Annual Report 2015

3-Year Key Figures

in CHF 1000.–		2015	2014	2013
Net sales		1 260 568	1 343 423	1 401 939
Organic growth in %		1.7	(1.0)	0.4
Operating profit		108 221	64 982	66 623
in % of net sales		8.6	4.8	4.8
Net income (equity holders)		71 569	112 375	75 498
in % of net sales		5.7	8.4	5.4
Cash flow from operations		118 793	104 878	87 284
in % of net sales		9.4	7.8	6.2
Capital expenditure (property, plant & equipment)		33 221	20 424	24 566
in % of net sales		2.6	1.5	1.8
Balance sheet total		1 576 393	1 673 744	1 836 172
Total Equity		839 183	911 339	1 067 365
Equity-Ratio in %		53.2	54.4	58.1
Net debt		166 185	125 457	162 716
Headcount (Heads)	Number	3 747	3 685	3 774
Net sales per employee	in CHF	336 421	364 565	371 473

Annual Report Hero Group 2015

Content

Message from the Chairman and CEO

We are delighted to present the 2015 annual report of the Hero Group. The year, characterized by challenging market conditions, produced positive results and an encouraging step towards strong profitable growth.

Hero looks back with satisfaction on the developments and the results of the year in review. We have further progressed on the new path that we started three years ago when the company introduced its renewed *Mission, Vision and Strategy.* In these years, we have made significant steps in strengthening our financial basis and have improved the underlying profitability and growth of our Group.

Guided by our mission

Our mission *'to delight consumers by conserving the goodness of nature'* is our starting point and we aim to align our company progressively with this overarching goal. Through our *'United Local Heroes'* vision, we aim to unlock synergies between our operating companies. We aim to drive these synergies while at the same time enhancing our growth profile.

The year in review was the first in which we started to work according to our new operating model and this change has brought more focus in our Group and created further opportunities for *profitable growth.* We grouped all our country sales organizations in clusters and assigned the responsibility for all Group sales to our Chief Operating Officer, Markus Lenke.

At the same time, we brought together the areas of branding, innovation, quality, and category management under Chief Marketing Officer René Bänziger. We have driven our focus on Gross Margin improvement by bringing the Group supply chain and procurement function under direct responsibility of CEO Rob Versloot.

This new model enables us to drive scale in the important areas of branding, innovation, supply chain, and procurement more effectively, while increasing the focus of our country organizations on sales and business development.

We expect our consistent and clear strategy to further develop our top line growth and operating margin in the years to come. At the same, we will intensify our focus on business development opportunities to further enlarge our footprint. In this respect, we welcome our recent expansion in Brazil.

We firmly believe that aligning our business to our mission is the correct way forward for all our stakeholders, and are convinced that our drive to this purpose will enable long-term value creation.

Highlights 2015 results

After a period of consolidation over the last years, our Group took an encouraging step on the path of profitable growth in 2015. Despite challenging circumstances in many parts of the world, we were able to post an organic growth of 1.7%. While this is higher than in past years, it is only an intermediate step towards our plans for achieving higher sustainable growth rates in the years to come.

In local currencies, our underlying core branded business growth increased to 3.1%, driven by the execution of many strategic initiatives. We also managed to post a strong 10% organic growth in our *Trading Operating Profit* versus the prior year and increase our *Trading Operating Profit Margin* by 40 basis points to 9.6%. Our gross margin focus paid off and was largely responsible for the operational improvement. Despite the significant influence of the appreciation of the Swiss Franc, our *Trading Operating Profit* in absolute terms was in line with last year's level. Even though Hero has an international footprint with production located in different markets and therefore the export business with currency exposure is limited, the translation of the results in other currencies has significantly impacted our profit and loss statement as we report our results in Swiss Francs.

Operating Profit developed exceptionally strongly in 2015 and increased by more than 60% versus 2014 (+94.3% assuming constant currencies) to CHF 108 million. Contrary to recent years, there was no need for impairments, testimony to the overall improved financial health of our Group.

Regions

Europe remained our most important sales area and generated 64% of our total sales in 2015. Our total business in Europe developed slightly positively (+0.4% assuming constant currencies) and was significantly impacted by a decrease in our non-strategic, non-branded business.

Our important business in the USA (23.5% of total sales) developed positively and grew by 3.7%, driven by strong growth of our Beech-Nut cold-pressed natural and organic baby food business.

We noticed increased volatility and negative market developments in many of our main emerging markets (Turkey, Egypt, Russia, China, and Brazil), but were still able to post an organic growth of 5%. Emerging markets now account for 12.5% of the total sales and our aim is to increase our share in the region further in the coming years. In this respect, the Hero Group acquired a 50% plus 1 share stake of Brazilian company Kiviks, which manufactures and markets the leading Queensberry jam brand in Brazil, in December 2015.

Categories

Baby & Toddler Food (BTF) is the major core category by sales in the Group, accounting for slightly under 30% of the total sales. Organic net sales in this category fell by 1.3%, driven by a strong reduction in non-branded business. Branded organic sales growth in this core category was up 3.3% versus prior year. The Baby & Toddler Milk (BTM) category made up 11.1% of total Group sales, a figure boosted by an increase in organic net sales of 16.2% compared to 2014.

Jams commands a strong 19.7% of total sales. The Healthy Snacks category contributed 7.2%, while our Specialties category, which includes gluten-free and decorations, remained virtually unchanged at 32.4%. Organic net sales in Jams showed a decrease of 1.4%, while organic net sales in Healthy Snacks and Specialties increased 9.0% and 0.8% respectively.

In 2015, we renewed our iconic Hero brand and rolled it out consistently across our Hero markets successfully. We have improved branding across our Group and were able to post very strong sales growth with local top brands, such as Semper and Beech-Nut. The Group is now almost exclusively focused on branded consumer goods, providing a more sustainable platform for future development.

Sustainability achievements

Bee careful

In 2015, we saw the Group wide roll-out of our sustainability initiative *'Bee careful'.* The initiative originated at our German subsidiary and was subsequently introduced across our markets.

The aim of the Hero Group bee careful initiative is to support research and dissemination of information on bees and raising awareness, targeting bee keepers, famers, students, and anybody passionate about bees. The Group has teamed up with renowned bee expert Professor Jürgen Tautz from the University of Würzburg for this project.

The initiative comes in the light of weakening bee populations and increasing colony losses over the past 10–15 years. Apart from being responsible for pollinating the vast majority of crops required for human consumption, the contribution of bees is also critical

DR. HASSO KAEMPFE, CHAIRMAN

ROB VERSLOOT, CEO

to the Hero Group, which uses a considerable amount of fruit. Hero Group subsidiaries have launched a number of initiatives aimed at raising awareness locally, furthering research projects and organizing activities centered around bees.

Ethical and responsible business practices

We use Sedex, a non-profit organization dedicated to driving improvements in ethical and responsible business practices in global supply chains, to ensure that our suppliers and co-packers have the necessary labor standards, health and safety procedures and processes, and appropriate environmental and business ethics. By the end of 2015, 86% of our suppliers were covered by Sedex, an increase of 10% versus 2014.

As a major purchaser of agricultural raw materials, we form part of the Sustainable Agriculture Initiative (SAI), a non-profit organization whose goal is to facilitate sharing, at a non-competitive level, of knowledge and initiatives to support the development and implementation of sustainable agriculture practices. SAI is the main food industry initiative supporting the development of sustainable agriculture worldwide.

Talent sustainability

Talent sustainability is important to us, which is why we invest in our employees and help in their personal development while building the skills needed to drive the company's growth and creating employment in the community we serve. It is thanks to our employees that we were able to make progress in the execution of our strategy in 2015. Our latest employee opinion survey confirmed what we already knew – we have an aligned and engaged workforce of which we are proud. We will continue our focus on Human Resources and make sure our people feel pride – not only in what we do, but also how we together, as *United Local Heroes,* bring our company forward.

Board of Directors and Executive Board

In 2015, there were no changes in the composition of the Board of Directors. On the Executive Board level, we were unfortunately confronted with the resignation of CFO Stephan Schopp in November 2015 due to health reasons.

In the meantime, the Board has appointed a successor in the person of Karsten Boyens. The Board looks very much forward to welcoming Karsten as Group CFO as per April 1, 2016. CEO Rob Versloot will continue to act as CFO *ad interim* until this date.

A special word of gratitude and support goes out to our former Group CFO Stephan Schopp. We would like to wholeheartedly thank Stephan for his professionalism, loyalty and all his significant contributions to our Group since he joined in 2002, and wish him strength and support going forward.

Going forward

The overall global economic outlook is somewhat bleak and the prospect for key emerging markets seems fundamentally weak. We realize that we will need to operate in an increasingly complex and volatile environment, and recognize that there are different risks we may have to face. Besides the development of emerging markets within unstable political regions, the main risks of the Group include product safety and currency fluctuations. The Board of Directors takes appropriate measures to mitigate or transfer these risks.

At the Hero Group, we are cautiously optimistic about our development in 2016. Our *Mission, Vision and Strategy* are firm and clear and we are committed to continuing our journey on the path of profitable growth. We are ambitious and believe in continuous improvement, and expect to be able to increase both organic growth and the operating margin in 2016.

Our local Heroes

Our progress has been made possible thanks to the efforts of all our employees and we herewith would like to thank them all wholeheartedly for their commitment and contribution to our Group. We also would like to convey our appreciation to our colleagues in the Board of Directors and Executive Board for their dedication and leadership, which has contributed to our improved results.

We are proud to be part of an independent family-owned company and express our sincere appreciation to our shareholders Dr Arend Oetker and family for their continuous support and trust. The values and guidance of our shareholders are the foundation on which we build and develop our Group.

Dr. Hasso Kaempfe
Chairman Board of Directors

Rob Versloot
Chief Executive Officer

Board of Directors and Executive Board

Board of Directors

DR. HASSO KAEMPFE, CHAIRMAN

HERBERT J. SCHEIDT, VICE CHAIRMAN

DR. HAGEN DUENBOSTEL

MICHAEL PIEPER

Honorary Chairman

DR. AREND OETKER

Executive Board

ROB VERSLOOT, CEO

MARKUS LENKE, COO

RENÉ BÄNZIGER, CMO

STEPHAN SCHOPP, CFO*

* UNTIL NOVEMBER 2015

Corporate Governance

Introduction

Hero is committed to modern corporate governance principles and aims to provide all stakeholders with the greatest transparency possible. Professional processes and responsible management are practiced at the highest level.

Hero's corporate regulations are orientated towards the guidelines "Swiss Code of Best Practices" in addition to the provisions of Swiss law. Hero's Board of Directors and the Executive Board are separate decision-making bodies, each with distinct functions and responsibilities. No member of the Board of Directors is a member of the management team.

Board of Directors

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

The Board of Directors convenes its own meetings at least four times each year. At least one Board meeting is held in a country / office outside Switzerland. The Board of Directors has delegated individual tasks to two sub-committees, which analyze specific issues in more depth on behalf of the Board:

- **Finance & Audit Committee**
  Herbert J. Scheidt (Chairman)
  Dr. Hagen Duenbostel
  Dr. Hasso Kaempfe
- **Human Resources Committee**
  Dr. Hasso Kaempfe (Chairman)
  Herbert J. Scheidt
  Dr. Hagen Duenbostel (since 2015)

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

Executive Board

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

The leaders of the business divisions and the heads of the subsidiary companies are responsible for the development and achievement of their commercial and financial targets and for the leadership of their areas. The Executive Board answers to the Board of Directors for the results of the Group.

