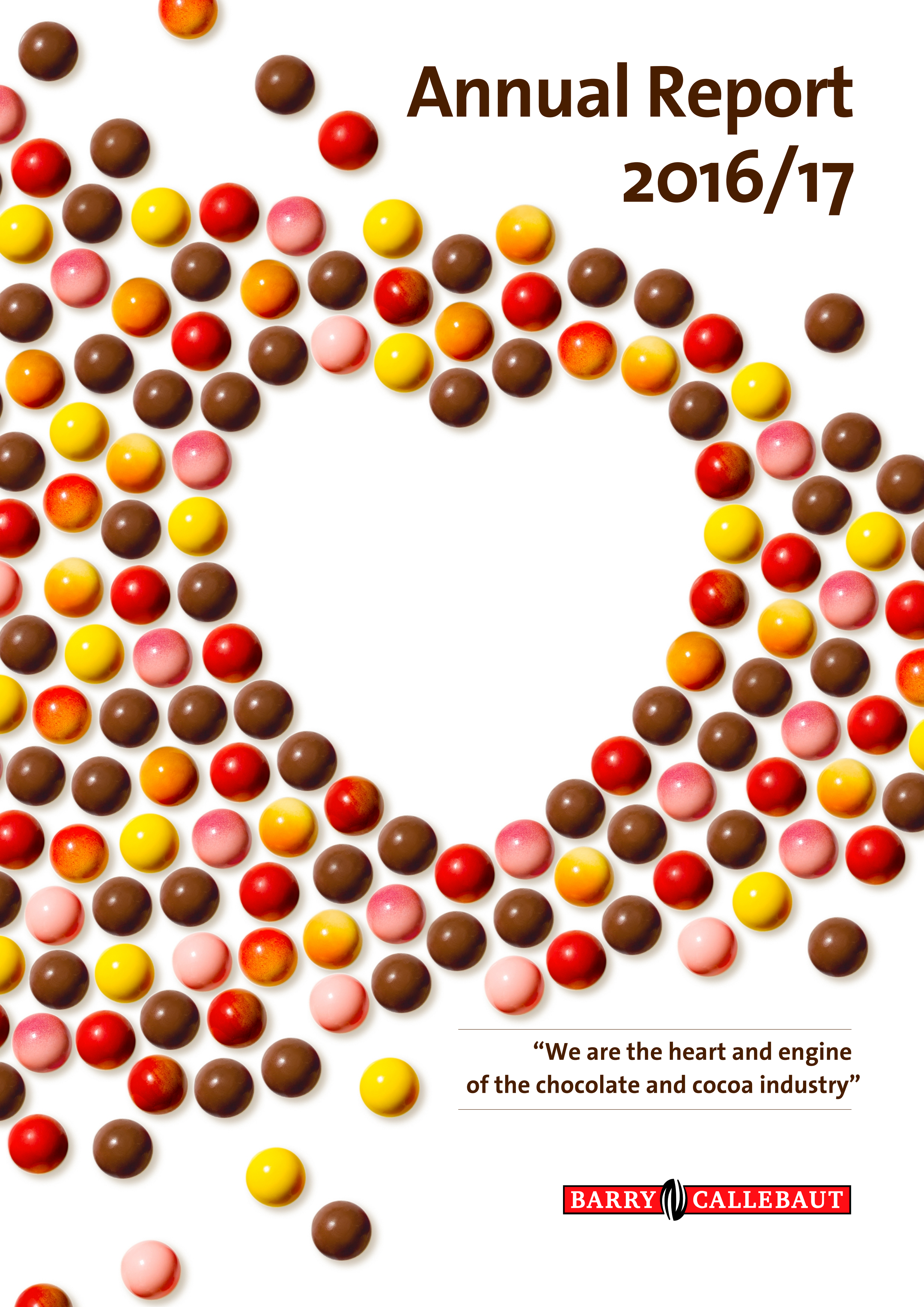


Annual Report 2016/17

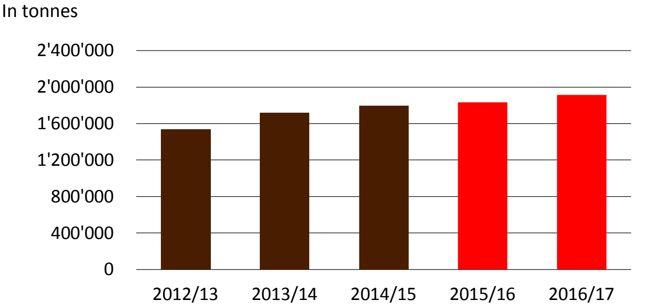
"We are the heart and engine of the chocolate and cocoa industry"

BARRY CALLEBAUT

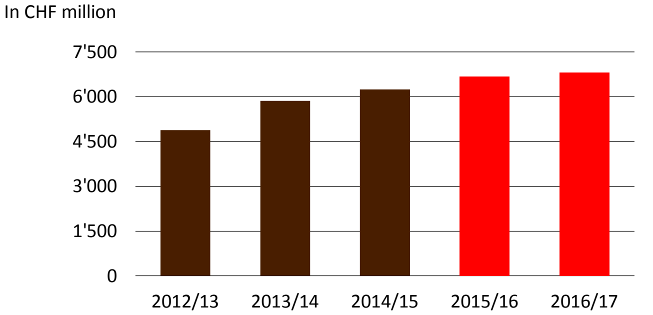
Key figures 2016/17

Sales Volume 1.9 million tonnes	EBIT CHF 488.2 million	Net Profit CHF 302.9 million	Free cash flow CHF 475.6 million	Dividend CHF 20.00 per share
+4.4%	**+22.3%** in local currencies	**+39.6%** in local currencies	**+10.9%** in local currencies	**+29.0%**

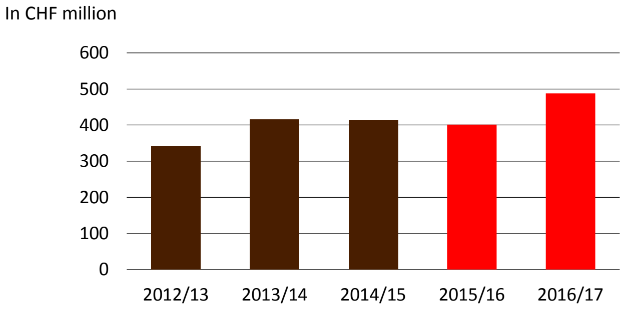
Sales Volume



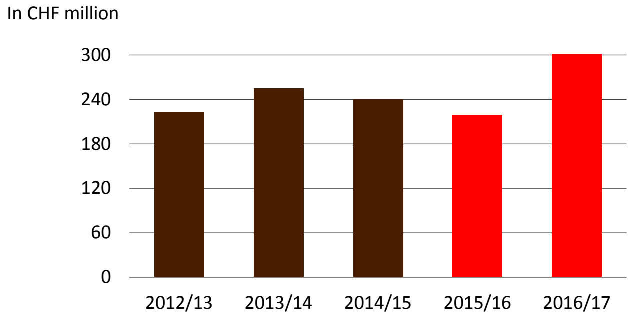
Sales Revenue



EBIT



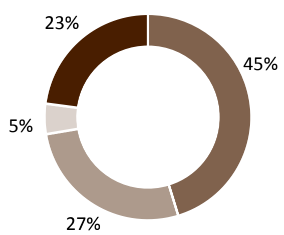
Net profit for the year



Sales Volume by Region

In tonnes

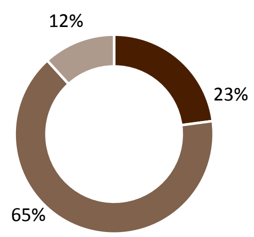
EMEA	866,498
Americas	518,359
Asia Pacific	91,020
Global Cocoa	438,434



Sales Volume by Product Group

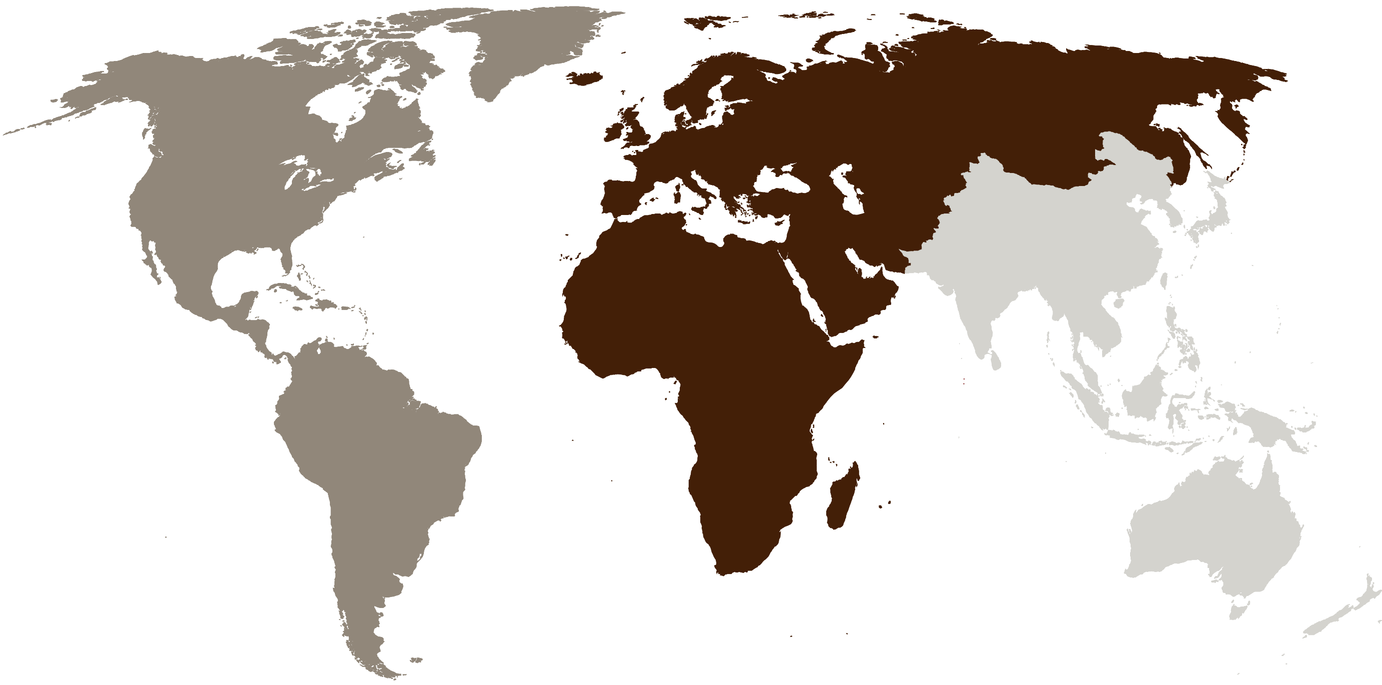
In tonnes

Food Manufacturers Products	1,251,237
Cocoa Products	438,434
Gourmet & Specialties Products	224,640



Fiscal year 2016/17 in brief

- Sales volume up +4.4%, significantly above the market growth[1]
- Operating profit (EBIT) up +22.3%, of which +17.8% recurring
- Net profit up +39.6%, of which +31.3% recurring
- Strong free cash flow of CHF 475.6 million
- Mid-term guidance[2] confirmed and extended until 2018/19
- Board members Andreas Schmid and Wai Ling Liu will not stand for reelection; Elio Leoni Sceti proposed as new Board member
- Proposed payout to shareholders of CHF 20.00 per share, up +29%



	EMEA	Americas	Asia Pacific	Global Cocoa
Volume growth vs. prior year	+6.4%	+2.2%	+19.1%	+0.4%
EBIT growth vs. prior year in local currencies	+9.8%	+9.2%	+20.2%	+272.6%

1 Source: Nielsen chocolate confectionery, August 2016 to September 2017 – 26 countries: +0.1%
2 On average for the 4-year period 2015/16 to 2018/19: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events.

