **2,214.9** | **2,573.8** |
| **Equity** | | | |
| Share capital | 96.2 | 125.1 | 125.1 |
| Retained earnings and other components of equity | 1,289.8 | 1,232.0 | 1,175.9 |
| **Total equity attributable to the shareholders of the parent company** | **1,386.0** | **1,357.1** | **1,301.0** |
| Non-controlling interests | 4.3 | 4.6 | 0.9 |
| **Total equity** | **1,390.3** | **1,361.7** | **1,301.9** |
| **Total liabilities and equity** | **3,556.0** | **3,576.6** | **3,875.7** |

1 Audited.

## Condensed Consolidated Statement of Cash Flows (unaudited)

| For the 6-month period ended February 28/29, in million CHF | 2013 | 2012 |
|---|---|---|
| Profit before income taxes from continuing operations | 138.1 | 146.9 |
| (Loss)/Profit before income taxes from discontinued operations | (4.8) | (34.7) |
| Non-cash items of income and expenses | 102.3 | 111.7 |
| **Operating cash flow before working capital changes** | **235.6** | **223.9** |
| (Increase) decrease in working capital | (116.4) | (247.9) |
| Interest paid | (14.1) | (13.3) |
| Income taxes paid | (18.3) | (17.2) |
| **Net cash flow from operating activities** | **86.8** | **(54.5)** |
| | | |
| Purchase of property, plant and equipment | (69.8) | (81.3) |
| Proceeds from sale of property, plant and equipment | 0.7 | 2.6 |
| Purchase of intangible assets | (22.5) | (19.3) |
| Acquisition of subsidiaries, net of cash acquired | (51.7) | (7.0) |
| Proceeds from disposal of subsidiaries | 4.7 | 132.2 |
| Other investing cash flows | (0.6) | (1.8) |
| **Net cash flow from investing activities** | **(139.2)** | **25.4** |
| | | |
| **Net cash flow from financing activities** | **21.7** | **70.8** |
| | | |
| Effect of exchange rate changes on cash and cash equivalents | 0.1 | 0.7 |
| **Net increase (decrease) in cash and cash equivalents** | **(30.6)** | **42.4** |
| | | |
| Cash and cash equivalents at beginning of period | 19.6 | 24.7 |
| Cash and cash equivalents at end of period | (11.0) | 67.1 |
| **Net increase (decrease) in cash and cash equivalents** | **(30.6)** | **42.4** |
| | | |
| Cash and cash equivalents | 39.3 | 83.7 |
| Bank overdrafts | (50.3) | (16.6) |
| **Cash and cash equivalents as defined for the cash flow statement** | **(11.0)** | **67.1** |