Auditors

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

- **Auditor of the Hero Group Annual Report 2015**
  Ernst & Young Ltd., Zurich

Consolidated Financial Statements of the Hero Group

Content

Consolidated Income Statement

for the year ended December 31

Hero Group

in CHF 1000.–

	Note	2015	2014
NET SALES		**1 260 568**	**1 343 423**
Cost of sales		(776 390)	(894 611)
Gross profit		**484 178**	**448 812**
Distribution expense		(67 029)	(73 002)
Advertising and promotion		(106 067)	(115 927)
Marketing and sales		(94 018)	(99 907)
Research and development		(11 586)	(11 855)
Administrative expense		(91 111)	(97 747)
Other income	1	2 150	16 815
Other expense	1	(8 296)	(2 207)
Operating profit		**108 221**	**64 982**
Finance income	2	4 784	68 081
Finance expense	2	(18 355)	(25 032)
Income before tax		**94 650**	**108 031**
Income tax (expense) / income	5	(22 830)	4 834
INCOME FOR THE YEAR		**71 820**	**112 865**
Attributable to:			
Equity holders of the parent		71 569	112 375
Non-controlling interests		251	490
INCOME FOR THE YEAR		71 820	112 865

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

Consolidated Statement of Comprehensive Income

for the year ended December 31

Hero Group

in CHF 1000.–

	2015	2014
NET INCOME	71 820	112 865
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translating foreign operations	(49 418)	(16 274)
Income tax effects	(97)	(124)
	(49 515)	(16 398)
Available-for-sale investments	–	(99 107)
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**(49 515)**	**(115 505)**
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Revaluation of land and buildings	(2 454)	–
Income tax effects	1 509	–
	(945)	–
Remeasurement losses on defined benefit plans	(3 980)	(17 277)
Income tax effects	3 364	2 254
	(616)	(15 023)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**(1 561)**	**(15 023)**
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	(51 076)	(130 528)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	20 744	(17 663)
Total comprehensive income attributable to:		
Equity holders of the parent	20 835	(18 095)
Non-controlling interests	(91)	432
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	20 744	(17 663)

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

Consolidated Balance Sheet

for the year ended December 31

Hero Group

in CHF 1000.–

Assets	Note	2015	2014
Non-current assets			
Property, plant and equipment	7	373 971	379 575
Intangible assets	8	566 650	599 572
Investments in associated companies	9	146	152
Non-current receivables	11	7 378	8 384
Deferred tax assets	12	99 736	114 495
TOTAL NON-CURRENT ASSETS		1 047 881	1 102 178
Current assets			
Inventories	13	175 571	171 247
Financial assets at fair value	23	1 119	1 743
Income tax receivables		5 218	1 886
Trade receivables, prepayments and other receivables	14	182 893	205 938
Cash and cash equivalents	15	163 711	190 752
TOTAL CURRENT ASSETS		528 512	571 566
TOTAL ASSETS		1 576 393	1 673 744

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

in CHF 1000.–

Equity and liabilities	Note	2015	2014
Shareholders' equity			
Share capital	16	61 872	61 516
Share premium	16	61 192	60 000
Hybrid capital	16	334 542	403 088
Treasury shares	16	(2 257)	–
Other reserves	16	(168 354)	(117 620)
Retained earnings		547 129	504 355
Equity attributable to the equity holders of the parent		**834 124**	**911 339**
Non-controlling interests		**5 059**	**–**
TOTAL EQUITY		**839 183**	**911 339**
Non-current liabilities			
Borrowings	17, 23	58 610	69 998
Debentures	17, 23	129 522	129 419
Derivative financial liabilities	23	–	12 609
Deferred tax liabilities	12	36 033	48 548
Net employee defined benefit liabilities	18	74 478	78 569
Income tax payables		2	113
Provisions	19	13 992	11 335
Other liabilities	20	14 025	18 880
Total non-current liabilities		**326 662**	**369 471**
Current liabilities			
Trade and other payables	21	251 656	255 495
Income tax payables		4 382	4 813
Derivative financial liabilities	23	8 127	1 869
Borrowings	17, 23	141 764	116 792
Provisions	19	4 619	13 966
Total current liabilities		**410 548**	**392 934**
TOTAL LIABILITIES		**737 210**	**762 405**
TOTAL EQUITY AND LIABILITIES		1 576 393	1 673 744

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

Changes in Equity

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

	Attributable to equity holders of the company						Non-controlling interests	Total equity
	Share capital (note 16)	Share premium (note 16)	Hybrid capital (note 16)	Treasury shares (note 16)	Other reserves (note 16)	Retained earnings		
BALANCE AT JANUARY 1, 2014	**51 516**	**–**	**561 947**	**–**	**12 850**	**439 460**	**1 592**	**1 067 365**
Net income for the period	–	–	–	–	–	112 375	490	112 865
Other comprehensive income	–	–	–	–	(130 470)	–	(58)	(130 528)
Total comprehensive income	–	–	–	–	(130 470)	112 375	432	(17 663)
Capital increase / (Redemption of hybrid capital shareholder)	10 000	60 000	(120 000)	–	–	–	–	(50 000)
Repayment of hybrid capital third parties	–	–	(38 597)	–	–	(5 359)	–	(43 956)
Distribution on hybrid capital shareholder	–	–	–	–	–	(7 222)	–	(7 222)
Distribution on hybrid capital third parties	–	–	–	–	–	(27 306)	–	(27 306)
Acquisition of non-controlling interests	–	–	–	–	–	(7 855)	(2 024)	(9 879)
Tax effects	–	–	(262)	–	–	262	–	–
BALANCE AT DECEMBER 31, 2014 / JANUARY 1, 2015	**61 516**	**60 000**	**403 088**	**–**	**(117 620)**	**504 355**	**–**	**911 339**
Net income for the period	–	–	–	–	–	71 569	251	71 820
Other comprehensive income	–	–	–	–	(50 734)	–	(342)	(51 076)
Total comprehensive income	–	–	–	–	(50 734)	71 569	(91)	20 744
Capital increase and exercise of options*)	356	1 901	–	(2 257)	–	–	–	–
Repayment of hybrid capital third parties	–	–	(68 291)	–	–	(9 385)	–	(77 676)
Distribution on hybrid capital third parties					–	(22 750)	–	(22 750)
Revaluation reserve	–	–	–	–	–	2 243	–	2 243
Acquisition of a subsidiary	–	–	–	–	–	–	5 150	5 150
Stamp duty**)	–	(709)	–	–	–	709	–	–
Tax effects	–	–	(255)	–	–	388	–	133
BALANCE AT DECEMBER 31, 2015	**61 872**	**61 192**	**334 542**	**(2 257)**	**(168 354)**	**547 129**	**5 059**	**839 183**

*) In connection with long-term incentive plan. These shares are accounted as treasury shares rather than a sale of shares to plan participants.
**) Transaction cost in connection with capital increase.

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

Consolidated Cash Flow Statement

for the year ended December 31

Hero Group

in CHF 1000.–

	Note	2015	2014
Cash flows from operating activities			
Net income		71 820	112 865
Adjustments for:			
Tax expense / (income)	5	22 830	(4 834)
Depreciation / Impairment	7	29 178	72 284
Amortization / Impairment	8	8 525	14 889
Net gain on sale of property, plant and equipment and businesses		58	(1 340)
Fair value gains, net		1 678	(57 821)
Interest income	2	(1 395)	(1 093)
Interest expense	2	5 951	7 274
Net loss in foreign exchange		4 752	2 991
Changes in working capital			
Inventories		(13 462)	3 852
Trade and other receivables		13 240	(2 076)
Trade and other payables		(25 881)	(11 368)
Accruals and provisions		27 225	(5 545)
Interest paid		(6 137)	(7 240)
Tax paid		(19 589)	(17 960)
NET CASH FROM OPERATING ACTIVITIES		**118 793**	**104 878**
Cash flows from investing activities			
Acquisition of subsidiaries and businesses, net of cash acquired		(12 848)	–
Purchase of property, plant and equipment	7	(33 221)	(20 424)
Purchase of intangible assets	8	(3 241)	(3 881)
Purchase of financial assets		(8 107)	(8 166)
Loans made		(883)	(161)
Disposal of intangible assets		(21)	9 605
Disposal of financial assets		–	129 670
Proceeds from sale of property, plant and equipment		3 390	437
Loan repayments received		–	6 297
Interest received		1 395	1 093
NET CASH (USED IN) / FROM INVESTING ACTIVITIES		**(53 536)**	**114 470**

	Note	2015	2014
Cash flows from financing activities			
Repayment of hybrid capital shareholder		–	(50 000)
Repayment of hybrid capital third parties		(77 543)	(43 956)
Proceeds from shareholder		–	30 068
Proceeds from borrowings		41 143	2 272
Repayment of borrowings		(26 346)	(55 119)
Capital increase		1 395	–
Distribution on hybrid capital shareholder		–	(7 222)
Distribution on hybrid capital third parties		(22 750)	(27 306)
Acquisition of non-controlling interests		–	(9 879)
NET CASH USED IN FINANCING ACTIVITIES		(84 101)	(161 142)
(DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS		(18 844)	58 206
Movement in cash and cash equivalents			
At start of year		190 752	177 918
(Decrease) / Increase		(18 844)	58 206
Effects of exchange rate changes on cash and cash equivalents		(8 197)	(45 372)
AT END OF YEAR	15	163 711	190 752

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

Non-cash transactions

The following significant non-cash transactions took place in 2015:

The capital increase (TCHF 2'257) in connection with the long-term executive plan was partly in cash (TCHF 1'395) and partly non-cash for which the Group has recognized a long-term loan receivable of TCHF 862.

The following significant non-cash transactions took place in 2014:

The total hybrid capital shareholder of nominal CHF 120 million was settled. CHF 50 million were repaid in cash and CHF 70 million were transformed into share capital and share premium.

Notes to the Consolidated Financial Statements

1. General

Hero AG (Hero) is a limited liability company headquartered in Lenzburg, Switzerland. Schwartau International GmbH, Bad Schwartau, Germany, a subsidiary of AOH Nahrungsmittel GmbH & Co. KG, Germany, holds 99.4% of the share capital of Hero and 0.6% are held by executive board members in relation with the long term incentive plan. The Group's primary activities are the production and selling of consumer food products in the product areas of jams, healthy snacks, baby and toddler food, baby and toddler milk and specialities which are sold in Europe, North America and Emerging Markets. At the end of 2015 the Group had 3'747 employees (2014: 3'685). All figures in the financial statements are presented in thousands of Swiss francs (TCHF) except where otherwise indicated.

These financial statements were approved by the Board of Directors on March 15, 2016, and are subject to approval by the annual general meeting of shareholders to be held on April 6, 2016.

2. Basis for Preparation

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These principles have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements for the year ending December 31, 2015, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The consolidated financial statements have been prepared under the historic cost convention, unless otherwise stated (i.e. revaluation of land, financial assets and financial assets and liabilities held-for-trading). The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's Accounting Principles. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements,
are disclosed in Accounting Principles no. 8 Critical Accounting Estimates and Judgements.

Changes in accounting policies and disclosures

The following amendments became effective for annual periods beginning on July 1, 2014.

The application of all implemented changes did not have any material impact on the Group's financial position, results of operations and cash flows or are not relevant.

- Amendments to IAS 19 Employee Benefits entitled Defined Benefit Plans: Employee Contributions – Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted.
- Annual Improvements (Dec 2013), two cycles published – Effective for annual periods beginning on or after July 1, 2014 with earlier application permitted.

Published standards, interpretations, and amendments not yet applied

The following new and revised IFRSs are not yet mandatorily effective but allow early application for the year ending December 31, 2015. There are no plans to adopt any standard or amendment prior to the mandatory effective date. The impact of the new and revised IFRSs on the Group is still in the process of being analysed.

- IFRS 9 Financial instruments – Effective January 1, 2018, with early adoption allowed early application of the own credit risk improvements, prior to any other changes in the accounting for financial instruments, is permitted by IFRS 9.
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations – An entity shall apply those amendments prospectively in annual periods beginning on or after January 1, 2016.
- Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortization – An entity shall apply those amendments prospectively for annual periods beginning on or after January 1, 2016.
- IFRS 15 Revenue from Contracts with Customers – Annual periods beginning on or after January 1, 2018.
- Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture – Annual periods beginning on or after a date to be determined by the IASB.
- Annual Improvements 2012-2014 Cycle – Annual periods beginning on or after January 1, 2016.
- Amendments to IAS 1 Disclosure Initiative – Annual periods beginning on or after January 1, 2016.
- Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception – Annual periods beginning on or after January 1, 2016.
- IFRS 16 Leases – Annual periods beginning on or after January 1, 2019.
- Amendments to IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses – Annual periods beginning on or after January 1, 2017.
- Amendments to IAS 7 Disclosure Initiative – Annual periods beginning on or after January 1, 2017.

3. Consolidation

Consolidation Method

The consolidated financial statements include Hero AG, Switzerland and those companies over which the Group has control, which is generally the case with a shareholding of more than one half of the voting rights.

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

Business Combinations

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

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

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

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognized in profit or loss. If the contingent consideration is classified as equity, it is not subsequently remeasured.

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

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

Where goodwill forms part of a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognized as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

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

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

A list of investments, the investment percentage and the applicable consolidation method can be found in note 28.

Eliminations in the Course of Consolidation

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

Related Parties

Include AOH Nahrungsmittel Group companies (Germany), members of the Board of Directors and Executive Board and non-controlling interests shareholders.

Changes in the Scope of Consolidation

The scope of consolidation has changed in the reporting period as follows:

Effective December 1, 2015, Hero acquired 50% plus one share of Kiviks Marknad Industrias Alimenticias S.A., Brasil. Hero has control over the company and it is fully consolidated with a non-controlling interest of 50%.

4. Foreign Currency Translation

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

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

Foreign Exchange Rate Table

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

	2015	2014
AVERAGE EXCHANGE RATES		
EUR/CHF	1.0690	1.2150
USD/CHF	0.9625	0.9154
GBP/CHF	1.4714	1.5066
SEK/CHF	0.1142	0.1338
CLOSING EXCHANGE RATES		
EUR/CHF	1.0820	1.2027
USD/CHF	0.9902	0.9892
GBP/CHF	1.4686	1.5393
SEK/CHF	0.1177	0.1278

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences arising from Group company loans which have the characteristics of a long-term investment are recorded in other comprehensive income.

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

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

5. Valuation Principles

Revenue Recognition

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

Revenue is recognized as follows:

Sales of goods

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

Interest income

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

Royalty income

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

Dividend income

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

Segment Reporting

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

Research and Development Costs

Research costs are recorded in the income statement in the period in which they are incurred. Development costs are recognized as intangible assets to the extent that they meet the recognition criteria of IAS 38. Following initial recognition of development expenditure as an asset, the asset is carried at cost less accumulated amortization and accumulated impairment losses. Development costs are amortized on a straight-line-basis over the period of their expected benefit or tested for impairment annually. Other development costs are recorded in the income statement in the period in which they are incurred.