This is Barry Callebaut

"Shaping the world of chocolate and cocoa"

1.9
sales volume
in million tonnes

488.2
EBIT
in CHF million

CAGR
+5.7%
volume growth
over 5 years

6,805.2
sales revenue
in CHF million

More than
175 years
of chocolate heritage

About
11,000
employees

20
CHOCOLATE ACADEMY™ Centers

38,280
chocolate aficionados
trained in 2016/17

55
factories
worldwide

Selling to
140
countries

Sustainably sourced cocoa
36%

New type
of chocolate
created: Ruby chocolate
The 4th

Table of Content

Letter to Shareholders

Successful year, delivering on strategy

As the world's leading cocoa and chocolate company, we have been focusing on generating sustainable long-term value for our shareholders and all other stakeholders. The successful past year reflects the strength of our strategy and the quality of our 'smart growth' execution.

Expansion, Innovation, Cost Leadership and Sustainability have been the four pillars of our growth strategy for the past decade.

Two years ago, we started to focus on 'smart growth' in order to strengthen the execution of our long-term strategy. Guided by 'smart growth,' i.e. a balance between volume growth, enhanced profitability and free cash flow generation, we achieved several strategic milestones during the fiscal year under review.

We pursued our geographic and footprint **Expansion.** Deliveries from the new chocolate factory in Gresik, Indonesia, to outsourcing partner GarudaFood started in January 2017. We also invested in increasing our capacity in established markets, as exemplified by the acquisition of the chocolate production facility from Mondelēz in Halle, Belgium, and the extension of our strategic partnership with this key customer.

Underlining our strategic efforts to grow the value-adding Specialties & Decorations segment, we announced the acquisition of D'Orsogna Dolciaria in Italy and Gertrude Hawks Ingredients in the US. These two acquisitions will make us a leading supplier of decoration and inclusion products.

Our Gourmet & Specialties business performed once again strongly this year. To further support its growth, we opened a new CHOCOLATE ACADEMY™ Center in Milan, relocated and upgraded our Academies in Mexico City and Mumbai and, in addition, redesigned the Shanghai and Singapore Academies. We also celebrated the launch of the first BC Studio in Asia, located in Bandung, Indonesia.

This year was rich in groundbreaking **Innovations.** In January 2017, Callebaut ChocoGelato, a revolutionary chocolate base used to create "gelateria" style chocolate gelato. It is the only gelato on the market with real Belgian chocolate inside.

In September 2017, we unveiled the fourth type of chocolate: Ruby, made from the Ruby cocoa bean. Using a unique process, we unlocked the flavor and color tone naturally present in the Ruby bean. No berries, berry flavor or color are added.

Our continued success in signing outsourcing contracts with chocolate manufacturers is grounded in our **Cost Leadership.** In 2016/17, we successfully streamlined our Global Cocoa product flows, now completed, resulting in a more efficient cost structure. Furthermore, we pursued the digitalization and harmonization of our internal processes and our customer interactions.

Building on our long-standing commitment to **Sustainability,** we launched in November 2016 Forever Chocolate. Its ambition is to create a movement to make sustainable chocolate the norm by 2025, addressing – together with a broad range of stakeholders – the key environmental and social challenges linked to making chocolate.

Whilst a lot remains to be done, we are making significant progress on this front: approximately 36% of all the cocoa and 30% of all other chocolate ingredients we sourced in 2016/17 came from sustainable sources.

We have expanded our Farm Services business, which offers cocoa farmers products and services that improve their productivity. In Côte d'Ivoire, the world's largest cocoa growing country, participating cocoa farmers experienced on average a productivity increase of +23% per hectare of farmland.

Letter to Shareholders

"The strength and the consistency of our strategy and of its execution enabled us – this year again – to deliver great value to our shareholders."

Patrick De Maeseneire, Chairman of the Board

"In 2016/17, we delivered again on our 'smart growth' agenda, with a strong set of results. We would like to thank all our employees for their passion and relentless efforts and all our customers and shareholders for their continued trust."

Antoine de Saint-Affrique, CEO

Letter to Shareholders

A strong set of results

Our consistent 'smart growth' execution has resulted in a successful year as reflected in our top- and bottom-line delivery, as well as in all our key financial ratios.

Sales volume grew +4.4% to reach 1.9 million tonnes, significantly outperforming the market this year again. Our operating profit (EBIT) increased by +22.3% as a result of a good product mix, as well as the improvement of our Global Cocoa profitability, driven in part by our Cocoa Leadership initiative and by more favorable market conditions. Our net profit after tax increased by +39.6% in local currencies and our free cash flow was exceptionally strong as a consequence of higher profits, lower working capital, discipline on our investments, and tailwind from lower cocoa bean prices.

Based on these positive results, the Board of Directors will propose a payout to shareholders of CHF 20.00 per share at the Annual General Meeting of Shareholders on December 13, 2017, an absolute increase of +29% versus prior year.

We would like to thank all our employees for their passion and relentless efforts and all our customers and shareholders for their continued trust. We will continue to deliver on our 'smart growth' strategy. A more supportive cocoa products market and slightly improving global demand for chocolate, together with the consistent execution of our strategy, give us the confidence to extend our mid-term guidance until fiscal year 2018/19: This means we are targeting 4–6% volume growth, and EBIT above volume growth in local currencies on average for the four-year period 2015/16 to 2018/19, barring any major unforeseen events.

Patrick De Maeseneire
Chairman of the Board

Antoine de Saint-Affrique
Chief Executive Officer

Change within continuity in the Executive Committee

After serving eight and eleven years on the Executive Committee of Barry Callebaut, respectively, David ("Dave") S. Johnson, CEO & President Americas since 2009, and Victor Balli, Chief Financial Officer since 2007, expressed the desire to retire.

Effective September 1, 2017, Dave Johnson handed over his function to Peter Boone, Barry Callebaut's Chief Innovation & Quality Officer and member of the Executive Committee since 2012. Pablo E. Perversi who had served Unilever for nearly 24 years, was appointed as successor to Peter Boone.

Furthermore, with Ben De Schryver, President Asia Pacific, a representative of the younger generation was promoted to member of the Executive Committee effective September 1, 2017.

Victor Balli will stay in his function until February 28, 2018. Remco J. Steenbergen, serving Royal Philips for about 20 years, has been appointed as new Chief Financial Officer and member of the Executive Committee, effective March 1, 2018.

Always on the pulse of time, with untiring energy and the highest degree of integrity, Dave Johnson and Victor Balli have had a major contribution in shaping Barry Callebaut into what it is today: a global leader in chocolate and cocoa.

The Board, the Executive Committee and all employees would like to warmly thank Dave and Victor and wish them well for their future.

Business at a Glance

Our Vision

We are the heart and engine of the chocolate and cocoa industry.

Our Values

Everything we do is rooted in our five core values: customer focus, passion, entrepreneurship, team spirit and integrity.

Business model

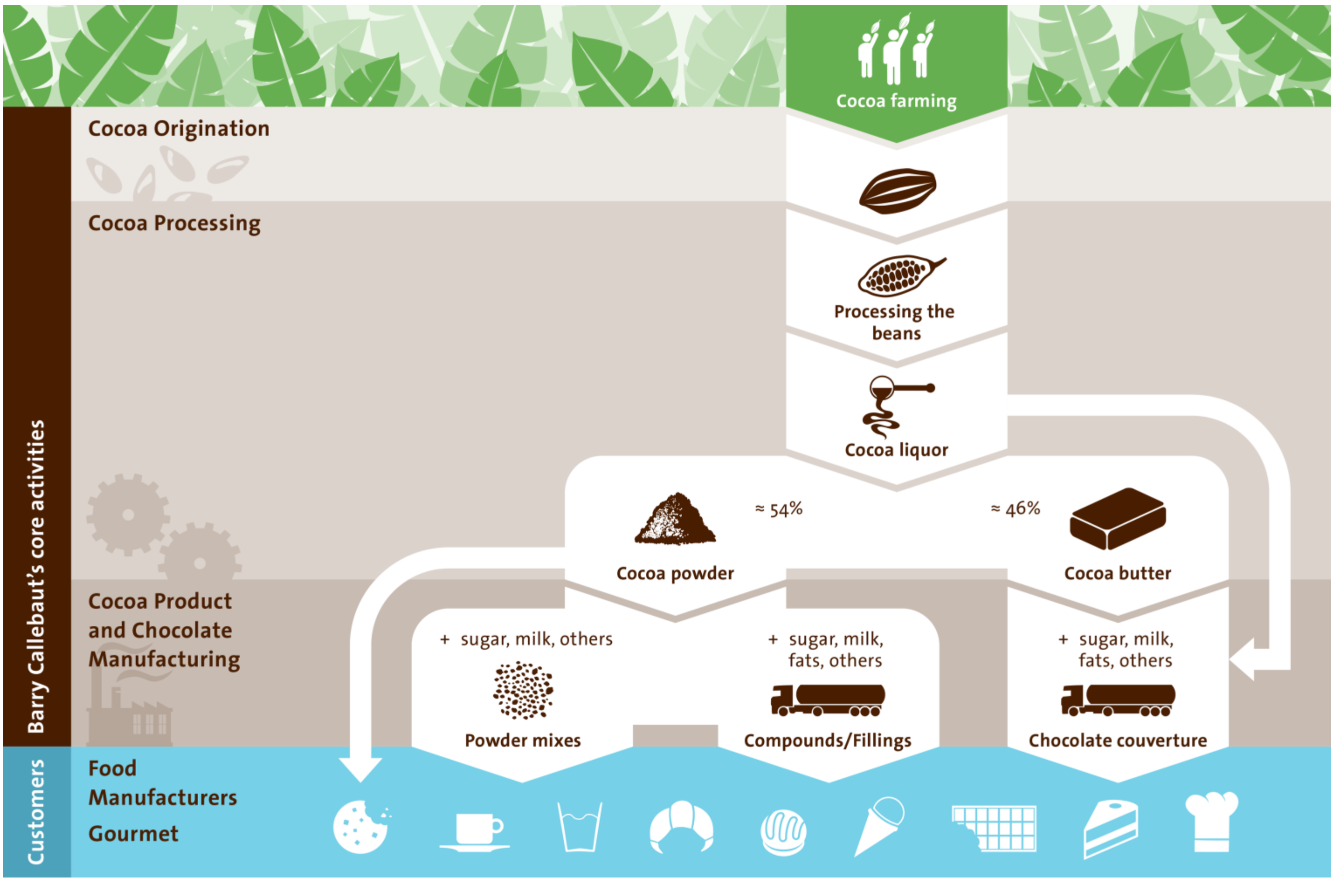
We are the world's leading manufacturer of chocolate and cocoa products, mastering every step in the value chain from the sourcing of raw materials to the production of the finest chocolates. We are able to provide our customers with added-value products and services adapted to specific market needs, ahead of trends and at a competitive price. We serve the entire food industry – from global and local food manufacturers to artisanal and professional users of chocolate, such as chocolatiers, pastry chefs, bakers, hotels, restaurants or caterers.