## Condensed Consolidated Statement of Changes in Equity (unaudited)

| Attributable to the shareholders of the parent company | Share capital | Treasury shares | Retained earnings | Hedging reserves | Cumulative translation adjustments | Total | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| in million CHF | | | | | | | | |
| **as of September 1, 2011** | **125.1** | **(7.5)** | **1,560.3** | **2.1** | **(462.9)** | **1,217.1** | **(0.3)** | **1,216.8** |
| Currency translation adjustments | | | | | 74.5 | 74.5 | (0.3) | 74.2 |
| Effect of cash flow hedges | | | | (4.9) | | (4.9) | | (4.9) |
| Taxes recognized in equity | | | | (1.2) | | (1.2) | | (1.2) |
| **Other comprehensive income net of tax** | | | | **(6.1)** | **74.5** | **68.4** | **(0.3)** | **68.1** |
| Net profit for the period | | | 90.4 | | | 90.4 | (0.3) | 90.1 |
| **Total comprehensive income** | | | **90.4** | **(6.1)** | **74.5** | **158.8** | **(0.6)** | **158.2** |
| Dividend to shareholders | | | (80.1) | | | (80.1) | | (80.1) |
| Movements in non-controlling interest | | | | | | 0.0 | 1.8 | 1.8 |
| (Purchase) sale of treasury shares (net) | | (0.3) | | | | (0.3) | | (0.3) |
| Equity-settled share-based payments | | 7.8 | (2.3) | | | 5.5 | | 5.5 |
| **as of February 29, 2012** | **125.1** | **0.0** | **1,568.3** | **(4.0)** | **(388.4)** | **1,301.0** | **0.9** | **1,301.9** |
| **as of September 1, 2012** | **125.1** | **(2.8)** | **1,621.7** | **(5.5)** | **(381.4)** | **1,357.1** | **4.7** | **1,361.8** |
| Currency translation adjustments | | | | | 2.5 | 2.5 | (0.2) | 2.3 |
| Effect of cash flow hedges | | | | 0.9 | | 0.9 | | 0.9 |
| Taxes recognized in equity | | | | 0.0 | | 0.0 | | 0.0 |
| **Other comprehensive income net of tax** | | | | **0.9** | **2.5** | **3.4** | **(0.2)** | **3.2** |
| Net profit for the period | | | 110.2 | | | 110.2 | 0.1 | 110.3 |
| **Total comprehensive income** | | | **110.2** | **0.9** | **2.5** | **113.6** | **(0.1)** | **113.5** |
| Dividend to shareholders | (28.9) | | (51.2) | | | (80.1) | | (80.1) |
| Movements in non-controlling interest | | | | | | 0.0 | (0.3) | (0.3) |
| (Purchase) sale of treasury shares (net) | | (10.6) | | | | (10.6) | | (10.6) |
| Equity-settled share-based payments | | 11.7 | (5.7) | | | 6.0 | | 6.0 |
| **as of February 28, 2013** | **96.2** | **(1.7)** | **1,675.0** | **(4.6)** | **(378.9)** | **1,386.0** | **4.3** | **1,390.3** |

# Notes to the condensed Consolidated Interim Financial Statements (unaudited)

**General information**
Barry Callebaut AG ("the Company") is incorporated under Swiss law. The address of the registered office is Pfingstweidstrasse 60, Zurich. The Company is listed on the SIX Swiss Exchange.

These condensed Consolidated Interim Financial Statements, approved by the Board of Directors for issue on April 3, 2013, are unaudited.

**Basis of presentation and accounting policies**
The condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies applied in these condensed Consolidated Interim Financial Statements correspond to those pertaining to the most recent annual Consolidated Financial Statements for the fiscal year 2011/12, except for the presentation of items of other comprehensive income as described below.

In line with the amendments to IAS 1 – Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income, the Group presented separately the items of other comprehensive income that may be reclassified to profit or loss upon occurrence of certain conditions from those that are not.

*Amendments to existing standards that became effective and are not relevant for the Group's operations.*

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

The following changes in IFRS may affect the Group for periods beginning after August 31, 2013:

*IAS 19 – Employee Benefits (effective for periods beginning on or after January 1, 2013)*
The amendments eliminate the option known as the "corridor approach", with all actuarial gains and losses being recognized in other comprehensive income, and enhance the disclosure requirements for defined benefit plans. As a result of these amendments, net interest income will be calculated using the discount rate used to measure the obligation. The Group decided not to early adopt the standard.

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

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

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

*Amendments to IFRS 10, IFRS 11 and IFRS 12: Transition Guidance (effective for periods beginning on or after January 1, 2013)*
These amendments were published in June 2012 and simplify the process of adopting IFRS 10 and IFRS 11. In addition, they provide relief from certain IFRS 12 disclosures. The Group decided not to early adopt IFRS 10, IFRS 11 and IFRS 12.

*IFRS 13 – Fair Value Measurement (effective for periods beginning on or after January 1, 2013)*
This standard defines fair value, sets out in a single IFRS a framework for measuring fair value, and requires disclosures about fair value measurements. The Group decided not to early adopt the standard.

*IAS 27 – Consolidated and Separate Financial Statements (effective for periods beginning on or after January 1, 2013)*
This standard has been amended due to the release of IFRS 10 – Consolidated Financial Statements. IAS 27 carries forward the existing accounting for separate financial statements, with some minor clarifications. The Group decided not to early adopt the standard.

*IAS 28 – Investments in Associates (effective for periods beginning on or after January 1, 2013)*
This standard has been amended due to the release of IFRS 11 – Joint Arrangements. Some minor clarifications have been added. The Group decided not to early adopt the standard.