Borrowing Costs

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

Deferred Taxes

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

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

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

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

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

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

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

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

Current Income Tax

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

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

Government Grants and Other Subsidies

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

Inventories

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

Property, Plant and Equipment

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

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

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

Land is shown at fair value, based on periodic valuations by external independent valuers. Increases in the carrying amount arising on revaluation of land are credited to other comprehensive income in the revaluation reserve in shareholders'equity. Decreases that offset previous increases of the same asset are charged against other comprehensive income in other reserves; all other decreases are charged to the income statement.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve are transferred to retained earnings.

Leases

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

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

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

Intangible Assets

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

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

Brands with an indefinite useful life are carried at historical cost (generally fair value in a business combination) less accumulated impairment losses and are tested annually for impairment using a value in use calculation. Brands are classified as indefinite useful life brands if the brand has sufficient history and the Group has no intention of re-branding.

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

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

Impairment of Non-Financial Assets

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

Provisions

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

Pension Obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions as well as changes in the effect of the asset ceiling are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognized immediately in income.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

Long Term Incentive Plan

Effective January 1, 2014, the Group issued a long term incentive plan for the executive board members. There is a two years waiting period for newly appointed executive board members before they may participate in the plan. Under the plan, the participants may be offered the opportunity to invest up to 50% of their bonus payment in shares. After a restriction period of three years, participants may sell the shares back to Hero at a price based on a formula defined in the plan. In conjunction with the plan, participants may be granted loans to fund the share issue. As the shares are restricted and will ultimately revert to the company and the share price does not reflect the fair value of the Hero shares, the Group has accounted for the plan under an IAS 19 long-term benefits model. Under the IAS 19 model, management has estimated the future payment at the end of the restriction period and the expense is recognized over a 4-year vesting period in the income statement.

Contingent Liabilities

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

Dividends

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

Share Capital

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

Hybrid Capital

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

6. Financial Instruments

General

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

Financial instruments are classified as current if they are expected to be realized within 12 months of the balance sheet date.

Financial assets at fair value through profit or loss

This category has two sub-categories: financial assets held-for-trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the associated receivable. Loans and receivables comprise cash and cash equivalents, trade receivables and certain other receivables.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

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

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

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

Borrowings

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

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

Accounting for Derivative Financial Instruments

Derivative financial instruments are initially recognized in the balance sheet at fair value on the date the contract is entered into and are subsequently re-measured at their fair value.

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

Fair Value Estimation

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

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

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

7. Financial Risk Management

Financial Risk Factors

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

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

Foreign Exchange Risk

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

External foreign exchange contracts are generally designated as hedges of foreign exchange risk on specific assets, liabilities or future transactions. The Group hedges between 50% and 100% of anticipated export sales in each major currency for the following 12 months. In 2015 and 2014, no hedge accounting was applied.

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

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

The Group uses a risk computation similar to Value-at-Risk (VAR). It includes financial instruments (mainly currency forwards) as well as balance sheet positions and future operating cash flows (non-discounted) in foreign currency. The estimates are made assuming normal market conditions, using a 97.7% confidence interval. The correlations between currency pairs and the volatilities are observed over a 360 day period. The estimated potential intra-day loss in the VAR model amounts to TCHF 798 as per December 31, 2015 (2014: TCHF 50).

Foreign Currency Risk Table

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

	Increase/ (decrease) in USD/EUR/GBP/SEK rate	Effect on profit before tax in CHF 1000.–	Effect on equity in CHF 1000.–
2015	5%	3 277	–
	(5%)	(3 277)	–
2014	5%	222	–
	(5%)	(222)	–

Interest Rate Risk

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

The Group's long-term borrowings are with fixed maturity and interest rates. The Group is only exposed to interest risk in case of re-financing of matured borrowings.

Credit Risk

The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Derivative counterparts and cash transactions are limited to highly creditworthy financial institutions. Other credit risk exposures are minimized by dealing only with a limited range of counterparties. Sometimes the Group uses the instrument of deferred consideration when disposing investments in subsidiaries or other operating assets. In that case it is the Group's policy to obtain adequate pledges or guarantees until the outstanding receivables are settled. The Group also makes loans to related parties. Where material the Group seeks adequate pledges or guarantees. The maximum credit risk represents net carrying value of the loans and receivables included.

Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, Group Treasury aims to maintain flexibility in funding by keeping committed credit lines available. Management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn borrowing facilities and cash and cash equivalents [note 15]) on the basis of expected cash flows.

Liquidity Risk Table

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

in CHF 1000.– at December 31, 2015	Carrying value	Within 1 year	1–2 years	2–3 years	3–4 years	More than 5 years	Total
Derivatives							
Forward contracts – cash (inflow)	–	*(543)*	–	–	–	–	*(543)*
Forward contracts – cash outflow	–	*161*	–	–	–	–	*161*
Forward contracts – net	(507)	(382)	–	–	-	–	(382)
Trend Swap	6 501	8 055	–	–	–	–	8 055
Borrowings	200 374	149 432	30 767	480	25 480	–	206 159
Debentures	129 522	1 619	1 619	1 619	1 619	131 141	137 617
Other liabilities – non current	2 327	–	1 163	1 164	–	–	2 327
Trade and other payables	237 054	237 054	–	–	–	–	237 054

in CHF 1000.– at December 31, 2014	Carrying value	Within 1 year	1–2 years	2–3 years	3–4 years	More than 5 years	Total
Derivatives							
Forward contracts – cash (inflow)	–	*(647)*	–	–	–	–	*(647)*
Forward contracts – cash outflow	–	*790*	–	–	–	–	*790*
Forward contracts – net	126	143	–	–	-	–	143
Trend Swap *)	12 609	7 919	7 919	–	–	–	15 838
Borrowings	186 790	120 981	16 432	30 748	482	25 484	194 127
Debentures	129 419	1 618	1 618	1 618	1 618	132 654	139 126
Other liabilities – non current	3 488	–	1 161	1 163	1 164	–	3 488
Trade and other payables	243 059	243 059	–	–	–	–	243 059

*) Future cash outflows assumed to correspond to current year's cash outflow

8. Critical Accounting Estimates, Assumptions and Judgements

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

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

Goodwill

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

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

These assumptions have been used for the analysis of each CGU.

The discount rates used are pre-tax and reflect specific risks relating to the relevant country.

The growth rate used to extrapolate cash flows beyond the budget and the pre-tax discount rate have a significant impact on the sensitivity of the impairment test. For all CGU's no reasonable possible change in any key assumptions would lead to an impairment.

In 2015, no goodwill was impaired.

Brands with indefinite life

The Group tests annually whether brands with indefinite life are impaired. These calculations require the use of estimates.

The discount rates used are pre-tax and reflect specific risks relating to the relevant country. The growth rates used to extrapolate cash flows beyond the budget and the pre-tax discount rate have a significant impact on the sensitivity of the impairment test.

In 2015, no impairment was identified.

Hero's major single goodwill and brand positions as well as managements key assumption are summarized below:

December 31, 2015

CGU	Goodwill	Indef. life Brand	Eternal growth	WACC pre-tax	Growth rates p.a. years 2016–2021	Profit margin between years 2016–2021	Im-pair-ment
	in CHF million	in CHF million	in %	in %	in %	in %	
Schwartauer Werke	159.7	19.7	1.9	9.0	between 1.8 and 3.7	increasing by *) 0.4	no
Semper/Eastern Europe Infant Business	87.5	49.2	2.0	9.3	between 1.9 and 9.5	increasing by *) 0.6	no
Signature Brands	72.3	33.3	2.4	10.8	between 2.4 and 5.4	decreasing by *) -0.2	no
Benelux Infant	19.4	–	1.9	10.4	between 1.5 and 12.9	increasing by *) 1.5	no
Organix	28.9	24.5	2.0	9.3	between 2.0 and 5.6	increasing by *) 0.8	no
Vitrac	6.2	–	7.0	24.8	between 7.0 and 13.0	increasing by *) 0.2	no
Beech-Nut	–	17.6	2.4	10.8	between 2.3 and 19.4	–	no
Kiviks**)	7.7	–	–	–	–	–	no
Other	3.3	11.1	–	–	–	–	no
TOTAL	**385.0**	**155.4**					

*) Over the total period

**) Provisionally determined, see note 22

December 31, 2014

CGU	Goodwill	Indef. life Brand	Eternal growth	WACC pre-tax	Growth rates p.a. years 2015–2020	Profit margin between years 2015–2020	Im-pair-ment
	in CHF million	in CHF million	in %	in %	in %	in %	
Schwartauer Werke	177.5	21.9	1.7	10.1	between -0.1 and 3.1	increasing by *) 0.5	no
Semper/Eastern Europe Infant Business	95.2	53.0	2.0	10.0	between 2.0 and 8.8	increasing by *) 1.3	no
Signature Brands	72.2	33.3	2.0	11.8	between 2.0 and 6.1	increasing by *) 1.1	no
Benelux Infant	19.4	–	1.4	10.4	between 0.4 and 5.4	decreasing by *) -1.8	no
Organix	30.3	25.7	2.0	10.1	between -3.5 and 19.6	decreasing by *) -0.8	no
Vitrac	6.8	–	12.3	23.0	between 9.4 and 12.6	increasing by *) 0.7	no
Beech-Nut	–	17.6	2.0	11.8	between 2.0 and 11.3	–	no
Other	3.6	11.5	–	–	–	–	no
TOTAL	**405.0**	**163.0**					

*) Over the total period

Income taxes

As described in note 5, the Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Recognized tax loss carryforwards

The Group has recognized deferred tax assets in relation to the recoverability of tax loss carryforwards (note 12). The recoverability of such assets is based on the ability of the entity to which the losses relate to generate future taxable profits. These calculations require the use of estimates. In addition, the Group has a global tax planning strategy in place which would support that loss carryforwards could be realized in the event that there will not be sufficient future taxable profits. Management re-evaluates the recoverability at each balance sheet date.

Valuation of financial instruments

As described in note 23, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 23 provides information about the key assumptions used in the determination of the fair value of financial instruments (i.e. Trend Swap). Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments and are constantly applied.

Provisions (Note 19)

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

Pension benefits (Note 18)

The cost of the defined benefit pension plan and the present value of the pension obligation are determined using actuarial valuations. An actuarial valuation involves making various assumptions that may differ from actual developments in the future. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

9. Capital Management

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

In connection with external financing the Group is required to maintain a minimum level of net equity. During 2015 and 2014 the Group complied with this requirement. See also comments in note 17 on "Covenants".

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new capital. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. No changes were made in the objectives, policies or processes during the years ended December 31, 2015, and December 31, 2014.

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

The gearing ratios at December 31, 2015, and December 31, 2014, were as follows:

in CHF 1000.–	2015	2014
Total borrowings / debentures	329 896	316 209
Less: cash and cash equivalents	(163 711)	(190 752)
Net debt	166 185	125 457
Equity attributable to the equity holders of the parent	834 124	911 339
Gearing ratio	20%	14%

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

The Group has implemented a risk management system. Management carries out an annual risk assessment to identify material risks including their probability of occurrence and impact on the Group. The Board of Directors takes appropriate measures to avoid, mitigate or transfer these risks. Risks which are not mitigated are closely monitored by the Group. The latest risk assessment by the Board of Directors was held in September 2015. Management may take ad-hoc initiatives in order to ensure a timely response to changes in the risk environment.

1. Details on Other Income / Expense

in CHF 1000.–	Note	2015	2014
Government grants	4	347	394
Insurance recovery		455	12 260
Compensation for damages		297	–
Stock refunds		369	–
Reversal accruals and provision		371	1 471
Asset disposal		–	1 340
Other		311	1 350
TOTAL OTHER INCOME		2 150	16 815
Restructuring		(1 383)	(2 123)
Compensation and destruction of channel inventory		(5 540)	–
Other		(1 373)	(84)
TOTAL OTHER EXPENSE		(8 296)	(2 207)

In 2015, restructuring expenses mainly relate to reorganizational change in the scope of business in the country organizations of the US, Spain, UK, Germany and at corporate level.

Insurance recovery in 2014 represents the settlement of the China insurance claim 2013.

In 2014, restructuring expenses mainly relate to reorganizational changes in the scope of business in the country organizations of the US, Spain, Netherlands, Egypt and at corporate level.

2. Finance Income / Expense

in CHF 1000.–	2015	2014
Interest expense	(5 951)	(7 274)
Net foreign exchange losses	(4 761)	(4 597)
Fair value losses on financial instruments held for trading	(5 057)	(11 364)
Other financial expense	(2 586)	(1 797)
TOTAL FINANCE EXPENSE	(18 355)	(25 032)
Interest income	1 395	1 093
Fair value gains on financial instruments held for trading	3 379	3 309
Gain on disposal of available-for-sale investments*)	–	63 587
Other financial income	10	92
TOTAL FINANCE INCOME	4 784	68 081

*) Represents the net book gain on disposal of Huishan Dairy (formerly Treasure Alley) shares.

3. Additional Information on the Nature of Expense

in CHF 1000.–	Note	2015	2014
Wages and salaries		(174 191)	(178 326)
Social security costs		(36 929)	(37 480)
Pension costs – defined contribution plans		(4 019)	(3 631)
Pension costs – defined benefit plans	18	(3 111)	(4 378)
TOTAL PERSONNEL EXPENSE		(218 250)	(223 815)

The Group employed 3'747 employees in 2015 (2014: 3'685).