We are a business-to-business company. In order to accommodate price fluctuations in raw materials, most of our business is based on a cost-plus pricing system that passes on raw material costs directly to our customers.

Our input factors are talented people, deep chocolate and cocoa know-how, as well as various raw materials. Our output factors are high-quality chocolate and cocoa products as well as value-adding services.

Competitive advantages

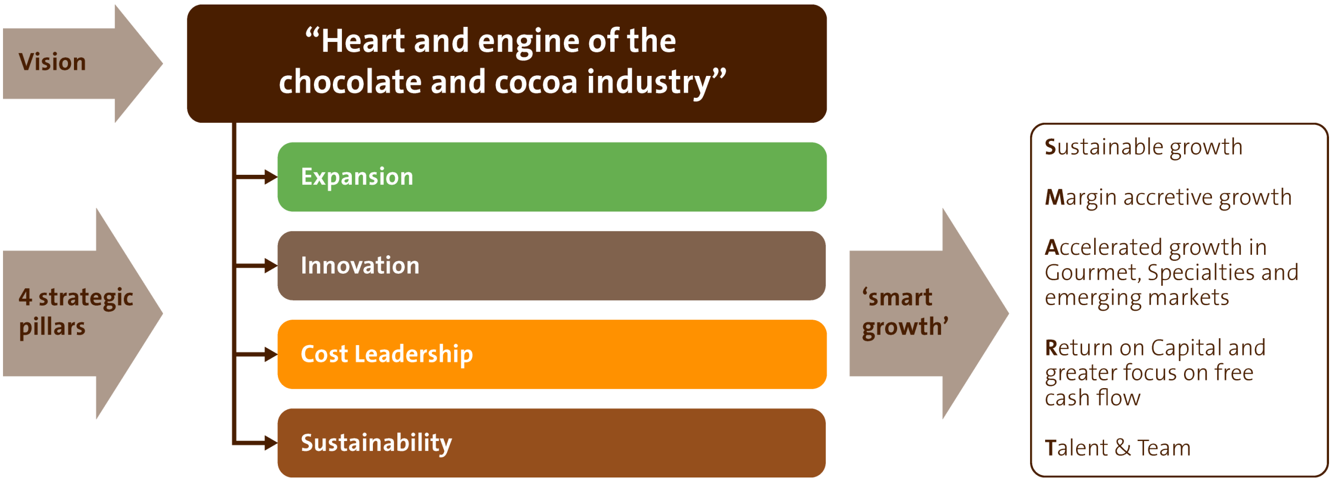
We are fully vertically integrated and have a unique global footprint with 55 factories. With more than 175 years of chocolate heritage, our Group has an unparalleled blend of expertise in cocoa and chocolate, from the sourcing of the beans to the knowledge of future consumer trends. Through leadership in innovation and renovation of products, we help our customers grow. Combined with our cost leadership, this makes us the preferred outsourcing partner to the food industry. We have a number of long-term partnership agreements with leading global and local food companies. We are present on the ground in all key origin countries and have a long standing commitment to sustainability.



Business at a Glance

The Barry Callebaut Group aims to consistently outperform the global chocolate and cocoa market. This ambitious long-term strategy is based on four pillars:

Strategy



Expansion

We aim to expand our business based on three key growth drivers:

Emerging Markets: Next to further strengthening our position in the main markets of Western Europe and North America, we aim to tap into the growth potential of Emerging Markets.

Outsourcing & Partnerships: Implementing existing outsourcing volumes and strategic partnerships, as well as securing further outsourcing deals with global and local food manufacturers is an essential part of our business strategy.

Gourmet & Specialties: We intend to further accelerate the growth of our Gourmet & Specialties business globally.

Innovation

We lead the development of the chocolate and cocoa market through innovation in our global gourmet brands and in co-creation with our industrial partners. Our market insights from around the world are brought together with our deep Research and Development expertise in areas like structuring, sensory, sugar reduction, and cocoa science. On this basis, a rich pipeline with value-adding products and services will keep driving margin-accretive growth.

Cost Leadership

Cost leadership is a core element of our competitiveness and one of the reasons – next to deep expertise and recognized quality – why many customers have chosen to outsource their production to us.

We continuously strive to improve our performance through technology upgrade, scale leverage, optimization of product flows, best-in-class sourcing capabilities and tight cost management along the complete value chain.

Sustainability

We have a long-standing commitment to sustainability, as we believe that the future of our industry depends on its ability to make cocoa farming more viable and attractive to farmers, today and tomorrow. We also are a company with a purpose and we believe that business should re-invest knowledge and resources into the communities in which it operates. Through Forever Chocolate, a movement we launched in November 2016, our plan is to make sustainable chocolate the norm by 2025. Our ambition goes beyond sustainable cocoa. It is the next step in our long history of investing in a sustainable supply chain.

5-Year Overview

Key figures Barry Callebaut Group

		CAGR (%)[1]	2016/17	2015/16	2014/15	2013/14	2012/13
Consolidated Income Statement							
Sales volume	Tonnes	5.7%	1,914,311	1,834,224	1,794,782	1,716,766	1,535,662
Sales revenue	CHF m	8.6%	6,805.2	6,676.8	6,241.9	5,865.9	4,884.1
EBITDA (recurring)[2]	CHF m	9.1%	620.0	539.4	540.8	531.5	438.4
Operating profit (EBIT)	CHF m	9.2%	488.2	401.7	414.8	416.2	342.9
Operating profit (EBIT) (recurring)	CHF m	8.2%	470.1	401.7	414.8	416.2	342.9
EBIT (recurring) / sales revenue	%		6.9%	6.0%	6.6%	7.1%	7.0%
EBIT per tonne (recurring)[3]	CHF	2.4%	245.6	219.0	231.1	242.4	223.4
Net profit for the year	CHF m	8.0%	302.9	219.0	239.9	255.0	222.8
Net profit for the year (recurring)[4]	CHF m	6.3%	284.8	219.0	239.9	255.0	222.8
Free cash flow[5]	CHF m		475.6	430.9	1.2	(172.6)	59.7
Consolidated Balance Sheet							
Total assets	CHF m	5.2%	5,534.1	5,640.8	5,429.4	5,167.5	4,526.9
Net working capital[6]	CHF m	(4.3%)	1,129.5	1,374.2	1,529.7	1,674.6	1,345.7
Non-current assets	CHF m	4.4%	2,458.2	2,301.0	2,185.5	2,175.6	2,071.9
Net debt	CHF m	(7.6%)	1,110.9	1,452.8	1,728.0	1,803.5	1,525.2
Shareholders' equity[7]	CHF m	6.7%	2,178.7	1,956.3	1,772.8	1,790.7	1,682.5
Capital expenditure[8]	CHF m	(0.3%)	220.4	201.0	249.2	248.8	223.5
Ratios							
Economic Value Added (EVA)*	CHF m		119.4	52.5	65.6	84.5	79.0
Return on invested capital (ROIC)*[9]	%		11.5%	9.5%	9.8%	10.5%	10.9%
Return on equity (ROE)*	%		13.1%	11.2%	13.5%	14.7%	15.4%
Debt to equity ratio[10]	%		51.0%	74.3%	97.5%	100.7%	90.6%
Solvency ratio[11]	%		39.4%	34.7%	32.7%	34.7%	37.2%
Interest coverage ratio*[12]			5.1	4.0	4.1	4.5	5.6
Net debt / EBITDA*			1.8	2.7	3.2	3.4	3.5
Capital expenditure / sales revenue	%		3.2%	3.0%	4.0%	4.2%	4.6%
Shares							
Share price at fiscal year-end	CHF	12.0%	1,380	1,264	1,061	1,125	876
EBIT (recurring) per share[13]	CHF	7.0%	85.7	73.2	75.6	75.9	65.5
Basic earnings (recurring) per share[14]	CHF	4.2%	51.9	39.5	43.2	46.0	44.0
Cash earnings per share[15]	CHF		86.7	78.6	0.2	(31.4)	10.9
Payout per share[16]	CHF	8.4%	20.0	15.5	14.5	15.5	14.5
Payout ratio	%	0.8%	36%	39%	33%	33%	35%
Price-earnings ratio at year-end[17]		7.6%	26.6	32.0	24.6	24.5	19.9
Market capitalization at year-end	CHF m	12.0%	7,574.6	6,937.9	5,823.7	6,175.0	4,805.5
Number of shares issued		–	5,488,858	5,488,858	5,488,858	5,488,858	5,488,858
Total payout to shareholders	CHF m	1.5%	85.1	79.6	85.1	79.6	80.1
Other							
Employees		5.0%	10,528	9,898	9,430	9,319	8,658
Beans processed	Tonnes	8.4%	925,544	898,135	925,856	940,621	671,183
Chocolate & compound production	Tonnes	4.5%	1,437,082	1,383,186	1,287,461	1,254,241	1,207,025

* Ratio calculated on recurring figures.
1 Compound annual growth rate for the 5-year period.
2 EBIT + depreciation of property, plant and equipment + amortization of intangibles (all from continuing operations).
3 EBIT (recurring) / sales volume.
4 Incl. non-controlling interest.
5 Net cash flow from operating activities./.Net cash flow from investing activities (adjusted for acquisitions / disposals of subsidiaries).
6 Includes current assets, liabilities and provisions related to commercial activities.
7 Total equity attributable to the shareholders of the parent company.
8 Capital expenditure for property, plant and equipment and intangible assets.
9 EBIT (recurring) x (1 - effective tax rate) / average capital employed.
10 Net debt / shareholders equity.
11 Total equity attributable to the shareholders of the parent company / total assets.
12 EBITDA (recurring) / net finance costs.
13 EBIT (recurring) / basic shares outstanding.
14 Based on the net profit (recurring) attributable to the shareholders of the parent company / basic shares outstanding.
15 Free cash flow / basic shares outstanding.
16 2016/17 dividend proposal to be paid partly out of retained earnings and partly in form of a capital reduction through par value repayment as to be proposed by the Board of Directors to the Annual General Meeting of shareholders. 2015/16: dividend paid through capital reserves and capital reduction. 2014/15: dividend totally paid out of paid-in capital reserves.
17 Share price at year-end / basic earnings per share.