*Amendments to IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2013)*
These amendments include minimum disclosure requirements related to financial assets and financial liabilities that are offset in the balance sheet, and are subject to enforceable master netting agreements or similar agreements. The amendments are to be applied retrospectively. The Group decided not to early adopt the standard.

*Amendments to IAS 32 – Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities (effective for periods beginning on or after January 1, 2014)*
These amendments clarify when an entity currently has a legally enforceable right to set off financial assets and financial liabilities, and also clarifies the circumstances when gross settlement is equivalent to net settlement. The amendments are to be applied retrospectively. The Group decided not to early adopt the standard.

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

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

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

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

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates. In the reporting period, apart from the adaptations mentioned above, the Group has not made significant changes to its judgments, estimates or assumptions established in preparation of the last annual report.

**Seasonality**
Historically, the Group's business was typically influenced by seasonality in revenues and expenses over the course of the year. This pattern was particularly driven by the Group's Consumer Products business, as consumer purchases of chocolate products are highest in the months before Christmas and Easter. As a result of the discontinuation of the Group's activities in the Consumer Products business, there is no longer a significant seasonality pattern affecting the Group's half-year results.

## 1 Segment information

| For the 6-month period ended February 28/29, | Global Sourcing & Cocoa | | Europe | | Americas | | Asia-Pacific | | Corporate | | Group | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| in million CHF | 2013 | 2012[1] | 2013 | 2012[1] | 2013 | 2012[1] | 2013 | 2012[1] | 2013 | 2012[1] | 2013 | 2012[1] |
| Revenue from external customers | 520.1 | 633.9 | 1,186.2 | 1,151.4 | 567.2 | 547.4 | 118.1 | 116.9 | 0.0 | 0.0 | 2,391.6 | 2,449.6 |
| **Operating profit (EBIT)** | **19.8** | **33.2** | **127.5** | **117.4** | **49.8** | **45.1** | **15.0** | **15.2** | **(38.3)** | **(33.3)** | **173.8** | **177.6** |

Revenue by geographic regions is stated by customer location.

### Revenue by Product Group

| For the 6-month period ended February 28/29, | 2013 | 2012[1] |
|---|---|---|
| in million CHF | | |
| Cocoa Products | 520.1 | 633.9 |
| Food Manufacturers Products | 1,455.1 | 1,418.3 |
| Gourmet & Specialties Products | 416.4 | 397.4 |

1 Figures have been restated to conform to the current period's presentation.
The adjustments mainly relate to the discontinuation of the consumer activities.

## 2 Acquisitions

On June 6, 2012, the Group entered into an agreement with Batory Industries Company to purchase its compound manufacturing business, and obtained its facility in Chatham, Ontario, together with the related inventory and the employees. The Group obtained control with the completion of the transaction on September 7, 2012.

On January 17, 2013, the Group obtained control of ASM Foods AB, a Swedish company active in manufacturing and selling of specialty compound chocolate, fillings and inclusions, by acquiring 100% of the shares and voting interests from Carletti A/S, Denmark. On the same date, the Group also signed an agreement with Carletti A/S, Denmark, for the purchase of its assets related to chocolate and compound production. This transaction is expected to take place in May 2013.

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

| in million CHF | 2012/13 |
|---|---|
| | |
| **Consideration** | |
| Cash paid | 46.6 |
| **Total consideration transferred** | **46.6** |

The assets, liabilities, and the consideration paid in respect of the chocolate and compound production of Carletti A/S will only be recognized in the Group's Balance Sheet once the closing of this transaction took place.

The Group expensed acquisition-related costs, such as fees for due diligence work, lawyers and valuation services, of CHF 0.5 million over the course of the project immediately in the Consolidated Income Statement (included in "General and administration expenses"). These costs were mainly recognized in the current fiscal period.