Depreciation, amortization and impairments are included in the consolidated statement of income:

Year ended December 31, 2015		Property, plant and equipment		Intangible assets	
in CHF 1000.–	Note	Depreciation	Impairment	Amortization	Impairment
Cost of sales		(24 355)	–	(193)	–
Distribution expense		(767)	–	(2)	–
Marketing and sales		(198)	–	(3 173)	–
Research and development		(809)	–	(945)	(146)
Administration expense		(3 049)	–	(4 066)	–
TOTAL	7, 8	(29 178)	–	(8 379)	(146)

Year ended December 31, 2014		Property, plant and equipment		Intangible assets	
in CHF 1000.–	Note	Depreciation	Impairment	Amortization	Impairment
Cost of sales		(31 248)	(35 055)	(21)	–
Distribution expense		(842)	–	(177)	–
Marketing and sales		(266)	–	(5 310)	(862)
Research and development		(967)	–	(1 022)	–
Administration expense		(3 906)	–	(7 497)	–
TOTAL	7, 8	(37 229)	(35 055)	(14 027)	(862)

4. Government Grants deducted from Expense

in CHF 1000.–	2015	2014
Government grants for Beech-Nut infant food plant	1 776	1 768
Netherlands workforce education grant	17	38
Export subsidies in Switzerland	11	87
Export subsidies in Egypt	722	964
Government grants for research project in Spain	362	–
Government grants for Schwartauer Werke jam factory	321	365
Other	29	29
TOTAL GOVERNMENT GRANTS	3 238	3 251

Government grants are deducted from the following type of expense:

in CHF 1000.–	Note	2015	2014
Government grants deducted from cost of sales		2 618	2 819
Government grants deducted from research and development		270	38
Government grants included in other income	1	347	394
Government grants deducted from other expense	1	3	–
TOTAL GOVERNMENT GRANTS		3 238	3 251

5. Income Tax

in CHF 1000.–	2015	2014
Current income tax expense	(14 576)	(19 501)
Deferred tax (expense) / income	(7 424)	24 230
Tax (expense) / income relating to prior periods	(830)	106
TOTAL INCOME TAX (EXPENSE) / INCOME	(22 830)	4 834

Analysis of tax rate

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

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

in CHF 1000.–	2015	2014
Income before taxes	94 650	108 031
Tax expense based on expected group tax rate	(19 080) 20.2%	(21 018) 19.5%
Impact of expense not entitled for deduction for tax purposes	(2 584)	(3 675)
Impact of non taxable income	6 922	23 041
Impact of tax expense related to profits of other periods and other items	5 206	1 505
Utilization of previously unrecognized tax losses	77	(257)
Reassessment of recognized tax losses of prior periods	(19 163)*)	(1 554)
Impact of unrecognized tax losses of current period	(526)	–
Impact of deferred taxes on hybrid coupon	5 680	7 246
Impact of difference between statutory and deferred tax rate	1 546	(357)
Impact of changes in the local tax rates	(908)	(97)
EFFECTIVE GROUP TAX (EXPENSE) / INCOME	(22 830)	4 834

*) Mainly relates to US tax loss carry forwards which were reassessed in 2015.

6. Dividend / Distributions

At the Annual General Meeting in 2016 a dividend in respect of 2015 of CHF 2.20 per share amounting to a total dividend of CHF 13.6 million is to be proposed (2014: no dividend). These financial statements do not reflect this dividend payable, which will be accounted for in shareholders’ equity as an appropriation of retained earnings in the year ending December 31, 2016.

On March 15, 2016 the Board of Directors resolved to pay the annual coupon for 2016 of 6.5% on the hybrid capital third parties of nominal CHF 341.0 million which is TCHF 22'165.

7. Property, Plant and Equipment

in CHF 1000.–	Land	Buildings	Plant and machinery	Other equipment	Total
Cost or valuation					
JANUARY 1, 2014	35 597	262 226	362 150	32 796	692 769
Additions	–	1 427	16 445	2 552	20 424
Disposals of assets	–	–	(1 219)	(282)	(1 501)
Reclassifications	–	(5 053)	(13 833)	(2 382)	(21 268)
Foreign exchange differences	9	12 529	9 162	657	22 357
BALANCE AT DECEMBER 31, 2014 / JANUARY 1, 2015	35 606	271 129	372 705	33 341	712 781
Additions	–	3 166	22 948	7 107	33 221
Acquisitions of subsidiaries	651	8 015	1 846	538	11 050
Disposals of assets	(2 682)	(12 129)	(17 785)	(985)	(33 581)
Revaluations	62	–	–	–	62
Foreign exchange differences	(3 232)	(11 117)	(24 096)	(2 431)	(40 876)
BALANCE AT DECEMBER 31, 2015	30 405	259 064	355 618	37 570	682 657
Accumulated depreciation					
JANUARY 1, 2014	29	57 539	198 698	21 862	278 128
Additions	2	8 105	25 007	4 115	37 229
Impairments	–	7 226*)	27 829*)	–	35 055
Disposals of assets	–	–	(839)	(268)	(1 107)
Reclassifications	(27)	(5 086)	(12 644)	(3 511)	(21 268)
Foreign exchange differences	1	1 022	3 723	423	5 169
BALANCE AT DECEMBER 31, 2014 / JANUARY 1, 2015	5	68 806	241 774	22 621	333 206
Additions	1	7 618	18 540	3 019	29 178
Disposals of assets	–	(11 523)	(17 653)	(915)	(30 091)
Foreign exchange differences	–	(4 801)	(17 151)	(1 655)	(23 607)
BALANCE AT DECEMBER 31, 2015	6	60 100	225 510	23 070	308 686
Carrying amount					
At January 1, 2015	35 601	202 323	130 931	10 720	379 575
At December 31, 2015	30 399	198 964	130 108	14 500	373 971

*) Represents the impairment of buildings and/or production lines in the Netherlands and Beech Nut, USA.

Revaluation of land

Land is carried at revalued amounts. Revalued amounts of land relate to Spain and Turkey (2014: Spain and Netherlands). The land in the Netherlands was sold in 2015.

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

in CHF 1000.–	2015	2014
Land at historical cost	21 573	22 832
Land at historical depreciation	(6)	(5)
NET BOOK AMOUNT	21 567	22 827

Fair value of the land was determined by using market comparable method. This means that valuations performed by the appraiser are based on active market prices, adjusted for difference in the nature, location or condition of the specific land. The last external valuation for Spain was carried out in December 2013 by Tisa and for Turkey in September 2015 by TSKB. Both companies are accredited independent valuers. As significant unobservable valuation input the price per square meter in Spain was in a range between EUR 66 to EUR 317 and in Turkey between TRY 560 to TRY 880 depending on the land condition. In the fair value measurement hierarchy of the Group land is classified as level 3 instrument using significant unobservable inputs.

8. Intangible Assets

in CHF 1000.–	Goodwill	Brands	Customer Relations/ Distribution networks	Other intangible assets	Total
Cost					
BALANCE AT JANUARY 1, 2014	452 118	224 951	84 023	65 529	826 621
Additions	–	–	–	3 881	3 881
Disposals of assets	–	–	–	(51)	(51)
Reclassifications	(1 109)	(20)	–	20	(1 109)
Foreign exchange differences	(1 070)	2 717	5 688	2 971	10 306
BALANCE AT DECEMBER 31, 2014 / JANUARY 1, 2015	449 939	227 648	89 711	72 350	839 648
Additions	–	19	–	3 222	3 241
Acquisition of subsidiaries	8 219	–	–	–	8 219
Disposals of assets	–	–	–	(28)	(28)
Reclassifications	–	–	3 165	(7 907)	(4 742)
Foreign exchange differences	(28 964)	(7 650)	(642)	(1 377)	(38 633)
BALANCE AT DECEMBER 31, 2015	429 194	220 017	92 234	66 260	807 705

in CHF 1000.–	Goodwill	Brands	Customer Relations/ Distribution networks	Other intangible assets	Total
Accumulated amortization					
BALANCE AT JANUARY 1, 2014	44 369	57 762	68 956	45 926	217 013
Additions	–	1 828	6 037	6 162	14 027
Impairments	–	862	–	–	862
Disposals of assets	–	–	–	(32)	(32)
Reclassifications	(1 109)	–	–	–	(1 109)
Foreign exchange differences	1 591	733	4 591	2 400	9 315
BALANCE AT DECEMBER 31, 2014 / JANUARY 1, 2015	44 851	61 185	79 584	54 456	240 076
Additions	–	1 528	2 663	4 188	8 379
Impairments	–	–	–	146	146
Disposals of assets	–	–	–	(112)	(112)
Reclassifications	–	(4 742)	–	–	(4 742)
Foreign exchange differences	(696)	(262)	(555)	(1 179)	(2 692)
BALANCE AT DECEMBER 31, 2015	44 155	57 709	81 692	57 499	241 055
Carrying amount					
At January 1, 2015	405 088	166 463	10 127	17 894	599 572
At December 31, 2015	385 039	162 308	10 542	8 761	566 650

Other intangibles

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

Recognised development costs

In 2015, development costs in the amount of TCHF 490 were capitalized (2014: TCHF 1'511).

Impairment tests for goodwill

Goodwill and intangible assets with indefinite useful lives are allocated to the respective cash-generating units (CGUs), which for Goodwill primarily represents the legal entity. The recoverable amount of a CGU is determined based on value-in-use calculations. Refer to accounting policies no. 8 for information about impairment testing and corresponding estimates.

Impairment of Goodwill and Brands

In 2015, the recoverable amount exceeded the carrying amount for all CGU's. In 2014, impairment of Brands represents Adapta.The brand has been fully impaired as the board has decided to discontinue business under this brand.

9. Investments in Associated Companies

Investments in associated companies

in CHF 1000.–	Total
BALANCE AT JANUARY 1, 2014	153
Foreign exchange differences	(1)
BALANCE AT DECEMBER 31, 2014 / JANUARY 1, 2015	152
Foreign exchange differences	(6)
BALANCE AT DECEMBER 31, 2015	146

10. Segment Reporting

As of January 1, 2015, the Group has amended the internal management and reporting structure. Therefore the geographical segments have been adjusted. The segment "International" was changed into "Emerging Markets" and unallocated items are disclosed separately. Export sales to China were reclassified from the segment Europe to Emerging Markets. To facilitate comparability, 2014 segment reporting data has been restated.

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

The segment Europe produces and sells mainly cosumer food products such as jams, healthy snacks, baby and toddler food, baby and toddler milk and specialities.

The segment North America produces and sells mainly consumer food products such as baby and toddler food and specialities.

The segment Emerging Markets mainly includes Turkey, Egypt, Russia, China and Brazil and produces and sells mainly consumer food products such as jams, healthy snacks, baby and toddler food and baby and toddler milk.

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

Trading operating profit is excluding amortization and impairment as well as exceptional charges.

Net working capital external is composed of income tax receivables, trade and other receivables, prepayments and inventories less trade and other payables, short-term income tax payables and short-term provisions.

Non-current assets comprise property pland and equipment and intangible assets excluding goodwill.

for the year ended December 31, 2015

in CHF 1000.–	Europe	Emerging Markets	North America	Un-allocated	Total
Net sales external	807 059	159 294	294 215	–	1 260 568
Trading Operating profit	107 685	19 962	25 266	(31 446)	121 467
Amortization / Impairment					(8 525)
Other income / expense					(4 720)
Financial result					(13 571)
Income before tax					94 650
Depreciation and amortization	(20 317)	(2 909)	(14 331)	–	(37 557)
Impairment losses	(146)	–	–	–	(146)
Net working capital external	23 699	24 465	55 420	(567)	103 017
Capex (tangible)	(20 375)	(5 251)	(7 595)	–	(33 221)

in CHF 1000.–	Jams	Healthy Snacks	Baby and toddler food	Baby and toddler milk	Specialities	Total
Net sales external	249 597	88 249	376 236	139 324	407 162	1 260 568

in CHF 1000.–	Switzer-land*)	Germany	Spain	USA	Other	Total
Net sales external	80 338	218 073	165 634	294 215	502 308	1 260 568
Non-current assets	60 909	84 035	48 170	243 921	118 547	555 582

*) Country of domicile

for the year ended December 31, 2014

in CHF 1000.–	Europe	Emerging Markets	North America	Un-allocated	Total
Net sales external	936 822	136 883	269 718	–	1 343 423
Trading Operating profit	126 906	11 583	10 680	(25 832)	123 337
Amortization / Impairment					(49 944)
Other income / expense					(8 411)
Financial result					43 049
Income before tax					108 031
Depreciation and amortization	(29 849)	(3 392)	(18 014)	(1)	(51 256)
Impairment losses	(11 791)	–	(24 126)	–	(35 917)
Net working capital external	34 893	27 029	45 793	(2 924)	104 791
Capex (tangible)	(13 310)	(2 232)	(4 880)	(2)	(20 424)

in CHF 1000.–	Jams	Healthy Snacks	Baby and toddler food	Baby and toddler milk	Specialities	Total
Net sales external	278 010	93 795	420 446	136 178	414 995	1 343 424

in CHF 1000.–	Switzer-land *)	Germany	Spain	USA	Other	Total
Net sales external	94 434	246 117	218 593	269 718	514 562	1 343 424
Non-current assets	65 634	84 923	54 920	249 292	119 290	574 059

*) Country of domicile

11. Non-current Receivables

in CHF 1000.–	Note	2015	2014
Reimbursement rights of Schwartauer Werke		3 007	3 545
Loans to third parties	23	174	174
Long term incentive plan loan receivable	24	862	–
Prepaid customer incentives		3 157	4 545
Other non-current receivables	23	178	120
TOTAL NON-CURRENT RECEIVABLES		**7 378**	**8 384**

Loans to third parties represent a loan to a former employee.