Risk Overview

Enterprise Risk Management

The Group operates in the food industry and is exposed to a variety of risks and uncertainties. The Group's Enterprise Risk Management Framework is designed to identify, assess and mitigate key risks to ensure the achievement of the Group's objectives.

Overall responsibility for establishing, reviewing and adapting the company-wide governance, risk management, compliance and control processes lies with the Board of Directors (Board). The Board has delegated responsibility to the Audit, Finance, Risk, Quality and Compliance Committee (AFRQCC) for evaluating the Group's risk and control environment.

Implementation and execution of the risk management processes is delegated to the Executive Committee (ExCo) and its regional and functional management.

Group Risk Management facilitates the enterprise risk assessment process, to identify and understand the Group's key risks, to allocate ownership to drive specific actions and take the relevant measures to address them. Annually Group Risk Management presents the key risks to the ExCo and the AFRQCC. Regional and functional management ensures that risks are managed appropriately, that the existing measures and controls are operating effectively and that the additional mitigation actions are implemented as deemed appropriate. Ongoing monitoring of the Group's key risks and its respective risk management activities are embedded in management information channels and in dedicated committees. The AFRQCC meets as often as necessary in order to deal with any significant issues reported by Management, Assurance functions (Group Risk Management, Compliance, Internal Audit etc.) and/or External Regulators.

While it is acknowledged that the Group faces many risks, the Board has identified the key risks that could potentially impact the achievement of the Group's objectives. These are outlined in the table below.

Key Risks	Risk Description	Measures
Strategic		
Long-term sustainable supply of cocoa	The Group is dependent on the sustainable supply of quality cocoa beans so that the Group is able to produce high-quality cocoa and chocolate products. Risk factors such as declining productivity attributable to ageing trees, ageing farmers and little interest from the next generation in becoming farmers, the conversion of cocoa bean fields to other, more attractive crops, and also the long-term impacts of climate change could lead to a shortfall in high-quality cocoa beans in the mid- to long-term.	Under the umbrella of its overall sustainability strategy Forever Chocolate, the Group aims to improve the productivity and livelihood of farmers. Long-term measures also include the continuous evaluation and diversification of supply sources in origin countries, developing improved agricultural practices for cocoa plantations and maintaining industry dialogue with key stakeholders in origin countries.
Rapidly shifting consumer trends	Rapidly shifting consumer trends may disrupt market and industry dynamics that could impact the future growth of the Group's business.	Trend analysis by the Group's marketing and customer insight teams, together with cross-functional commercial teams working closely with customers, aim to identify trends early in the marketplace, both positive and negative. The Group constantly invests in R&D as part of a well-structured process, enabling the Group to develop products which proactively address new trends and changing demand patterns.
Business transformation, acquisition and divestiture	Insufficient due diligence, inaccurate business plan assumptions, failure to successfully execute business plans due to ineffective post-merger integration processes or changes in market conditions can all have negative consequences. These can include an underperforming base business, reduced synergies, or higher costs than expected. In turn, these can negatively affect return on investment and potentially the share price.	The Group has a dedicated team with significant experience and capability in this area. This team maintains constant close collaboration with functional and regional experts, external advisors, and the Group's Executive Committee. A clearly defined process with regard to the evaluation, execution and integration of major acquisitions is employed. A similar process is employed for the execution of major divestitures or business transformations.

Risk Overview

External political and economic environment	Uncertain political and economic conditions could result in reduced demand for chocolate and cocoa products and may affect expansion plans and profitability in our regions.	The Group has a presence in both developed and emerging markets with a well-diversified business and operations portfolio in different market segments such as confectionery, ice cream, biscuits, powder beverages, etc. The global operations and innovations network is able to rapidly respond to customer requests and provide flexible, optimized recipes to adapt to changing market conditions. The Group regularly monitors the political and economic situations and developments in the regions with higher uncertainty in order to prepare for various scenarios which may arise.
Long-term outsourcing agreements and strategic partnerships	The Group has entered into a number of important, long-term outsourcing agreements and strategic partnerships with customers. Failure to renew, early termination of existing long-term outsourcing agreements or strategic partnerships, failure to enter into new agreements or failure to negotiate terms that are attractive to us, could have a material impact on the result of operations.	The Group has a largely diversified global customer base representing a healthy mix of small, medium and large customers. For global strategic customers, the Group has established long-term supply agreements governing mutual co-operation, addressing standards for quality, quantity commitments, pricing, service levels, innovation and ethics. For these customers, the Group has appointed dedicated teams that develop and maintain a close relationship in order to respond to customer needs professionally and promptly and to provide high-quality services. These teams have expertise in customer relationships, service and innovation, as well as commercial and pricing matters.
Talent management	Failure to attract, retain and develop creative, committed and skilled employees could impact the Group's ability to achieve its strategic objectives.	Every effort is made to ensure optimal processes and policies are in place to attract, select, develop, reward and retain talent with the right capabilities and skills needed to achieve the Group's strategic objectives. Succession planning, talent reviews, remuneration bench-marking, long- and short-term incentive plans, training and leadership development programs are all employed, as well as the tools to support and measure the success of all these processes.

Operational

Quality & food safety	Products not meeting quality and food safety standards expose the Group to litigation, product liability and recall claims. This may lead to loss of revenue, loss of market share and could negatively impact the Group's reputation. There is also a risk that raw materials are accidentally or maliciously contaminated throughout the supply chain or that other product defects occur due to human error, equipment failure or other factors.	The Group's quality management system consists of robust policies, guidelines, standards, and procedures. The Group's quality assurance function performs regular site and supplier audits to ensure compliance with the Group's quality management system and takes corrective action when gaps are identified. In addition, a quality engagement program is in effect across the full Group to ensure all employees of the Group maintain a zero-defect mindset.
Operations and supply chain	The Group's supply chain network for raw materials could be disrupted by adverse weather conditions, climate change, disease (human or crop), natural disaster, political instability and other factors which could impact the ability to produce and deliver products to customers.	The Group's Global Sourcing department is continuously monitoring weather, harvest, political risk and other indicators to timely anticipate potential supply shortages or interruptions. Short-term mitigation measures include adequate levels of safety stocks and a diversified regional supply network.

Risk Overview

Information technology	The Group's business processes and its interaction with customers and suppliers is highly dependent on reliable and secure information systems. Physical damage to data centers, successful cybercrime attacks, a global wide area network breakdown or any other significant security incident could lead to a business interruption, loss of confidential data, non-compliance with data protections laws or misappropriation of assets.	The Group's Information Management and Technology Department has implemented various preventive structures for the Group's business-critical applications and locations. In the event of a major incident, disaster recovery solutions, plans and procedures are in place. A mid-term plan to enhance information security is regularly defined and improvements are being implemented continuously.

Financial

Raw material price volatility	Market prices for raw materials and the structure of the terminal markets could have an influence on the Group's operational results. To manage exposure to raw materials, foreign currency and interest rate fluctuations, the Group extensively uses derivative financial instruments and forward physical commitments. If hedging strategies are not fully effective, the operational result may be affected. Furthermore, the Group's profitability can be affected by its exposure to the volatility of the Combined Cocoa Ratio, which expresses the combined sales prices for cocoa butter and cocoa powder in relation to the cocoa bean price and our cost structure.	The Group's commodity risk management and treasury policies require that all risk exposures are hedged back-to-back in accordance with the related limit framework from the moment such exposures are entered into. For its contract business, namely the Food Manufacturers Product Group, which accounts for the majority of the business, the Group attempts to mitigate the impact of volatility in raw material costs through a "cost-plus" pricing model, where exposures arising at contract signing are immediately hedged. In the Gourmet & Specialties Product Group, the Group applies a price list model whereby forecasted sales are hedged and price lists are adapted on a regular basis. In the Cocoa Product Group, market prices are applied with the result that profitability is affected by the development and volatility of the Combined Cocoa Ratio. The Group attempts to mitigate these effects by means of a central global management system which monitors the positions and exposures related to cocoa products globally, taking into account both internal and external demand. The Group's financial risk management framework related to commodities, foreign currencies and interest rates is further described in more detail in note 26 to the Consolidated Financial Statements.
Treasury	The Group's operations are exposed to liquidity risks, foreign currency and interest rate risks. Volatility in raw material prices affects the Group's working capital requirements and could result in liquidity issues. Failure to deliver on key parameters including cash flow could result in a downgrade of the Group's credit rating and restrict its access to financial markets.	The Group has established a robust financial risk management framework and governance structure. The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity coordinated by the Group's centralized treasury department. Financing needs are covered through a combination of adequate credit lines with financial institutions and short- and long-term debt capital market products. The Group's financial risk management framework related to financing and liquidity is further described in more detail in note 26 to the Consolidated Financial Statements.

Risk Overview

Compliance		
Legal and regulatory	The Group is subject to both international and national laws, regulations and standards in such diverse areas as product safety, product labeling, environment, health and safety, intellectual property rights, antitrust, anti-bribery, employment, trade sanctions, data privacy, corporate transactions and taxes in all the countries in which it operates in as well as stock exchange listing and disclosure regulations in an ever-changing regulatory environment. Failure to comply with applicable laws and regulations could expose the Group to investigations, litigation, administrative and/or criminal proceedings potentially leading to significant costs, fines and/or criminal sanctions against the Group and/or its employees with possible reputational damage.	Dedicated regional and local functional managers, supported by specialized corporate functions and external advisors, ensure compliance with applicable laws and regulations. The Group has robust policies and procedures in place in the relevant areas. The Group's Legal Department oversees the Group's compliance program, which ensures awareness of the compliance risks and the Group's compliance standards. The Code of Conduct and other Group policies set out the legal and ethical standards of behavior expected from all employees working within the Group.

Business Highlights

Financial Review

Successful year, delivering on strategy

Business Performance Review fiscal year 2016/17

Summary

In 2016/17, market conditions improved and volumes in the global chocolate confectionery rebounded in the second half of the year (according to Nielsen +0.1% volume growth in fiscal year 2016/17).

Cocoa bean prices were at a relatively low level due to a good crop and this supported consumer demand. At the same time the cocoa products market and related prices improved as a consequence of a more balanced supply and demand.

Barry Callebaut's Group volume increased by +4.4% to 1,914,311 tonnes.

Volume growth was driven by a strong performance across all Regions and Product groups. Overall the Group significantly outperformed the global chocolate market. The growth was fueled by our three key growth drivers Outsourcing, Gourmet & Specialties and Emerging Markets.

Operating profit (EBIT) was up versus prior year at +22.3% in local currencies (+21.5% in CHF) and amounted to CHF 488.2 million. Excluding a one-off effect from acquisitions, recurring EBIT was up +17.8% in local currencies and amounted to CHF 470.1 million. This is the result of the strong growth and good profitability in the chocolate business on the one hand and the significant improvement of the Group's cocoa business profitability, driven by the Cocoa Leadership initiative and the more favorable market conditions in the cocoa products market.

Net profit for the year increased by +39.6% in local currencies and reached CHF 302.9 million (CHF 284.8 million corresponding to an increase of +31.3% when adjusted for non-recurring effects).