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

| in million CHF | 2012/13 |
|---|---|
| | |
| **Recognized amounts of identifiable assets acquired and liabilities assumed** | |
| Current assets | 12.8 |
| Non-current assets | 10.0 |
| Current liabilities | 7.8 |
| Non-current liabilities | 0.9 |
| **Total identifiable net assets** | **14.1** |
| Goodwill | 32.5 |
| **Total consideration at fair value** | **46.6** |

The goodwill of CHF 32.5 million arising from the acquisitions is attributable to the skills and technical talents of the work force, synergies expected to be achieved from integrating the businesses in the Group's existing business and economies of scale expected from combining the operations and sales and sourcing channels of the acquired businesses and the Group. CHF 25.0 million from the goodwill has been allocated to Region Europe, the remaining part has been allocated to Region Americas. CHF 5.5 million of the goodwill recognized is expected to be deductible for income tax purposes.

The revenue included in the Consolidated Income Statement since the acquisition dates, contributed by the acquired businesses, was CHF 15.3 million. The acquired businesses have also contributed a profit of CHF 0.4 million since acquisition.

Had the businesses been consolidated from September 1, 2012, they would have contributed revenue of CHF 29.1 million and a net profit for the period of CHF 0.1 million to the Consolidated Income Statement.

## 3 Disposals

As of February 28, 2013, the Group sold its subsidiary Barry Callebaut Pastry Manufacturing Ibérica S.L. The disposal does not have a significant impact on the financial statements.

The participation in Barry Callebaut Pastry Manufacturing Ibérica S.L., producing ready-to-use frozen pastry products, was no longer considered part of Barry Callebaut's core business. Therefore, the Group decided to sell this business. The net assets disposed of amounted to CHF 5.1 million and the group realized proceeds of CHF 4.7 million.

The business was sold to Givesco A/S, the parent company of Carletti A/S, Denmark, from which the Group acquired ASM Foods AB and certain assets related to chocolate and compound production in another transaction (see also note 2).

## 4 Discontinued Operations

The Group announced in September 2012 that it intends to sell its factory and the related business in Dijon (France) to "Chocolaterie de Bourgogne" concluding with this the final step to dispose of the consumer activities – following the disposal of the Stollwerck business completed earlier in fiscal year 2011/12. The sale has been completed on November 30, 2012.

The comparable figures for the first half of fiscal year 2011/12 include the result of both the Dijon operations and the Stollwerck business (sold on September 30, 2011) as well as costs in connection with its discontinuation. The figures for the first half of fiscal year 2012/13 only include the results of the Dijon operations and costs in connection with its discontinuation. The figures in both periods are disclosed under the line "Net result of discontinued operations, net of tax".

The net loss from discontinued operations of CHF 6.1 million in the first half of fiscal year 2012/13 includes the net result of the discontinued business until the closing date of the transaction and other cost incurred during the transaction.

**Result of the discontinued operations**

| For the 6-month period ended February 28/29, in million CHF | 2013 | 2012 |
|---|---|---|
| Revenue from sales and services | 10.7 | 90.5 |
| Operating expenses[1] | (14.7) | (90.6) |
| **Operating result before disposal costs** | **(4.0)** | **(0.1)** |
| Transaction and separation costs | (0.3) | (30.5) |
| Financial items | (0.5) | (4.1) |
| Income taxes | (1.3) | (0.9) |
| **Net result from discontinued operations** | **(6.1)** | **(35.6)** |
| **Earnings per share from continuing operations** | | |
| Basic earnings per share (CHF/share) | (1.18) | (6.89) |
| Diluted earnings per share (CHF/share) | (1.17) | (6.85) |

1 Operating expenses include depreciation and amortization of CHF 0.0 million (2011/12: CHF 3.2 million).

## 5 Other selected explanatory financial information

*Contingencies*

Barry Callebaut is not aware of any new significant litigations or other contingent liabilities compared to the situation as of August 31, 2012.

*Dividends/Capital reduction and repayment*

By resolution of the Annual General Meeting on December 5, 2012, the shareholders approved the proposed payment of CHF 15.50 per share, consisting of a dividend of CHF 9.90 per share out of free reserves originating from the remaining reserves from capital contributions combined with a capital repayment of CHF 5.60 per share by way of par value reduction. The respective payment to the shareholders has taken place on March 4, 2013. The Company does not intend to pay any interim dividend.

## 6 Subsequent events

There are no subsequent events that would require any modification of the value of the assets and liabilities or additional disclosures.

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