12. Development of Deferred Tax Assets and Liabilities

in CHF 1000.–	Deferred tax assets 2015	Deferred tax liabilities 2015	Deferred tax assets 2014	Deferred tax liabilities 2014
Assets				
Property, plant and equipment	76	42 910	103	44 646
Intangible assets	5 059	26 525	5 567	26 406
Financial assets	43	1 471	149	1 748
Trade receivables, prepayments and other receivables	4 528	–	6 594	–
Inventories	2 399	667	2 050	453
Liabilities				
Net employee defined benefit liabilities	8 743	–	5 969	–
Accruals and provisions	8 544	12 356	6 743	14 433
Trade and other payables	3 174	–	4 368	–
Financial liabilities	40 264	–	25 981	–
CAPITALIZED UNUSED TAX LOSSES AND TAX CREDITS	74 802	–	96 109	–
TOTAL DEFERRED TAXES	147 632	83 929	153 633	87 686
DEFERRED TAXES, NET	63 703	–	65 947	–

Reflected in the consolidated balance sheet as follows:

in CHF 1000.–	2015	2014
Deferred tax assets	99 736	114 495
Deferred tax liabilities	36 033	48 548
DEFERRED TAX ASSETS, NET	63 703	65 947

Unrecognized deferred tax assets for unused tax losses

in CHF 1000.–	2015	2014
Unrecognized deferred tax assets expire in:		
reporting year +1	619	–
reporting year +2	70	–
reporting year +3	747	–
reporting year +5 and beyond	18 536	–
TOTAL UNRECOGNIZED DEFERRED TAX ASSETS FOR UNUSED TAX LOSSES	19 972	–

Net deferred tax assets

in CHF 1000.–	2015	2014
Balance at January 1	**65 947**	**33 066**
Deferred tax income / (expense)	(7 424)	24 230
Deferred taxes directly recognized in OCI	4 776	2 130
Foreign exchange differences	404	6 521
BALANCE AT DECEMBER 31	**63 703**	**65 947**

At December 31, 2015, there was no recognized deferred tax liability (2014: 0) for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries.

The temporary differences associated with investments in subsidiaries for which a deferred tax liability has not been recognized, aggregate to CHF 65.4 million (2014: CHF 57.9 million).

13. Inventories

in CHF 1000.–	2015	2014
Raw materials and supplies	61 699	63 108
Work-in-progress	10 872	11 167
Finished goods	103 000	96 972
TOTAL INVENTORIES	**175 571**	**171 247**
Write down of inventories	(5 687)	(6 508)
Inventory expensed in cost of sales	(776 390)	(859 556)

14. Trade Receivables, Prepayments and Other Receivables

in CHF 1000.–	Note	2015	2014
Trade receivables from customers	23	157 493	182 893
Less: Allowance for bad and doubtful trade receivables		(3 843)	(4 316)
TRADE RECEIVABLES NET		153 650	178 577
Prepayments		6 604	5 594
VAT		8 848	8 824
Other receivables		13 791	12 943
TOTAL RECEIVABLES AND PREPAYMENTS		182 893	205 938

Allowance for bad and doubtful trade receivables

in CHF 1000.–	2015	2014
At January 1	(4 316)	(4 884)
Charge for the year	(519)	(702)
Amounts written off	507	787
Unused amounts reversed	14	124
Exchange rate differences	471	359
AT DECEMBER 31	(3 843)	(4 316)

Maturity of trade receivables

Year ended December 31, 2015 in CHF 1000.–	Total carrying amount	Of which are not overdue	Overdue < 30 days	Overdue 30-60 days	Overdue 60-90 days	Overdue 90-120 days	Overdue > 120 days
Trade receivables, gross	157 493	136 095	8 981	4 347	3 821	1 370	2 879
Allowance	(3 843)	(595)	(148)	(169)	(256)	(392)	(2 283)
TRADE RECEIVABLES, NET	153 650	135 500	8 833	4 178	3 565	978	596

Year ended December 31, 2014 in CHF 1000.–	Total carrying amount	Of which are not overdue	Overdue < 30 days	Overdue 30-60 days	Overdue 60-90 days	Overdue 90-120 days	Overdue > 120 days
Trade receivables, gross	182 894	156 484	10 792	9 969	1 483	924	3 242
Allowance	(4 316)	(324)	(179)	(521)	(140)	(574)	(2 578)
TRADE RECEIVABLES, NET	178 578	156 160	10 613	9 448	1 343	350	664

Other receivables consist primarily of balances resulting from government subsidies, deposits paid, refundable taxes, tax credit and duties paid for exports.

15. Cash and Cash Equivalents

in CHF 1000.–	Note	2015	2014
Cash at banks		161 059	190 274
Cash equivalents		2 652	478
CASH AND CASH EQUIVALENTS	23	163 711	190 752

Cash and cash equivalents at the end of the period include deposits with banks of CHF 26.2 million (2014: CHF 17.7 million) held by some subsidiaries which are not freely transferable to the holding company because those deposits are used to secure bank facilities and guarantees or blocked by exchange control regulations.

Cash equivalents contain cheques.

The weighted average effective interest rate on cash and cash equivalents in 2015 was 0.41% (2014: 0.11%).

16. Shares, Hybrid Capital and Other Reserves

a) Number of shares	2015	2014
Common stock	6 151 600	6 151 600
Treasury shares	35 575	–
TOTAL SHARES AT DECEMBER 31	6 187 175	6 151 600

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

Treasury shares in 2015 (2014: none) are held in connection with the long term incentive plan.

b) Hybrid capital

in CHF 1000.–	2015	2014
Hybrid capital third parties	334 395	402 686
Tax effect	147	402
TOTAL HYBRID CAPITAL AT DECEMBER 31	334 542	403 088

Hybrid Capital Third Parties

In 2010 Hero issued CHF 100 million Undated Fixed to Floating Rate Subordinated Bonds in addition to the CHF 400 million Undated Fixed to Floating Rate Subordinated Bonds issued in October 2009. Hero repurchased bonds since 2013 until December 31, 2015 for a total nominal amount of CHF 159.0 million. The bonds bear interest on their principal amount at a fixed rate of 6.5% p.a. from the payment date up to October 28, 2016, and thereafter at a floating interest rate. The terms and conditions of the bonds are such, that in accordance with IAS 32, the bonds qualify for treatment as equity in the financial statements of the Group. Payments of the coupons relating to the bonds are recorded as distribution on hybrid capital third parties.

c) Other reserves

for the year ended December 31 in CHF 1000.–	Re-valuation reserve	Legal reserves	Fair value reserve	Pensions reserve	Equity loans translation reserve	Foreign currency translation reserve	Total
BALANCE AT JANUARY 1, 2014	24 220	25 758	99 977	(15 076)	(2 727)	(119 302)	12 850
Available-for-sale investments	–	–	(99 107)	–	–	–	(99 107)
Remeasurements	–	–	–	(17 277)	–	–	(17 277)
Tax effects	–	–	–	2 254	(124)	–	2 130
Foreign exchange differences	1 546	–	(870)	(21)	239	(17 110)	(16 216)
BALANCE AT DECEMBER 31, 2014 / JANUARY 1, 2015	25 766	25 758	–	(30 120)	(2 612)	(136 412)	(117 620)
Revaluation of land	(2 454)	–	–	–	–	–	(2 454)
Remeasurements	–	–	–	(3 980)	–	–	(7 579)
Tax effects	1 509	–	–	3 364	(97)	–	8 375
Foreign exchange differences	(1 062)	–	–	1 197	234	(49 445)	(49 076)
BALANCE AT DECEMBER 31, 2015	23 759	25 758	–	(29 539)	(2 475)	(185 857)	(168 354)

Revaluation reserve

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

Legal reserves

Legal reserves are not available for distribution.

Fair value reserve

Fair value reserve contains fair value adjustments of available-for-sale investments.

Pensions reserve

Pensions reserve contains remeasurement gains and losses of defined benefit pension plans.

Equity loans translation reserve

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

Foreign currency translation reserve

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

17. Borrowings

in CHF 1000.–	Note	2015	2014
Current			
Bank borrowings and overdrafts		130 834	73 240
Loan liabilities third parties		242	255
Loan liabilities related and associated companies	24	9 738	43 297
Loan liabilities non-controlling interests shareholders	24	950	–
TOTAL CURRENT BORROWINGS	23	141 764	116 792
Non-current			
Bank borrowings	23	57 132	69 998
Loan liabilities third parties	23	1 003	–
Loan liabilities related and associated companies	23, 24	475	–
Debentures	23	129 522	129 419
TOTAL NON-CURRENT BORROWINGS		188 132	199 417

Covenants

Hero is engaged in different kinds of financings and most of them are related to certain covenants. The main covenants are Net Debt / EBITDA and interest coverage. As per December 31, 2015 and 2014 no covenant was breached.

Bank and loan liabilities

The weighted average effective interest expense rate for bank and loan liabilities in 2015 was 1.36% (2014: 1.86%).

The interest rates for the majority of current bank overdrafts and loan liabilities were between 0.65% and 5% fixed interest rates. Non-current borrowings had fixed interest rates between 1.14% and 1.96%.

Debentures

The CHF 130 million debentures issued in 2013 mature on June 26, 2020 and carry an interest rate of 1.25%.

18. Defined Benefit Obligations

Depending on the legal, economic and fiscal circumstances in each country, different retirement benefit systems are provided for the employees of the Group. As a rule, these systems are based on length of service and salary of the employees. Pension obligations in the Group relate to both defined benefit and defined contribution plans. Defined benefit plans are funded and unfunded. Most Group companies sponsor defined benefit pension schemes which are funded by payments to separate trustee-administered funds. The obligations of German companies are unfunded. The latest actuarial valuations under IAS 19 were carried out as at December 31, 2015, for all significant pension plans.

The Group's largest pension plans are in Switzerland and Germany (Schwartauer Werke). They account for 85% (2014: 84%) of the Group's defined benefit obligations and 87% (2014: 86%) of the Group's plan assets.

Pension plans in Switzerland

Pension plans are governed by the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG), which stipulates that pension plans are to be managed by independent, legally autonomous units. Pension plans are overseen by a regulator as well as by a state supervisory body. A pension plan's most senior governing body (Board of Trustees) must be composed of equal numbers of employee and employer representatives.

Plan participants are insured against the financial consequences of old age, disability and death. The various insurance benefits are governed in regulations, with the BVG specifying the minimum benefits that are to be provided. The employer and employees pay contributions to the pension plan. In case of an underfunding, various measures can be taken such as the adjustment of the pension commitment by altering the conversion rates or increasing current contributions. The employer can also make additional restructuring contributions. The BVG prescribes how employees and employer have to jointly fund potential restructurings.

The Swiss pension plan "Hero Pensionskasse" has the legal structure of a foundation. All actuarial risks are borne by the foundation. These risks consist of demographic risks (primarily life expectancy) and financial risks (primarily the discount rate, future increases in salaries/wages, and the return on plan assets) and are regularly assessed by the Board of Trustees. In addition, an annual actuarial report is drawn up in accordance with the requirements of the BVG. The report is not produced using the projected unit credit method, as required by IFRS. The definitive funded status according to the BVG is determined in the first quarter of the following year. According to estimates, the funded status at December 31, 2015, is 106% (2014: 109%, definitive). In addition, a report is prepared annually in accordance with IFRS requirements.

The Board of Trustees is responsible for the investment of the assets. It defines the investment strategy whenever necessary – especially in the case of significant market developments or changes to the structure of the plan participants. When defining the investment strategy, it takes account of the foundation's objectives, benefit obligations and risk capacity. The investment strategy is defined in the form of a long-term target asset structure (investment policy). The Board of Trustees delegates the implementation of the investment policy – in accordance with the investment strategy as well as various principles and objectives – to an external Investment Trust. The funded plans also include "Pensionskasse der Direktionsmitglieder der Hero Schweiz AG" (an extra-mandatory, semi-autonomous management pension plan). The purpose of this pension plan for employees in management functions is to extend the insurance cover provided by the existing pension plan.

Pension plan Schwartauer Werke, Germany

Schwartauer Werke grants pension benefits to its employees in addition to the state plan. The plan is an unfunded plan and the risks associated to the plan are covered by pension liabilities of Schwartauer Werke, and reimbursement rights under an insurance policy.

The rights to reimbursement are under an insurance policy that exactly matches the amount and timing of some of the benefits payable under the pension scheme. They are disclosed as an asset (see note 11). The book value of the reimbursement rights in 2015 is TCHF 3'007 (2014: TCHF 3'545).

Employee benefits are mainly based on three components: 1) direct obligation with no contributions of employees; 2) indirect obligations with no contributions of employees; 3) direct obligation with contributions of employees.

All employees under regular and permanent employment are entitled to participate in the plan. Employees need to have a minimum age of 30 years and a minimum time of service of three years. Employees are entitled to retirement capital, early retirement capital, old-age pension, invalidity pension and survivor benefits depending on the employees reinsurance value.