The Group's continued focus on free cash flow (FCF) is one of the key elements of its 'smart growth' strategy.

Free cash flow was exceptionally strong and amounted to CHF 475.6 million, compared to CHF 430.9 million in the previous fiscal year. This is the consequence of the stronger operating profit, a lower working capital particularly due to the reduced prices for cocoa products, as well as some positive non-recurring items.

Corporate strategy and mid-term guidance

Barry Callebaut continues to execute its consistent long-term strategy based on four pillars (Expansion, Innovation, Cost Leadership and Sustainability). A smart balance between consistent above-market volume growth and enhanced profitability remains a key focus. The mid-term guidance has been extended to 2018/19:

- Average volume growth 4–6%
- Average EBIT growth above volume growth*

* In local currencies and barring any major unforeseen events.

Low cocoa bean prices and continued volatility in other raw materials

The 2016/17 cocoa bean crop reached a record level due to favorable weather conditions, and an increase in farm gate prices for the main crop of top producers Côte d'Ivoire and Ghana. This led to an accelerated production and thus to the biggest surplus in the last six years, triggering a steep price erosion. Over the fiscal year 2016/17, cocoa bean prices experienced a steep drop of –34% to GBP 1,522 per tonne on August 31, 2017. On average for fiscal year 2016/17, cocoa bean prices declined by –21% versus prior year. This price correction ended a three-year bull market that had been driven mainly by speculation. Slightly improving demand did not offset the significant increase in supply, resulting in a surplus for the entire season.

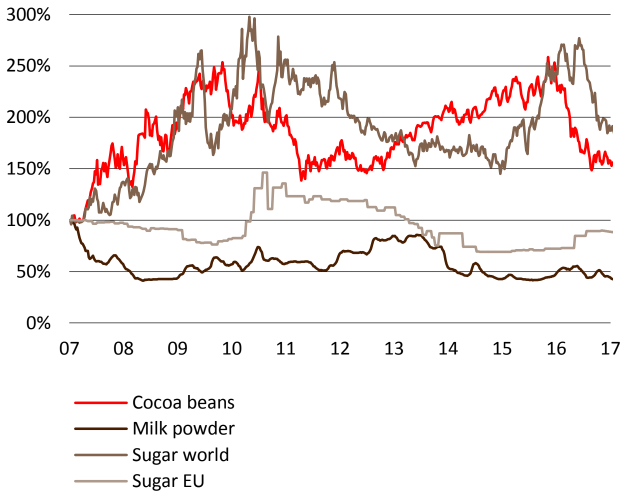
The combined cocoa ratio rebounded over the course of the fiscal year, due to a temporarily tight supply of cocoa products, low cocoa bean prices and slowly improving demand for chocolate products.

Sugar prices tumbled by –40% in view of a potential surplus of 5 million tonnes of sugar for 2017/18 compared to a deficit of 4.3 million tonnes in 2016/17. In Europe, the prospect of a bumper crop in 2017/18, combined with the change in the European sugar regime, eliminating production and export quotas, led to a progressive price decrease over the year.

There was a considerable decrease of global dairy production from autumn to spring, leading to an increase in prices. Beginning of 2017, producers around the globe started receiving higher payout prices for liquid milk, motivating them to increase production.

Financial Review

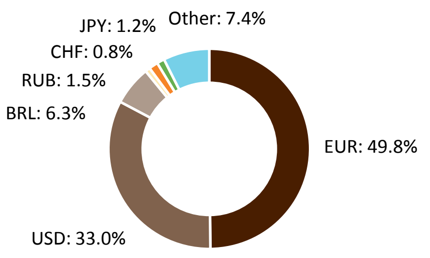
Raw material prices
September 2007–September 2017



Foreign currencies
In fiscal year 2016/17, markets saw less foreign exchange volatility compared to prior year. The Group is naturally hedged to the extent that it produces and sells products locally and hedges any remaining currency exposure that arises from commercial transactions. Translation impacts arising from the translation of results into the Group's reporting currency Swiss francs are however not hedged.

In total, these currency translation effects mentioned above had a slightly positive year-on-year impact of +0.7% on sales revenue, but were slightly negative for EBIT (–0.8%) due to the different mix on this level.

Sales revenue in functional currency



Global chocolate demand rebounds
The chocolate confectionery market for the period rebounded in the second half of our fiscal year (September 2016 to August 2017). This recovery was supported by low cocoa bean prices and slightly improved market conditions in certain countries.

According to Nielsen, the market for the period under review was flat at +0.1%, with a recovery in the last two quarters of the fiscal year under review.

Consolidated Income Statement

Good volume growth, above the market
Sales volume for the fiscal year 2016/17 increased by +4.4% to 1,914,311 tonnes.

The Group's Chocolate business grew by a strong +5.6%, outperforming the overall global chocolate market significantly. All regions and all the key growth drivers Outsourcing, Gourmet & Specialties and Emerging Markets contributed to this growth.

In the Cocoa business, the intentional phase-out of less profitable contracts was concluded at the beginning of the year; volume growth for the year was at +0.4%.

Sales revenue significantly above prior year
Sales revenue rose by +1.2% in local currencies (by +1.9% in CHF) to CHF 6,805.2 million, driven by the volume increase and a better product mix. These effects were largely offset by lower cocoa bean and cocoa product prices, which the Group largely passes on to its customers based on its cost plus business model.

Improved Gross Profit
Gross profit grew at a higher rate than volume, up +14.6% in local currencies to CHF 986.7 million (+14.3% in CHF). This is the result of a further improved product and customer mix in the chocolate business, in particular related to the business with gourmet, specialties and decoration products, supported by the restored profitability and a more favorable combined cocoa ratio in the Global Cocoa business.

Focus on margin accretive growth and investing in structures to cater to future growth
Marketing and sales expenses increased by +6.4% to CHF 137.9 million. The Group continued its endeavors to attract margin accretive business, namely with specialties and decorations for both Gourmet and Food Manufacturers product groups. It also continued to invest in selected emerging markets.

General and administration expenses increased by +13.3% to CHF 377.1 million. This is partly due to increased efforts related to the Group's sustainability initiatives (Forever Chocolate), the expansion in emerging markets and due to the scope effect from recent acquisitions. It is also the result of continued investments

Financial Review

in structures, processes and tools to handle future growth and related higher amortization expenses.

Other income amounted to CHF 35.6 million compared to CHF 15.5 million in the prior year. This position contains non-sales-related income such as income from the Group's Training Center, the sale of waste products, claims on insurances and suppliers. The increase versus prior year stems from the negative goodwill (badwill) in the amount of CHF 20.0 million recognized for a recent acquisition.

Other expenses amounted to CHF 19.2 million compared to CHF 14.7 million in prior year. This position comprises restructuring and severance costs, litigation, claims, impairment charges and some other non-recurring items. The increase is partly due to costs of CHF 1.9 million incurred in relation to an acquisition.

Strong increase in EBIT and EBIT/tonne

Operating profit (EBIT) grew significantly by +22.3% in local currencies (+21.5% in CHF) to CHF 488.2 million. On a recurring basis excluding the aforementioned effect of acquisitions, EBIT amounted to CHF 470.1 million. The strong increase is the result of good volume growth in the Group's chocolate business combined with increased margins from a better product and customer mix. This positive effect was reinforced by the restored profitability in the Global Cocoa business resulting from the Group's Cocoa Leadership project and the benefits of a higher combined cocoa ratio.

EBIT per tonne increased to CHF 255. On a recurring basis – i.e. excluding the one-off effect of the aforementioned acquisition, EBIT per tonne increased by +12.9% in local currencies (+12.1% in CHF) from CHF 219 to CHF 246.

Net profit growth in line with EBIT – increased income tax expenses offset by lower financing costs

Finance income slightly increased and amounted to CHF 5.2 million (prior year CHF 4.3 million).

Finance costs amounted to CHF 127.0 million, which corresponds to a decrease of CHF 12.7 million compared to previous year. The main difference stems from the fact that the prior year had been affected by expenses recognized for the ineffective part of the interest rate hedge related to the issue of the EUR 450 million Senior Notes in May 2016, and somewhat lower interest expenses.

Income tax expenses increased to CHF 63.6 million from CHF 47.5 million in the prior year due to the higher profit before tax. The Group's effective tax rate decreased to 17.4% (prior year: 17.8%) due to the increased profitability of the Group and an improved outlook, which led to lower ineffective current year tax losses.

Net profit for the year strongly increased by +39.6% in local currencies (+38.3% in CHF) to CHF 302.9 million. This increase can be attributed to the increased EBIT, while the increased tax expenses were almost offset by lower net finance costs.

Consolidated balance sheet – improved net working capital and net debt

Total assets decreased by –1.9% to CHF 5,534.1 million at the end of August 2017, compared to CHF 5,640.8 million the year before. While property, plant and equipment and derivative financial assets increased, this was more than offset by lower inventories and trade receivables, which benefitted in particular from lower cocoa bean prices.

Net working capital decreased by CHF 244.7 million to CHF 1,129.5 million as of August 31, 2017, compared to CHF 1,374.2 million the year before. While most of the main elements of working capital, i.e. inventory, trade receivables and other current assets as well as trade payables and other current liabilities, contributed to the decrease, this was partly offset by a significant increase in net derivative financial assets. All of the components were significantly impacted by the effect of lower bean prices compared to the year before.

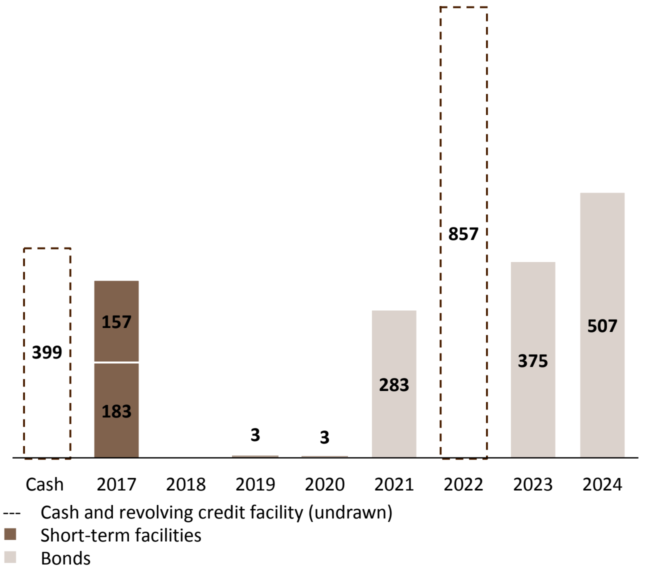
As a result of the increased profitability and reduced financing needs given the lower net working capital, **net debt** decreased from CHF 1,452.8 million to CHF 1,110.9 million at August 31, 2017. The weighted average maturity of the long-term debt (i.e. without any portion falling due in less than 12 months) decreased from 6.9 to 5.9 years.