Multi-employer plans

The Group has multi-employer defined benefit plans in the US, The Netherlands and Sweden. For these plans there is no consistent and reliable basis for allocating the obligation, plan assets and cost of the plans to the individual entities participating in the plan. Therefore, defined benefit accounting cannot be used and these plans are treated as a defined contribution plans in accordance with IAS 19. Expected contributions for 2016, are TCHF 2'011. The most significant multi-employer plan is Beech-Nut Bakery and Confectionery Union and Industry International Health Benefits and Pension Fund. It is funded by employer contributions made pursuant to collective bargaining agreements between employers and the Bakery, Confectionary, Tobacco Workers and Grain Millers International Union. The plan is funded on an hours worked basis. The rate is set based on the pension rules.

The plan rates are set by the Pension Board of Trustees. This Board consists of 6 employers and 6 union officials. Beech-Nut's share in the scheme is approximately 0.3% of the plan (2014: 0.3%).

The scheme shows based on latest information a USD 4.8 billion deficit (2014: USD 4.8 billion deficit). Therefore the scheme is in a "workout plan" – a federal requirement for funds less than 65% funded. The workout plan requires the fund to get above 65% funding within 10 years and it requires an actuarial certified plan. This work-out plan has triggered a reset of pension contributions for employers at the next renegotiation of the union contract.

The table below outlines where the Group's post-employment amounts and activity are included in the financial statements:

Post-employment amounts in the financial statements:

in CHF 1000.–	2015	2014
Balance sheet obligations for:		
Defined pension benefits	74 478	78 569
LIABILITY IN THE BALANCE SHEET	**74 478**	**78 569**
Income statement charge included in operating profit for:		
Defined pension benefits	3 111	4 378
INCOME STATEMENT CHARGE	**3 111**	**4 378**
Remeasurements for:		
Defined pension benefits	3 980	17 277
OTHER COMPREHENSIVE INCOME	**3 980**	**17 277**

Amounts recognized in the balance sheet:

in CHF 1000.–	2015	2014
Switzerland		
Present value of funded obligations	107 339	101 790
(Fair value of plan assets)	(91 620)	(90 044)
Deficit of funded obligations	15 719	11 746
Impact of asset ceiling	1 723	1 880
LIABILITY IN THE BALANCE SHEET	17 442	13 626
Germany		
Present value of unfunded obligations	43 051	48 844
LIABILITY IN THE BALANCE SHEET	43 051	48 844
Other		
Present value of funded obligations	15 887	17 372
(Fair value of plan assets)	(13 433)	(14 068)
Deficit of funded obligations	2 454	3 304
Present value of unfunded obligations	9 941	11 622
Total deficit of defined benefit pension plans	12 395	14 926
Impact of asset ceiling	1 590	1 173
LIABILITY IN THE BALANCE SHEET	13 985	16 099
Total		
Present value of funded obligations	123 226	119 162
(Fair value of plan assets)	(105 053)	(104 112)
Deficit of funded obligations	18 173	15 050
Present value of unfunded obligations	52 992	60 466
Total deficit of defined benefit pension plans	71 165	75 516
Impact of asset ceiling	3 313	3 053
LIABILITY IN THE BALANCE SHEET	74 478	78 569

Movement in the net defined benefit obligation over the year: in CHF 1000.–	Present value of obligation	Fair value of plan assets	Total	Impact of minimum funding requirement/ asset ceiling	Total
AT JANUARY 1, 2014	**160 184**	**(100 121)**	**60 063**	**3 429**	**63 492**
Current service cost	2 331	–	2 331	–	2 331
Interest expense/(income)	4 441	(2 394)	2 047	–	2 047
	6 772	**(2 394)**	**4 378**	**–**	**4 378**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	–	(4 833)	(4 833)	-	(4 833)
Loss from change in demographic assumptions	503	–	503	–	503
Loss from change in financial assumptions	20 781	–	20 781	–	20 781
Experience losses	382	–	382	–	382
Change in asset ceiling, excluding amounts included in interest expense	871	–	871	(427)	444
	22 537	**(4 833)**	**17 704**	**(427)**	**17 277**
Contributions:					
Employers	–	(2 352)	(2 352)	–	(2 352)
Plan participants	1 206	(1 206)	–	–	–
Payments from plans:					
Benefit payments	(11 245)	7 874	(3 371)	–	(3 371)
Foreign exchange differences	174	(1 079)	(905)	50	(855)
AT DECEMBER 31, 2014/JANUARY 1, 2015	**179 628**	**(104 111)**	**75 517**	**3 052**	**78 569**
Current service cost	2 330	–	2 330	–	2 330
Past service cost	(735)	–	(735)	–	(735)
Interest expense/(income)	2 880	(1 364)	1 516	–	1 516
	4 475	**(1 364)**	**3 111**	**–**	**3 111**
Remeasurements:					
Return on plan assets, excluding amounts included in interest expense/(income)	–	381	381	–	381
Gain from change in demographic assumptions	(904)	–	(904)	–	(904)
Loss from change in financial assumptions	2 555	–	2 555	–	2 555
Experience losses	1 905	–	1 905	–	1 905
Change in asset ceiling, excluding amounts included in interest expense	(272)	–	(272)	315	43
	3 284	**381**	**3 665**	**315**	**3 980**
Contributions:					
Employers	–	(2 181)	(2 181)	–	(2181)
Plan participants	1 169	(1 169)	–	–	–
Payments from plans:					
Benefit payments	(6 022)	3 103	(2 919)	–	(2 919)
Foreign exchange differences	(6 315)	288	(6 027)	(55)	(6 082)
AT DECEMBER 31, 2015	**176 219**	**(105 053)**	**71 166**	**3 312**	**74 478**

Two plans have a surplus that is not recognized on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund.

Significant actuarial assumptions:

in %	SWITZERLAND 2015	SWITZERLAND 2014	GERMANY 2015	GERMANY 2014	OTHER*) 2015	OTHER*) 2014
Discount rate	0.60	1.00	2.50	2.50	3.25	3.16
Salary growth rate	1.00	1.00	3.00	3.00	0.03	0.03
Pension growth rate	0.00	0.00	2.00	2.00	1.19	1.10

*) weighted average

Assumptions regarding future mortality:
Average life expectancy in years for a pensioner retiring at age 65:

in years	SWITZERLAND 2015	SWITZERLAND 2014	GERMANY 2015	GERMANY 2014	OTHER*) 2015	OTHER*) 2014
Retiring at the end of the reporting period:						
Male	22	21	19	19	22	21
Female	24	24	23	23	24	23
Retiring 20 years after the end of the reporting period:						
Male	23	23	22	19	22	22
Female	25	25	26	24	24	24

*) weighted average

Sensitivity of the defined benefit obligation:

2015

in CHF 1000.–	Change in assumption	Impact of defined benefit obligation: Increase in assumption			Decrease in assumption		
Discount rate	0.50%	Decrease by	9 510	5.4%	Increase by	11 443	6.5%
Salary growth rate	0.50%	Increase by	1 057	0.6%	Decrease by	1 022	0.6%
Pension growth rate	0.25%	Increase by	3 813	2.2%	Decrease by	3 492	2.0%
		Increase by 1 year in assumption			Decrease by 1 year in assumption		
Life expectancy		Increase by	6 354	3.6%	Decrease by	6 034	3.4%

2014

in CHF 1000.–	Change in assumption	Impact of defined benefit obligation: Increase in assumption			Decrease in assumption		
Discount rate	0.50%	Decrease by	10 569	5.9%	Increase by	11 684	6.5%
Salary growth rate	0.50%	Increase by	1 016	0.8%	Decrease by	1 016	0.6%
Pension growth rate	0.25%	Increase by	3 812	2.1%	Decrease by	3 654	2.0%
		Increase by 1 year in assumption			Decrease by 1 year in assumption		
Life expectancy		Increase by	6 332	3.5%	Decrease by	5 695	3.2%

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognized within the balance sheet.

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Composition of plan assets:

Plan assets are comprised as follows:

in CHF 1000.–	2015	in %	2014	in %
Equity instruments	27 147	25.9	28 464	27.3
Bonds	58 547	55.7	56 500	54.3
Property	16 633	15.8	15 418	14.8
Cash and cash equivalents	2 726	2.6	3 729	3.6
TOTAL	105 053	100.0	104 111	100.0

The assets of the Swiss pension funds which represent 87% (2014: 86%) of the Group's plan assets are comprised of:

- 23% (2014: 23%) Equity instruments with quoted prices in an active market (level 1 fair value classification).
- 57% (2014: 56%) Bonds with quoted prices in an active market (level 1 fair value classification).
- 18% (2014: 17%) Property with quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data (level 2 fair value classification).
- 3% (2014: 4%) Cash and cash equivalents with quoted prices in an active market (level 1 fair value classification).

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility

The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit.

Changes in bond yields

A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.

Inflation risk

The majority of the plans' benefit obligations are linked to inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit.

Life expectancy

The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. In case of the funded plans, the group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. The company actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its pension scheme risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

The largest proportion of assets is invested in bonds, although the Group also invests in property, equity, cash and alternative investments.

Expected contributions

Expected contributions to post-employment benefit plans for the year ending December 31, 2016 are TCHF 2'302.

Weighted average duration

The weighted average duration of the defined benefit obligations are:

Weighted average duration:

The weighted average duration of the defined benefit obligation is

	SWITZERLAND		GERMANY		OTHER *)	
in years	2015	2014	2015	2014	2015	2014
	11	11	13	13	17	17

*) weighted average

19. Provisions

Non-current provisions

in CHF 1000.–	Litigation	Employee related	Other	Total
Balance at January 1, 2015	6 349	4 426	560	11 335
Additional provisions	–	3 327	241	3 568
Utilized	–	(368)	(2)	(370)
Unused amounts reversed/reclassifications	–	(116)	(42)	(158)
Foreign exchange differences	(4)	(328)	(51)	(383)
BALANCE AT DECEMBER 31, 2015	**6 345**	**6 941**	**706**	**13 992**

Current provisions

in CHF 1000.–	Rebate provisions*)	Litigation	Employee related	Other	Total
Balance at January 1, 2015	10 515	494	489	2 468	13 966
Additional provisions	–	799	–	522	1 321
Utilized	(3 927)	(95)	(28)	(674)	(4 724)
Unused amounts reversed/reclassifications	(4 500)	(88)	(335)	494	(4 430)
Foreign exchange differences	(1 158)	(81)	(44)	(231)	(1 514)
BALANCE AT DECEMBER 31, 2015	**930**	**1 028**	**82**	**2 579**	**4 619**

*) Certain rebate provisions have been reclassified to accrued expense in the current year. Prior year figures were not restated.

Litigation

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

Employee related

This position represents mainly a provision for jubilee, early retirement and indemnity payments and the long term incentive plan.

Rebate provisions

The amounts represent a provision for uncertain customer incentives.

Other provisions

Other provisions are set up for obligations which do not fall into one of the before mentioned group of provisions including non income taxes (CHF 1.2 million; 2014: CHF 0.5 million) and onerous contracts.

20. Other Non-current Liabilities

in CHF 1000.–	Note	2015	2014
Deferred government grant income		8 595	11 981
License liability	23	2 327	3 488
Withholding taxes		2 383	2 511
Other liabilities		720	900
TOTAL OTHER NON-CURRENT LIABILITIES		14 025	18 880

Certain prior year comparatives have been reclassified to conform the current year's presentation.

21. Trade and Other Payables

in CHF 1000.–	Note	2015	2014
Trade payables	23	109 650	141 133
Amounts due to related and associated companies	23, 24	9	1 616
Social security		4 308	4 269
Government grants		3 477	3 473
VAT and other taxes		6 817	4 694
Accrued expense	23	118 802	89 817
Other payables	23	8 593	10 493
TOTAL TRADE AND OTHER PAYABLES		251 656	255 495

Other payables consist primarily of obligations arising from customer credit balances.

22. Business Combinations, Acquisition of Non-controlling Interests and Disposals

Acquisition in 2015

Effective December 1, 2015, the Group acquired 50% plus one share in the share capital of the Brazilian jam manufacturer and distributor Kiviks Marknad Industrias Alimenticias S.A. and obtained control of the company. The products are sold under the brand name "Queensberry". The Group acquired Kiviks Marknad Industrias Alimenticias S.A. to establish a market presence in the South American continent.

The Group has elected to measure the non-controlling interests in the acquiree at the proportionate share of its interest in the acquiree's identifiable net assets.

in CHF 1000.–	Fair value recognized on acquisition *)
Assets	
Property, plant and equipment	11 050
Inventories	2 255
Trade receivables, repayments and other receivables	2 373
Cash and cash equivalents	520
	16 198
Liabilities	
Borrowings	(4 713)
Trade and other payables	(1 187)
	(5 900)
Total identifiable net assets at fair value	**10 298**
Non-controlling interest (50% of net assets)	(5 149)
Goodwill arising on acquisition	8 219
Purchase consideration transferred	**13 368**
	Cash flow on acquisition
Net cash and cash equivalents acquired with the subsidiary	520
Cash paid	(13 368)
Net cash flow on acquisition	**(12 848)**
Revenues contributed to the Group in 2015 after acquisition	1 690
Net income contributed to the Group in 2015 after acquisition	502
Revenues, had the acquisition occurred on January 1, 2015	12 981
Net income, had the acquisition occurred on January 1, 2015	2 171

*) Provisionally determined

The Group incurred acquisition-related costs of CHF 0.6 million mainly on legal fees and due diligence costs. These costs have been included in 'administrative expense'.

The initial accounting for the acquisition has only been provisionally determined at the end of the reporting period. The identification of acquired assets and liabilities and the necessary valuation such as intangible assets as well as the determination of fair values are still ongoing and subject to finalization within the twelve months measurement period.

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

Acquisition of Non-controlling interests in 2014

On May 31, 2014, the Group acquired additional 50% of the voting shares of Hero Turkey, increasing its ownership to 100%.

The difference between the cash consideration incl. fees of TCHF 9'879 paid and the carrying amount of the non-controlling interests of TCHF 2'024 has been recognized in retained earnings.

23. Financial Instruments

Fair values

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

		Carrying amount		Fair value	
in CHF 1000.–	Note	2015	2014	2015	2014
Financial assets at fair value through profit or loss – held for trading					
Current					
Financial assets at fair value		1 119	1 743	1 208	1 743
Loans and receivables					
Non-current					
Non-current receivables	11	352	294	**)	**)
Current					
Trade receivables	14	153 650	178 577	**)	**)
Cash and cash equivalents	15	163 711	190 752	**)	**)
Financial liabilities at fair value through profit or loss – held for trading					
Non-current					
Derivative financial liability		–	12 609	–	12 609
Current					
Derivative financial liability		8 127	1 869	8 127	1 869
Other financial liabilities					
Non-current					
Borrowings	17	58 610	69 998	57 691	69 703
Debentures	17	129 522	129 419	129 848	129 763
Other liabilities	20	2 327	3 488	*)	*)
Current					
Trade and other payables	21	237 054	243 059	**)	**)
Borrowings	17	141 764	116 792	**)	**)

*) The fair values approximate their fair values.

**) The fair values are approximate to their carrying amounts largely due to the short-term maturities of these instruments.

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

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

Derivative financial instruments

in CHF 1000.–

at December 31, 2015	Assets	Liabilities
Current		
Interest-Rate Swap	–	6 501
Forward foreign exchange contracts	1 119	1 626
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	**1 119**	**8 127**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS AT DECEMBER 31, 2015	**1 119**	**8 127**

at December 31, 2014	Assets	Liabilities
Non-current		
Interest-Rate Swap	–	12 609
TOTAL NON-CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	**–**	**12 609**
Current		
Forward foreign exchange contracts	1 743	1 869
TOTAL CURRENT DERIVATIVE FINANCIAL INSTRUMENTS	**1 743**	**1 869**
TOTAL DERIVATIVE FINANCIAL INSTRUMENTS AT DECEMBER 31, 2014	**1 743**	**14 478**

Interest-Rate Swap

The Group entered into a structured CHF Interest-Rate Swap linked to Deutsche Bank's Trends USD Index. Starting October 28, 2009 and ending at October 28, 2016 Hero received in the first two years 6.5% and pays 5.5% interest p.a. on the underlying amount of CHF 500 million. From the 3rd year until the end of the instrument Hero receives 6.5% interest and pays interest in the range of 0%–8% p.a. on the underlying amount of CHF 500 million depending on the performance of the underlying Deutsche Bank's Trends USD Index. This Interest-Rate Swap is fair valued every year using a Monte-Carlo-Simulation with the resulting profit or loss being recognized in the income statement. While applying this Monte-Carlo valuation technique the longest available historical data set of the underlying index has been used to determine parameters such as volatility and average performance of the index. The discount rate is based on a 7 year risk free interest rate. In 2015 a loss of CHF 1.9 million (2014: loss of CHF 7.2 million) has been recognized in the financial result.

in CHF 1000.–

at January 1, 2015	12 609
Net cash outflow	(8 056)
Fair value loss expensed	1 948
AT DECEMBER 31, 2015	**6 501**

Debentures

The Group issued CHF 130.0 million 1.25 per cent. Bonds 2013–2020. The bonds bear 1.25% interest p.a. The payment date was June 26, 2013. The maturity date is June 26, 2020. The bonds are traded at the SIX Swiss Exchange. The bonds constitute direct, unconditional and unsubordinated obligations for Hero.

Forward Foreign Exchange Contracts

The notional amounts of the outstanding foreign exchange contracts include commitments to sell for a notional amount of CHF 37.4 million (2014: CHF 96.0 million) and commitments to buy for a notional amount of CHF 433.5 million (2014: CHF 596.0 million).

in CHF 1000.–	2015	2014
Contracts with positive fair values		
Forward foreign exchange contracts	37 998	96 663
Contracts with negative fair values		
Forward foreign exchange contracts	(434 128)	(597 507)

Fair value hierarchy

As at December 31, 2015, the Group held the following financial instruments measured at fair value:

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

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

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

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

During the reporting period ending December 31, 2015, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Assets measured at fair value

at December 31, 2015 in CHF 1000.–	Level 1	Level 2	Level 3	Total
Forward foreign exchange contracts	–	1 119	–	1 119
at December 31, 2014 in CHF 1000.–	**Level 1**	**Level 2**	**Level 3**	**Total**
Forward foreign exchange contracts	–	1 743	–	1 743

Liabilities measured at fair value

at December 31, 2015 in CHF 1000.–	Level 1	Level 2	Level 3	Total
Interest-Rate Swap	–	–	6 501	6 501
Forward foreign exchange contracts	–	1 626	–	1 626

at December 31, 2014 in CHF 1000.–	Level 1	Level 2	Level 3	Total
Interest-Rate Swap	–	–	12 609	12 609
Forward foreign exchange contracts	–	1 869	–	1 869

Liabilities for which are fair values disclosed

at December 31, 2015 in CHF 1000.–	Level 1	Level 2	Level 3	Total
Borrowings	–	58 610	–	58 610
Debentures	–	129 522	–	129 522

at December 31, 2014 in CHF 1000.–	Level 1	Level 2	Level 3	Total
Borrowings	–	69 703	–	69 703
Debentures	–	129 763	–	129 763

24. Related and Associated Party Transactions

in CHF 1000.–	Note	2015	2014
Other expense			
Interest expense to AOH Nahrungsmittel Group		(360)	(229)
Payables and liabilities			
Trade payables to AOH Nahrungsmittel Group	21	–	26
Other short-term liabilities to AOH Nahrungsmittel Group	21	9	1 590
Short-term loan liabilities to AOH Nahrungsmittel Group	17	9 738	43 297
Short-term loan liabilities to non-controlling interests shareholders	17	950	–
Long-term loan liabilities to non-controlling interests shareholders	17	475	–
Redemption of hybrid capital shareholder		–	(120 000)
Distribution on hybrid capital shareholder		–	(7 222)
Key management compensation			
Salaries and other short-term employee benefits		(5 464)	(5 131)
Post-employment benefits		(355)	(415)
Long term incentive plan expense		(767)	(880)
Long term incentive plan provision		3 906	–
Long term incentive plan loan receivable		862	–

Key Management Compensation

The amounts disclosed in the table are the amounts recognised as an expense during the reporting period related to key management personnel, which reflects the Executive Board.

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

25. Contingent Liabilities

in CHF 1000.–	2015	2014
Contingent liabilities in favor of third parties	5 130	5 188

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

One element of the Lenzburg site guarantee is an amount of up to CHF 4.0 million, which would be payable in the event that contaminated material must be removed from the site.

26. Commitments

in CHF 1000.–	2015	2014
Commitments for the acquisition of tangible fixed assets	782	1 845
Commitments for raw materials	69 504	75 043
TOTAL CAPITAL COMMITMENTS	70 286	76 888

Commitments for operating lease are as follows:

in CHF 1000.–	2015	2014
Amount due within one year	8 355	8 980
Between one and five years	6 799	15 627
After five years	615	678
TOTAL OPERATING LEASE COMMITMENTS	15 769	25 285
TOTAL OPERATING LEASE EXPENSE RECOGNIZED IN THE INCOME STATEMENT	(9 917)	(10 855)

27. Events after the Balance Sheet Date

There have been no significant events between December 31, 2015, and the date of authorization of the consolidated financial statements that would require any adjustment or disclosure.

28. Principal Group Companies

Country	Name of company	Location	Share capital in thousands local currency		Equity interest in %	Consolidation method *)	Activity **)
Brazil	Kiviks Marknad Industrias Alimenticias S.A.	Itatiba	BRL	32'000	50.0	F	P; S
China	Autumn Harvest Ltd.	Hong Kong	HKD	1	100.0	F	S
	Hero (Shanghai) Trading Co.Ltd.	Shanghai	CNY	1'254	100.0	F	S
Czech Republic	Hero Czech s.r.o.	Prague	CZK	200	100.0	F	S
Denmark	Semper Danmark ApS	Frederiksberg	DKK	50	100.0	F	S
Egypt	Hero Nutritional Food Industries SAE (Vitrac)	Cairo	EGP	93'288	100.0	F	P; S
	Hero Middle East and Africa Trading LLC	Cairo	EGP	50	100.0	F	S
Finland	Oy Semper Ab	Espoo	EUR	3	100.0	F	S
Germany ***)	Hero GmbH & Co. KG	Bielefeld	EUR	237'414	100.0	F	S
	Schönauer IAV AG	Bad Schwartau	EUR	404	100.0	F	H
	Schwartauer Werke GmbH & Co. KGaA	Bad Schwartau	EUR	57'500	100.0	F	P; S; R
Italy	Hero Italia SpA	Verona	EUR	3'616	100.0	F	S
Netherlands	Hero Kindervoeding B.V.	Breda	EUR	18	100.0	F	S
	Hero Nederland B.V.	Breda	EUR	14'520	100.0	F	P; S
	Organix Nederland B.V.	Breda	EUR	18	100.0	F	S
	Koninklijke Maatschappij de Betuwe B.V.	Breda	EUR	1'010	100.0	F	H
Norway	Semper AS	Lysaker	NOK	933	100.0	F	S
Portugal	Hero Portugal Lda	Amadora	EUR	4'607	100.0	F	S
Russia	Hero Rus LLC	Moscow	RUB	10	100.0	F	S
Slovakia	Hero Slovakia s.r.o.	Nitra	EUR	7	100.0	F	S
Spain	Hero España SA	Alcantarilla	EUR	22'538	100.0	F	P; S; R
Sweden	Semper AB	Sundbyberg	SEK	45'000	100.0	F	P; S
	SP HoldCo AB	Sundbyberg	SEK	576	100.0	F	H
Switzerland	Hero AG	Lenzburg	CHF	61'872	100.0	F	H; P; S
	Hero Beteiligungen AG	Lenzburg	CHF	30'433	100.0	F	H
Turkey	Hero Gida San.ve Tic. AS	Istanbul	TRY	63'632	100.0	F	P; S
Ukraine	Hero UA LLC (in liq.)	Kiev	UAH	52	100.0	F	S
United Kingdom	Hero UK Ltd.	Liverpool	GBP	–	100.0	F	S
	Organix Brands Ltd.	Bournemouth	GBP	47	100.0	F	S
United States of America	Beech-Nut Nutrition Corporation	Amsterdam, NY	USD	1	100.0	F	P; S
	Hero USA Inc.	Amsterdam, NY	USD	15'000	100.0	F	H
	Signature Brands LLC	Ocala	USD	–	100.0	F	P; S

* Consolidation: F = fully consolidated

** Activity: H = holding company and/or performs finance function; P = performs manufacturing and/or production activities; S = performs sales and/or marketing activities; R = performs research and development activities.

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

Report of the Statutory Auditor of the Hero Group

with consolidated financial statements as of 31 December 2015 of
Hero AG, Lenzburg

Report of the statutory auditor on the consolidated financial statements

As statutory auditor, we have audited the consolidated financial statements of Hero AG, which comprise the income statement, statement of comprehensive income, balance sheet, changes in equity, cash flow statement and notes (pages 12 to 68), for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the consolidated financial statements for the year ended 31 December 2015 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with IFRS comply with Swiss law.

Report on other legal requirements

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

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

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

Ernst & Young Ltd.