Equity – including equity attributable to the shareholders of the parent company and non-controlling interests – amounted to CHF 2,193.6 million, up CHF 222.4 million compared to the CHF 1,971.2 million at the end of August 2016. Equity attributable to the shareholders of the parent company amounted to CHF 2,178.7 million compared to last year's CHF 1,956.3 million. The increase results from the net profit, the remeasurement of the defined benefit plans and a positive change in cumulative currency translation adjustments. These effects were partly offset by the payout to shareholders, the effects from cash flow hedging reserves and movements related to the share-based compensation plan (LTIP) and treasury shares.

Due to the aforementioned lower net debt and the higher equity, the debt-to-equity ratio improved from 74.3% to 51.0%. The solvency ratio increased from 34.7% to 39.4%. The return on invested capital (ROIC) increased to 11.5% compared to 9.5% in the prior year.

Financial Review

Liquidity – debt maturity profile



Consolidated Cash Flow Statement

Cash generated from operating activities increased to CHF 823.8 million compared to CHF 762.2 million in the prior year. This is mainly due to the higher profitability level. Changes in net working capital contributed CHF 192.6 million compared to CHF 210.3 million in prior year.

Whereas in the prior year, cash flow had been influenced by the reduced availability of beans due to low crops in certain sourcing countries and the Group's efforts to optimize working capital, this year's cash flow was positively affected mainly by the lower cocoa bean prices. This effect led to lower inventories and trade receivables, which was partly compensated for by higher net derivative financial assets resulting from the Group's hedging approach.

Cash outflow for interest was CHF 96.8 million compared to CHF 98.2 million in prior year. Cash outflow for tax was CHF –43.0 million compared to CHF –42.6 million in prior year.

Overall, this resulted in a strong increase in the **net cash from operating activities** to CHF 684.0 million compared to CHF 621.5 million the year before.

Net cash flow from investing activities amounted to CHF –205.7 million (prior year: CHF –217.5 million). The amount was largely related to the Group's investments of CHF –220.4 million in property, plant and equipment as well as in intangibles, which in light of the Group's growth were somewhat higher than in prior year (CHF –201.0 million). The other elements in investing cash flow resulted in a net inflow of CHF +14.7 million compared to an outflow of CHF –16.5 million in prior year, which contained cash outflows of CHF –26.9 million in relation to acquisitions.

Net cash flow from financing activities amounted to CHF –525.7 million, compared to CHF –68.6 million in prior year. The net outflow of the current year mainly resulted from the repayment of the 10 year EUR 350 million Senior Notes maturing in July 2017 and a term loan of CHF 150 million. In addition it contains the cash-out in the amount of CHF –85.1 million for dividends from paid-in capital reserves and the nominal capital reduction (prior year CHF –79.6 million all out of paid-in capital reserves) and the cash outflow of CHF –17.1 million for the purchase of treasury shares (prior year CHF –15.3 million), partly offset by the debt issue of CHF 121.5 million (prior year CHF 27.8 million).

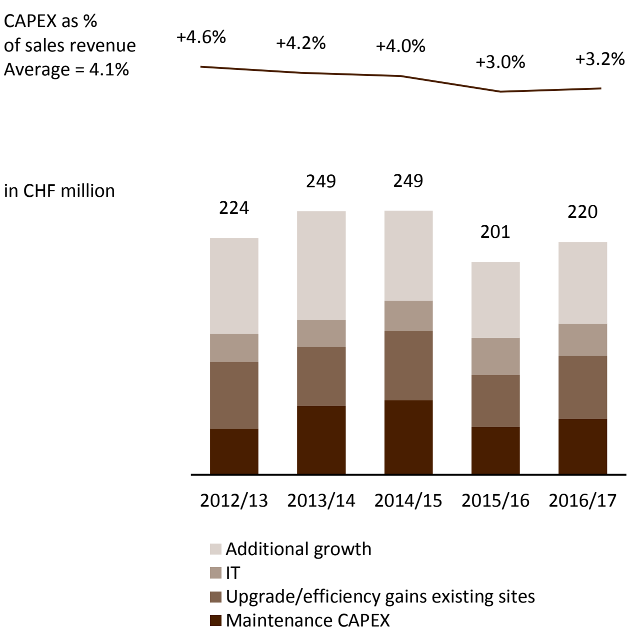
Free cash flow increased to CHF 475.6 million compared to CHF 430.9 million in the previous fiscal year. This is the consequence of the stronger operating profit, lower working capital particularly due to the reduced prices for cocoa products, as well as some positive non-recurring items.

Financial Review

Investments – CAPEX

Capital expenditure reflected in the cash flow statement amounted to CHF –220.4 million (fiscal year 2015/16: CHF –201.0 million). The Group maintained its restrictive policies regarding the hurdles for approving CAPEX and focused on investments that best support its strategy of 'smart growth' and selective expansion.

Capital expenditure



Outlook

The Group will continue to focus on the further implementation of its 'smart growth' strategy. A more supportive cocoa products market and slightly improving demand for chocolate, together with consistent execution of its strategy give the Group the confidence to extend its mid-term guidance one more year until 2018/19: On average 4–6% volume growth and EBIT growth on average above volume growth in local currencies, barring any major unforeseen events.

Barry Callebaut share performance

Barry Callebaut shares traded at CHF 1,380 at the end of August 2017, +9.2% above the previous year's closing price, and outperforming the European index. Euro Stoxx Food & Beverages declined –2.0%, for the same period Swiss SPI increased +14.1% and SMIM +22.6%.

On September 19, 2016, Barry Callebaut joined the SXI Switzerland Sustainability 25® index basket. This index brings together the 25 most sustainable companies listed in Switzerland. The index is based on an annual assessment by Sustainalytics of all companies composing the SMI Expanded® index.

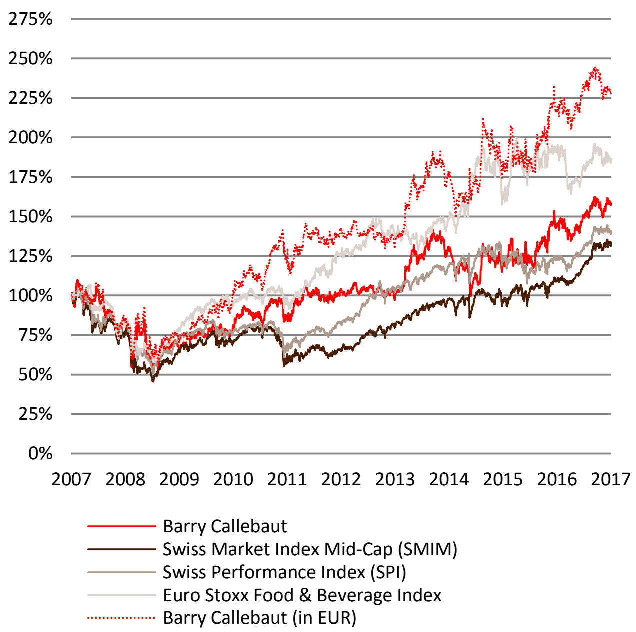
The most recent Sustainalytics performance of Barry Callebaut increased from 67 to 72. This score is an outstanding achievement that makes Barry Callebaut an Outperformer in its industry sector .

Key share data as of 31 August 2017

Shares outstanding	5.5 million
Closing share price	CHF 1,380
Market capitalization	CHF 7.6 billion
52-week high	CHF 1,416
52-week low	CHF 1,172
Average daily volume	5,970 shares

The chart below illustrates the long-term performance of Barry Callebaut shares compared to the relevant indices (2007–2017):

Share price development Barry Callebaut vs. indices



Over a ten-year period (2007–2017), the long-term performance of Barry Callebaut shares (+58.2%) clearly exceeds the returns for the Swiss indices (SPI +40.7% and SMIM +33.6%), and the Euro Stoxx Food & Beverages (+86.5%) when calculating Barry Callebaut shares in EUR (+128.0%).

Financial Review

Dividend

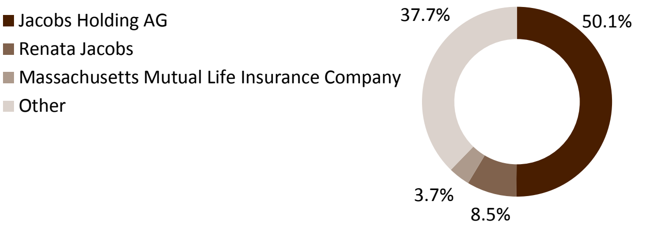
The Board of Directors will propose a payout to shareholders of CHF 20.00 per share at the Annual General Meeting of Shareholders on December 13, 2017. This represents a ratio of 36.3% of the net profit. The proposal foresees that the payout will be effected partly in the form of a capital repayment by way of par value reduction (CHF 7.27 per share) and partly through a dividend payment (CHF 12.73 per share). The distribution of the part related to capital reduction will not be subject to withholding tax and – for individuals who are taxed in Switzerland and hold the shares privately – income tax. The dividend will be paid to shareholders on March 2, 2018, subject to approval by the Annual General Meeting of Shareholders.

Key share data

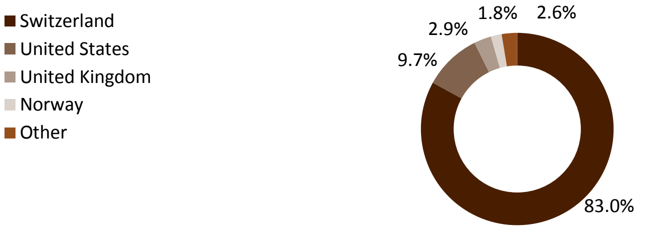
The share capital of Barry Callebaut AG as of August 31, 2017 amounted to CHF 40,013,775 consisting of 5,488,858 fully paid-in shares with a nominal value of CHF 7.29 each. There is one single class of shares in which every share has the same voting power and grants the same entitlement to dividends.

The free float, excluding the majority shareholders (Jacobs Holding and Renata Jacobs), at the end of August 2017 was 41%, with the majority of the institutional shareholders based in Switzerland, followed by the United States, United Kingdom, Norway and other countries.

Ownership structure as of August 2017



Country split of institutional shareholders



Analyst recommendations

Currently, 12 financial analysts regularly cover Barry Callebaut. At the end of fiscal year 2016/17, seven recommended holding our shares, four had a sell recommendation and one a buy recommendation. At the end of August 2017, the average target price according to consensus estimates was CHF 1,264.

Credit rating

Barry Callebaut has active relationships with Standard & Poor's and Moody's, current ratings are:

- Standard & Poor's: BB+/Stable
- Moody's: Ba1/Stable.

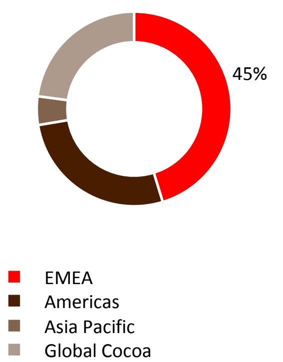
Strong top and bottom-line growth, driven by strategic partnership

Region EMEA (Europe, Middle East, Africa) delivered a strong volume growth well above the market. Western Europe had a very good year and Eastern Europe saw a strong rebound of its business. Significant investments were made to cater for future growth.

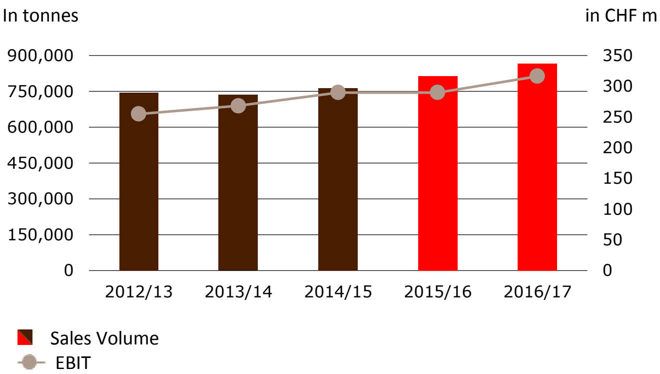
Barry Callebaut's sales volume in Region EMEA went up by +6.4% to 866,498 tonnes. The market, in contrast, declined by –0.5%[1]. Overall, sales revenue rose +6.4% in local currencies (+5.9% in CHF) and amounted to CHF 2,900.2 million. Operating profit (EBIT) was significantly up by +9.8% in local currencies (+9.2% in CHF); recurring operating profit was up by +3.6% in local currencies (+3.0% in CHF), slightly below volume growth, reflecting a less favorable product mix and investments in future growth. The acquisition of the Halle factory from Mondelēz International in Belgium, combined with the extension of the strategic partnership with this customer, the acquisition of D'Orsogna Dolciaria in Italy (closed October 2017) as well as further capacity expansions in Europe are investments to cater for future growth and to better serve European customers.

[1] Source: Nielsen, August 2016–September 2017.

Sales Volume per Region



Sales Volume | EBIT



21
factories

Key figures for Region EMEA

		Change %		2016/17	2015/16
		in local currencies	in CHF		
Sales volume	Tonnes		6.4%	866,498	814,236
Sales revenue	CHF m	6.4%	5.9%	2,900.2	2,739.0
EBITDA	CHF m	9.9%	9.2%	364.9	334.2
Operating profit (EBIT) non recurring	CHF m	9.8%	9.2%	316.2	289.5

Solid performance, strong margin improvement

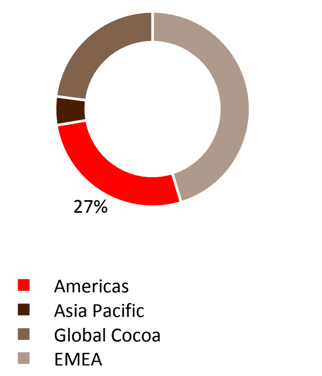
Region Americas delivered a solid year with very strong profitability and double-digit volume growth in Brazil and the Andean region.

In Region Americas, sales volume increased by +2.2% to 518,359 tonnes, whereas the chocolate confectionery market grew by +0.6%[1]. There was good momentum in emerging markets, with double-digit volume growth in Brazil and the Andean region. Sales revenue rose +1.5% in local currencies (+2.8% in CHF) to CHF 1,668.7 million. Operating profit (EBIT) was up +9.2% in local currencies (+9.0% in CHF), as a consequence of a positive product mix and further cost leverage in the region.

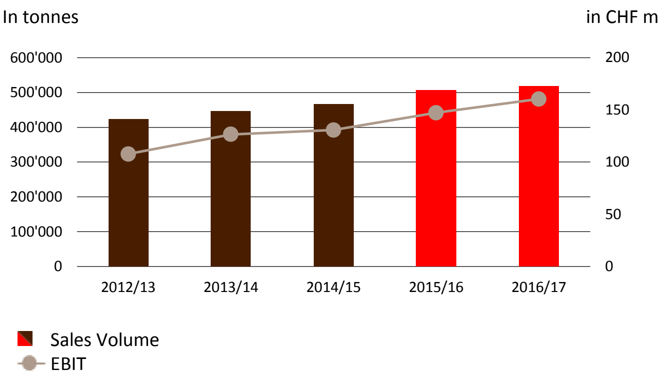
Barry Callebaut also made significant investments in the US for additional manufacturing capacity, for example at its factories in California and Illinois, and has also opened a new warehouse in Pennsylvania. In addition, Barry Callebaut announced the acquisition of Gertrude Hawk Ingredients in October 2017. All these investments place the company in an even better position to capture future growth.

[1]Source: Nielsen, August 2016–September 2017.

Sales Volume per Region



Sales Volume | EBIT



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factories

Key figures for Region Americas

		Change %		2016/17	2015/16
		in local currencies	in CHF		
Sales volume	Tonnes		2.2%	518,359	507,008
Sales revenue	CHF m	1.5%	2.8%	1,668.7	1,622.9
EBITDA	CHF m	8.0%	8.1%	191.0	176.6
Operating profit (EBIT)	CHF m	9.2%	9.0%	160.4	147.2

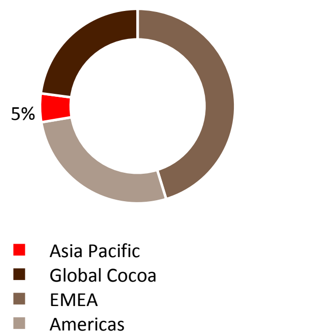
Double-digit top and bottom-line growth continues

Region Asia Pacific had a very strong year with double-digit growth, fueled by the execution of GarudaFood long-term supply agreement, and solid growth of Food Manufacturers and Gourmet & Specialties.

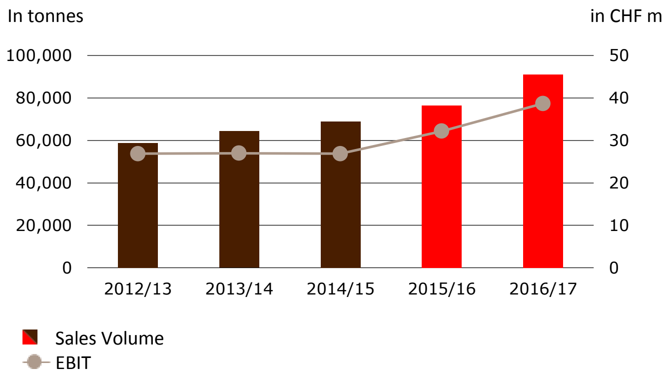
Sales volume in Region Asia Pacific rose by +19.1% to 91,020 tonnes. In contrast, the chocolate market in the region grew by +3.1%[1]. The Group's above-market development was fuelled by fast growth in countries such as China and Indonesia, both in Gourmet and in Food Manufacturers. The latter was supported by the ramp-up of the long-term supply agreement with GarudaFood in Indonesia. Sales revenue rose by +12.7% in local currencies (+13.4% in CHF) to CHF 347.9 million. Operating profit (EBIT) grew by +20.2% in local currencies (+20.2% in CHF), driven by volume and a strong Gourmet business.

[1] Source: Nielsen, August 2016–September 2017.

Sales Volume per Region



Sales Volume | EBIT



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factories

Key figures for Region Asia Pacific

		Change %		2016/17	2015/16
		in local currencies	in CHF		
Sales volume	Tonnes		19.1%	91,020	76,443
Sales revenue	CHF m	12.7%	13.4%	347.9	306.8
EBITDA	CHF m	19.8%	19.7%	47.7	39.9
Operating profit (EBIT)	CHF m	20.2%	20.2%	38.7	32.2

Cocoa Leadership project delivering on expectations

The successful implementation of the Cocoa Leadership project led to the significant improvement of operating profit (EBIT), supported by more favorable conditions in the cocoa products market.

The successful implementation of the Cocoa Leadership project with a number of different initiatives has delivered in line with expectations. Sales volume to third-party customers was basically flat at +0.4% and amounted to 438,434 tonnes. Sales revenue declined by –7.7% in local currencies, (–6.0% in CHF), due to lower cocoa products prices. Operating profit (EBIT) significantly increased by CHF 47.2 million and amounted to a total EBIT of CHF 64.9 million, driven by the good results from the Cocoa Leadership project and the more favorable market conditions in the cocoa products market.

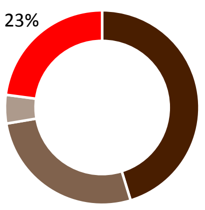
The implementation of the Cocoa Leadership project is nearing completion, and significant milestones have been achieved on various fronts.

Global steering: Centralized management for combined ratio, and interregional product flow management.

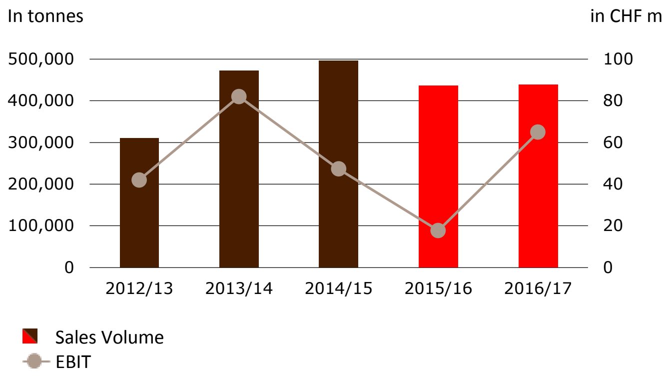
Global harmonization: Customer segmentation and cocoa product pricing methodology. Standardization of product specifications and measurement methodologies are ongoing.

Global design: Optimized factory footprint; defined and reorganized factory organization setup; and global roll-out of a new model for manufacturing.

Sales Volume per Region



Sales Volume EBIT



15 factories

Key figures for Global Cocoa

		Change % in local currencies	Change % in CHF	2016/17	2015/16
Sales volume	Tonnes		0.4%	438,434	436,537
Sales revenue	CHF m	(7.7%)	(6.0%)	1,888.3	2,008.1
EBITDA	CHF m	75.4%	74.5%	124.4	71.3
Operating profit (EBIT)	CHF m	272.6%	266.7%	64.9	17.7

Sustainability

Forever Chocolate

Our plan to make sustainable chocolate the norm by 2025

Barry Callebaut is a company with a purpose. We believe that business should re-invest its knowledge and resources into the greater society in which it operates. Sustainability is embedded in our company's growth strategy, alongside Expansion, Innovation, and Cost Leadership, as well as in the 'smart growth' execution of this strategy. In cocoa producing countries, we have been engaging with cocoa farmer communities for more than a decade to provide them with training, know-how, services and access to finance.

Nevertheless, more has to be done. In 2017, we published together with the French Development Agency (AFD) a study estimating that cocoa farmers in Côte d'Ivoire earn a roughly estimated EUR 0.86 a day, far below the national poverty level. This is the direct result of low cocoa yields, on average 435 kg/ha, on relatively small cocoa farms further exacerbated by a drop in global cocoa prices.

Farmer poverty directly impacts the availability of basic socio-economic infrastructure such as primary schools, basic health care and clean water, which are often lacking in cocoa farming communities. Furthermore, to compensate for the loss of productivity on ageing cocoa farms, farmers are planting new cocoa on land cleared from forests where soil fertility remains high, leading to high rates of deforestation in West Africa.