André Schaub	Philipp Baumann
Licensed audit expert (Auditor in charge)	Licensed audit expert

Zurich, 15 March 2016

Statutory Financial Statements of Hero AG, Lenzburg

Content

Income Statement

for the year ended December 31

Hero AG, Lenzburg

in CHF 1000.–

	2015	2014
Net proceeds from sales of goods and services	187 825	175 425
Income from disposal of intangible assets	2 747	6 317
Dividend income	52 776	31 092
Cost of materials	(87 826)	(79 622)
Gross Margin	**155 522**	**133 212**
Employee expenses	(34 032)	(30 499)
Other operational costs	(38 613)	(36 547)
Earnings before interest, tax, depreciation and amortization (EBITDA)	**82 877**	**66 166**
Depreciation and valuation adjustments	(8 935)	(10 884)
Earnings before interest and tax (EBIT)	**73 942**	**55 282**
Financial income	61 651	60 025
Financial costs	(77 176)	(89 184)
Operating result before taxes	**58 417**	**26 123**
Non-operational income	–	71
Extraordinary, non-recurring or prior period costs	(5 540)	–
Earnings before taxes	**52 877**	**26 194**
Direct taxes	(2 437)	(4 113)
ANNUAL PROFIT	50 440	22 081

Balance Sheet

as at December 31, before appropriation of profit

Hero AG, Lenzburg

in CHF 1000.–

Assets	Note	2015	%	2014	%
Cash and cash equivalents	1	76 996		124 062	
Trade receivables	3	23 214		25 027	
Other current receivables	3	128 383		41 272	
Inventories	1	10 044		9 202	
Current assets		**238 637**	**18.4**	**199 563**	**14.8**
Financial assets	3	512 149		631 040	
Investments	2	445 776		410 069	
Tangible fixed assets	1	38 064		39 829	
Intangible assets		60 933		66 337	
Non-current assets		**1 056 922**	**81.6**	**1 147 275**	**85.2**
TOTAL ASSETS		1 295 559	100.0	1 346 838	100.0

Liabilities	Note	2015	%	2014	%
Trade payables	3	13 867		12 855	
Current interest-bearing liabilities	3	420 543		429 052	
Other current liabilities	3	6 386		9 781	
Deferred income and accrued expenses	1	27 418		21 377	
Current provisions	1	10 245		1 869	
Current liabilities		**478 459**		**474 934**	
Non-current interest-bearing liabilities	1, 3	525 397		619 491	
Non-current provisions	1	8 310		21 717	
Non-current liabilities		**533 707**		**641 208**	
TOTAL LIABILITIES		**1 012 166**	**78.1**	**1 116 142**	**82.9**
Share capital		61 872		61 516	
Capital contribution reserve		61 192		60 000	
Legal reserve		25 758		25 758	
Profit carry forward		84 131		61 341	
Net income for the year		50 440		22 081	
Voluntary retained earnings		134 571		83 422	
TOTAL EQUITY		**283 393**	**21.9**	**230 696**	**17.1**
TOTAL LIABILITIES		1 295 559	100.0	1 346 838	100.0

Notes to the Statutory Financial Statements

Accounting principles

General

These financial statements have been prepared in accordance with the provisions on commercial accounting laid down in articles 957 – 963b Swiss Code of Obligations (CO) (effective January 1, 2013). Hero AG has adopted the new Swiss Code of Obligation the first time in the year ending as per December 31, 2015. The previous year 2014 has been adjusted for comparison purposes.

Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Bad debt reserve

Bad debt allowances are based on internal guidelines that require individual value adjustments to be undertaken. Taking account of their age structure and based on historical experience, certain residual balances are subject to additional allowances of a suitable percentage.

Inventory

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

Tangible fixed assets

Tangible fixed assets are depreciated on a straight line method over the course of the useful economic life of the asset. Land is not depreciated. The general useful economic lives for various asset categories can be summarized as follows:

– Land	indefinite
– Buildings	20 to 50 years
– Fixture and fittings	10 to 15 years
– Plant and machinery	3 to 10 years
– Motor vehicles	4 to 10 years
– Furniture	5 to 10 years
– IT hardware	3 to 5 years

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Intangible assets

Software:

Software is amortized on a reducing-balance method over the course of the useful economic life of the asset.

Brands:

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

– Brands	up to 25 years straight-line method
– Software	1 to 5 years reducing-balance method
– Other intangible assets	5 to 25 years straight-line method

Investments

The carrying value of investments comprises costs less accumulated write-downs and are tested annually for impairment.

Long term incentive plan

Effective January 1, 2014, the Group issued a long term incentive plan for the executive board members. There is a two years waiting period for newly appointed executive board members before they may participate in the plan. Under the plan, the participants may be offered the opportunity to invest up to 50% of their bonus payment in shares. After a restriction period of three years, participants may sell the shares back to Hero at a price based on a formula defined in the plan. In conjunction with the plan, participants may be granted loans to fund the share issue. As the shares are restricted, it will ultimately revert to the company and the share price does not reflect the fair value of the Hero shares, the Group has accounted for.

The shares which allow the executive board members to participate in the plan are revalued yearly by using the predefined enterprise valuation model.

Non-current interest-bearing liabilities

Interest-bearing liabilities are recognized in the balance sheet at nominal value. Discounts and issue costs for bonds are recognized as prepaid expenses and amortized on a straight-line basis over the bond's maturity period. Premiums are recognized as accrued expenses and amortized on a straight-line basis over the loan's maturity period.

1. Information, classifications and explanations to positions in the balance sheet

Cash and cash equivalents	2015	2014
Bank & cash	76 996	113 977
Securities	–	10 085
	76 996	124 062

Inventories	2015	2014
Packaging material	1 244	1 190
Raw material	900	1 009
Finished goods	7 900	7 003
	10 044	9 202

Tangible fixed assets	2015	2014
Land	4 749	4 749
Buildings	23 426	24 103
Plant and machinery	9 604	10 670
Other equipment and vehicles	285	307
	38 064	39 829

Deferred income and accrued expenses	2015	2014
Interest	4 691	5 596
Promotions	244	89
Goods received no invoice received	1 019	1 030
Advertising	515	152
Personnel	6 673	5 195
Service	2 086	1 825
Non income tax	–	221
Others	12 190	7 269
	27 418	21 377

Current provisions	2015	2014
Non income tax	675	–
Litigation	456	–
Interest	8 015	–
Others	1 099	1 869
	10 245	1 869

Non-current interest-bearing liabilities		
Bank	54 804	69 784
Perpetual and subordinated bond	341 000	420 000
Straight bond	129 522	129 419
Others	71	288
	525 397	619 491

Non-current provisions		
Litigation	6 300	6 300
Interest	–	14 222
Others	2 010	1 195
	8 310	21 717

2. Investments

Company	Domicile	Owner-ship*	2015 Share capital in %	2015 Share of vote in %	2014 Share capital in %	2014 Share of vote in %
Autumn Harvest Ltd.	Hong Kong, China	I	100.0	100.0	100.0	100.0
Beech-Nut Nutrition Corporation	Amsterdam (NY), USA	I	100.0	100.0	100.0	100.0
Hero (Shanghai) Trading Co. Ltd.	Shanghai, China	D	100.0	100.0	100.0	100.0
Hero Beteiligungen AG	Lenzburg, Switzerland	D	100.0	100.0	100.0	100.0
Hero Czech s.r.o.	Prague, Czech Republic	I	100.0	100.0	100.0	100.0
Hero Espagna SA	Alcantarill, Spain	I	100.0	100.0	100.0	100.0
Hero Foods Canada INC	Etobicoke, Canada	D	100.0	100.0	100.0	100.0
Hero Gida San.ve Tic.AS	Istanbul, Turkey	I	100.0	100.0	100.0	100.0
Hero GmbH & Co KG	Bielefeld, Germany	D	100.0	100.0	100.0	100.0
Hero Inc.	Amsterdam (NY), USA	I	100.0	100.0	100.0	100.0
Hero Italia SpA	Verona, Italy	I	100.0	100.0	100.0	100.0
Hero Kindervoeding B.V.	Breda, Netherlands	I	100.0	100.0	100.0	100.0
Hero Middle East and Africa Trading LLC	Cairo, Egypt	I	100.0	100.0	100.0	100.0
Hero Nederland B.V.	Breda, Netherlands	I	100.0	100.0	100.0	100.0
Hero Nutritional Food Industries SAE	Cairo, Egypt	I	100.0	100.0	100.0	100.0
Hero Portugal Lda	Amadora, Portugal	I	100.0	100.0	100.0	100.0
Hero Rus LLC	Moscow, Russia	D	100.0	100.0	100.0	100.0
Hero Slovakia s.r.o.	Nitra, Slovakia	I	100.0	100.0	100.0	100.0
Hero UA LLC	Kiev, Ukraine	D	100.0	100.0	100.0	100.0
Hero UK Ltd.	Liverpool, United Kingdom	I	100.0	100.0	100.0	100.0
Hero Verwaltungs GmbH	Bielefeld, Germany	D	100.0	100.0	100.0	100.0
Kiviks Marknad Industrias Alimenticias S.A.	Itatiba, Brazil	D	50.0	50.0	–	–
Koninklijke Maatschappij de Betuwe B.V.	Breda, Netherlands	I	100.0	100.0	100.0	100.0
Organix Brands Ltd.	Bournemouth, United Kingdom	I	100.0	100.0	100.0	100.0
Organix Nederland B.V.	Breda, Netherlands	I	100.0	100.0	100.0	100.0
Oy Semper Ab	Espoo, Finland	I	100.0	100.0	100.0	100.0
Schönauer IAV AG	Bad Schwartau, Germany	I	100.0	100.0	100.0	100.0
Schwartauer Werke GmbH & Co. KGaA	Bad Schwartau, Germany	I	100.0	100.0	100.0	100.0
Semper AB	Sundbyberg, Sweden	I	100.0	100.0	100.0	100.0
Semper AS	Lysaker, Norway	I	100.0	100.0	100.0	100.0
Semper Denmark Aps	Kopenhagen, Denmark	I	100.0	100.0	100.0	100.0
Semper HoldCo AB	Sundbyberg, Sweden	I	100.0	100.0	100.0	100.0
Signature Brands LLC	Ocala, USA	I	100.0	100.0	100.0	100.0
Sluicing AG	Lenzburg, Switzerland	D	100.0	100.0	100.0	100.0

*Ownership: D = Hero AG owns this investment directly; I = The investment is indirectly held via a subsidiary in the direct ownership of Hero AG.

3. Receivables from and payables to related parties

Trade receivables	2015	2014
– Shareholdings	10 120	12 168
– Third	13 094	12 859
	23 214	25 027
Other current receivables		
– Shareholdings	120 492	35 912
– Third	7 891	5 360
	128 383	41 272
Financial Assets		
– Participants and management bodies	862	–
– Shareholdings	511 287	631 040
	512 149	631 040
Trade payables		
– Shareholdings	3 284	1 081
– Third	10 583	11 774
	13 867	12 855
Current interest-bearing liabilities		
– Participants and management bodies	–	30 212
– Shareholdings	309 450	329 071
– Third	111 093	69 769
	420 543	429 052
Other current liabilities		
– Shareholdings	3 290	5 575
– Third	3 096	4 206
	6 386	9 781
Non-current interest-bearing liabilities		
– Third	525 397	619 491
	525 397	619 491

4. Excess reserves

	2015	2014
Release of excess reserves (build up [+] / release [–])	436	(471)

5. Participation rights and options in the ownership of management bodies and employees

	2015		2014	
	number	Total value in TCHF	number	Total value in TCHF
Participation rights in the ownership of				
Management bodies	35 575	2 257	–	–
Option rights in the ownership of*)				
Management bodies	22 832	1 498	35 573	2 462

*) Provisionally determined

6. Other information

	2015	2014
Lease obligations not recorded in the balance sheet	193	374
Guarantees in the name of Hero AG in the favour of third parties	–	5 142
Contingent liabilities	4 300	4 300

7. Number of employees

	2015	2014
The average number of full time employees was	between 50 to 249	between 50 to 249

8. Exceptional, non-recurring income statement items or items relating to other periods

In 2015 Hero AG has repurchased obsolete stock from a distribution partner in the amount of TCHF 5'540.

9. Significant events after the balance sheet date

There have been no significant events between December 31, 2015, and the date of authorization of the financial statements that would require any adjustment or disclosure.

10. Bonds

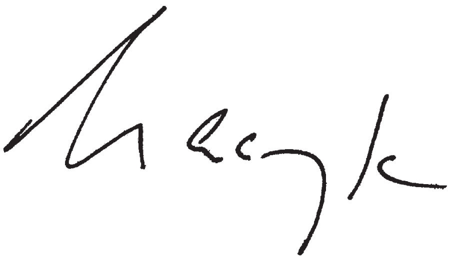
Type of bond	Subordinated bond
Nominal value issued	CHF 500 million
Valor number	10644692/ISIN CH010644692
Interest rate	6.50 %
Maturity period	October 28, 2010 to October 28, 2016
Maturity date	October 28, 2016
Note	In 2015, Hero AG bought additional CHF 79 million over the market (2013: CHF 50 million; 2014: CHF 30 million). The nominal value of this bond by the end of 2015 is new CHF 341 million.

Type of bond	Bond
Nominal value	CHF 130 million
Valor number	21488315/ISIN CH0214883156
Interest rate	1.25 %
Maturity period	June 26, 2013 to June 26, 2020
Maturity date	June 26, 2020

Proposal of the Board on the Appropriation of Retained Earnings

in CHF 1000.–	2015	2014
Profit of the year	50 440	22 081
Amount carried forward from last year	83 422	61 341
Unrecognized capital contribution reserve	709	–
AVAILABLE FOR DISTRIBUTION	134 571	83 422
Total dividend payment CHF 2.20 on 6'187'175 registered shares of CHF 10.– par value	(13 612)	–
BALANCE CARRIED FORWARD	120 959	83 422

In the name of the Board of Directors:



Dr. Hasso Kaempfe
Chairman Board of Directors

Report of the Statutory Auditor of Hero AG

with financial statements as of 31 December 2015 of
Hero AG, Lenzburg

Report of the statutory auditor on the financial statements

As statutory auditor, we have audited the financial statements of Hero AG, which comprise the income statement, balance sheet and notes (pages 74–83), for the year ended 31 December 2015.

Board of Directors' responsibility

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements for the year ended 31 December 2015 comply with Swiss law and the company's articles of incorporation.

Report on other legal requirements

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

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

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

Ernst & Young Ltd.

André Schaub	Philipp Baumann
Licensed audit expert	Licensed audit expert
(Auditor in charge)	

Zurich, 15 March 2016

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