As a chocolate manufacturer, we must not only focus on cocoa. Our products also contain ingredients such as sugar, dairy and palm oil, commodities that also impact the world's natural resources.

This is why we launched Forever Chocolate in November 2016, our plan to make sustainable chocolate the norm by 2025. The ambition of Forever Chocolate goes beyond sustainable cocoa. It is the next step in our long history of investing in a sustainable supply chain. Under Forever Chocolate we have made four bold commitments to be achieved by 2025:

- We will eradicate child labor from our supply chain[1]
- We will lift more than 500,000 cocoa farmers out of poverty
- We will be carbon and forest positive
- We will have 100% sustainable ingredients in all of our products

We will report annually our progress against these four targets. Our first progress report will be published in December 2017. The targets are challenging and we do not have all the answers yet, but we are confident that we will find them. Together with our industry partners, we want to start a movement that also includes governments, NGOs and consumers in order to reach these targets. After all, sustainable chocolate is as much about governments creating an enabling environment and enforcing legislation, NGOs creating awareness and consumers making sustainable choices, as it is about industry commitments and investments.

1 Child labor as defined by the International Labor Organization (ILO) refers to work that is mentally, physically, socially or morally dangerous and harmful to children.

Going beyond sustainable cocoa

By 2025, we aim to have 100% sustainable ingredients in all of our products. Investing in community development and cocoa farmer productivity will remain two important pillars of our strategy for a sustainable supply chain.

Sourcing raw materials sustainably

Cocoa Horizons is the key offering of sustainably sourced cocoa and chocolate products, together with external certification sources such as UTZ Certified, Rainforest Alliance, Fairtrade and Organic. In 2016/17, 36% of our cocoa beans were sourced through sustainability programs. This is an increase of +13% compared to the previous year. We sourced 30% of our non-cocoa ingredients through sustainability programs in 2016/17.

Increasing cocoa farmer productivity

In order to have a better understanding of the specific requirements to increase farmer productivity, we began mapping the cocoa farms in our supply chain in 2016/17. We trained a total of 157,000 farmers on good agricultural practices and child labor awareness.

In 2016/17, we sourced from over 148,000 farmers through Biolands, our direct sourcing and farm services organization in Africa. Biolands allows us to engage with farmers and support them by providing training, fertilizers, services, and assistance in the production of certified cocoa.

We have developed a Farm Services business to offer cocoa farmers products and services that improve their productivity. These packages can be bought by cocoa farmers on credit and include training on good farming practices, access to credit, access to improved planting materials and access to farm inputs. In 2016/17, we provided packages to 5,814 cocoa farmers. In Côte d'Ivoire, the farmers that acquired these packages saw an average increase in productivity of +23%.

Investing in communities

The Cocoa Horizons Foundation, which pools resources and funds from the purchase of Cocoa Horizons products and contributions from donors and customers, aims to scale impact and drive positive change in cocoa communities. Through the premiums that they paid, customers of Cocoa Horizons products invested CHF 7.5 million in improving cocoa farmer livelihoods in fiscal year 2016/17.

Child labor

We invest in both the prevention of child labor as well as the monitoring and remediation of any child labor incidents in our supply chain. We continue to roll out the Child Labor Monitoring and Remediation System (CLMRS) across cocoa farmer communities in Côte d'Ivoire. The monitoring data will help us to better target those communities where child labor awareness and remediation efforts have to be prioritized. As we aim to eradicate child labor from our entire supply chain, not just cocoa, we have updated our supplier code to incentivize suppliers to have equivalent CLMRS systems in place in the future.

Driving sustainable chocolate ingredients

We were one of the first signatories of the Cocoa and Forests Initiative's letter of intent published in March 2017, containing an industry commitment to end deforestation and forest degradation in the global cocoa supply chain.

We joined the Palm Oil Innovation Group (POIG) in 2017. POIG is an additional platform to the Roundtable on Sustainable Palm Oil (RSPO) and has introduced additional sustainability criteria for palm oil production, such as a ban on the development of palm oil plantations on High Conservation Stock (HCS) areas or peat land and strict criteria regarding gross labor and human rights violations.

To incentivize sustainable cane sugar production, we joined Bonsucro, a multi-stakeholder platform bringing together industry representatives and NGOs to work on a sustainable cane sugar value chain.

Preparing to become carbon positive

In order to become carbon positive, we require a robust methodology to calculate the carbon footprint of our supply chain and continue to invest in energy reduction.

Measuring our carbon footprint

In 2016/17, we actively participated in the work led by the environmental sustainability consulting group Quantis to accurately and systematically account for climate change impacts stemming from the effects of Land Use Change (LUC) on our organization's overall carbon footprint. In addition, we have launched a carbon footprint tool to engage our customers in understanding the impacts of the chocolate they purchase from us.

We have developed a roadmap to a carbon positive way of manufacturing and pilots have been defined for solar and wind energy, focusing on Africa, the US and Europe. We are also looking at three other main sources of renewable energy: energy from waste, energy from water and renewable energy storage. All three sources are being benchmarked across regions to find the most cost-efficient technologies and third parties to partner with.

At factory level, we reduced our carbon emissions in fiscal year 2016/17 by 7,320 tonnes, keeping our overall CO_2e intensity per tonne of product flat at the level of 83 kg CO_2e/MT of activity despite an increased production of cocoa.

Reducing our energy consumption

In 2016/17, our energy use was 299.43 kWh per tonne of production (MT). This marks a slight increase of +1% in our overall energy use per tonne of production driven by recent expansions and acquisitions. We increased the global share of renewable energy in our operations by +5.4% to 28.4% of our total energy use. Of the electricity we use 50.7% came from renewable sources. This is a +9% increase compared to the previous fiscal year. Fifty of our sites have an energy champion in place who oversees on-site energy savings measures.

Managing our water footprint

While growing in production, we managed to maintain our relative water usage stable at 0.5 m^3 per tonne of production. We slightly increased our total water footprint by 0.1 million m^3 water, to 2.35 million m^3 water as a result of our growth.

Growing our talent

Inspiring our employees to excel

We now employ about 11,000 employees from 89 countries. Attracting the best talents from across the world is the basis for our company's growth and prosperity. We aim to offer a safe, engaging and collaborative workplace for our people, as well as the development and career growth opportunities they require to deploy their full potential.

Supporting in-house talent development

Our talent management programs help employees to focus on – and prepare for – the next step in their career. By focusing on internal candidates first, we aim to create space for our employees to grow. In 2016/17, we filled 42% of our vacant managerial positions with internal candidates. Across the organization, we offer a wealth of training programs. These include technical and on-the-job skills development, as well as quality, health and safety courses. In fiscal year 2016/17, 322 managers and other professional associates took part in one of our Marbach talent and management development programs. In the same fiscal year, there we developed 21 trainees through our two-year Graduate Trainee Program Yourfuture@BC. This brings the total number of graduates hired to 126, coming from 42 countries, since the start of the program in 2004.

Promoting fair labor

We are committed to providing equal employment and promotion opportunities to all employees. This is enshrined in our workplace policy. Throughout our organization, we support freedom of association in line with local laws and regulations. More than 46% of all permanent contract employees are covered by a union or collective bargaining agreement. All Barry Callebaut employees are aged 15 or older and earn the local minimum wage or more where applicable.

Focus on social and ethical responsibility

We are fully committed to a working environment where business is conducted with integrity and in a manner where employees feel fully engaged and supported. We are a member of SEDEX (Supplier Ethical Data Exchange), the largest collaborative platform for sharing ethical supply chain data. Its main product is an online database that allows supply chain companies to share information on labor standards, health and safety, the environment and business ethics. This is based on the SMETA audit methodology. We run an internal program to make all our factories SMETA compliant by 2019. During the year under review, 12 sites have been audited.

Health and safety

We are continuously working towards preventing injuries to any employee, contractor or visitor. Every Barry Callebaut plant has appointed a health and safety officer who coordinates the implementation of safety plans and policies. The injury frequency rate at factory level was 10.5 accidents per million hours worked. The severity rate at factory level was 0.17 lost days per thousand hours worked. Through the safety programs at each plant, we aim to continue reducing accidents and injuries across our business. We encourage our employees to live a healthy, active lifestyle. In origin countries, we provide HIV/AIDS education to employees and their families.

Employee Development

Employee benefits in origin countries

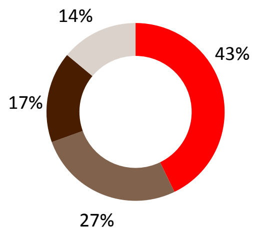
We support employees with various services, support programs and benefits. In cocoa-growing countries where medical care and education are not universally available, our programs support a broad range of social services, including medical care, housing and education. We also encourage our employees to engage in their local communities and recognize their outstanding achievements through the Chairman's Award.

Average seniority by geographic region in year

	2016/17
Africa	8.2
Americas	9.9
Asia Pacific	7.7
EMEA	14.0

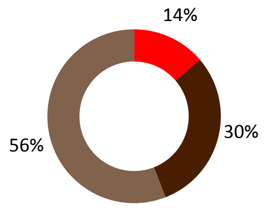
Employees per geographic region

EMEA	4,507
Americas	2,808
Asia Pacific	1,745
Africa	1,468
Number of employees	**10,528**



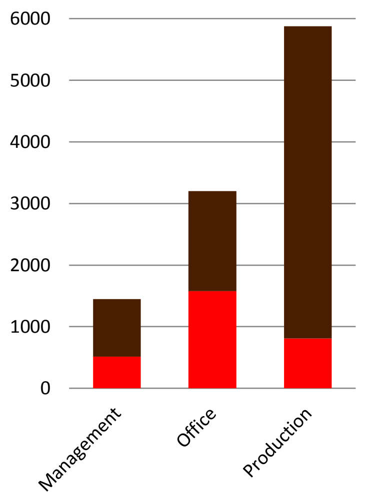
Employees per function

Management	1,444
Office	3,199
Production	5,885
Number of employees	**10,528**



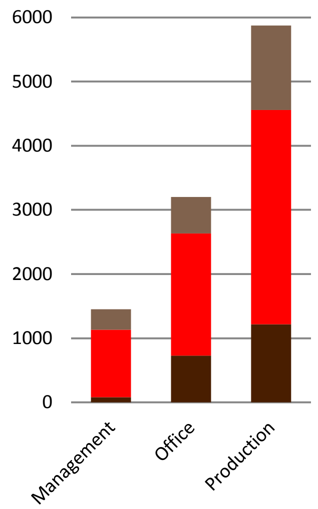
Gender of employees by function

- Female
- Male



Age of employees by function

- < 30
- 30–50
- > 50



Financial Reports

Consolidated Financial Statements

Consolidated Income Statement

for the fiscal year		2016/17	2015/16
in thousands of CHF	Notes		
Revenue from sales and services		**6,805,156**	**6,676,766**
Cost of goods sold		(5,818,406)	(5,813,556)
Gross profit		**986,750**	**863,210**
Marketing and sales expenses		(137,862)	(129,525)
General and administration expenses		(377,073)	(332,758)
Other income	6	35,597	15,466
Other expenses	7	(19,248)	(14,699)
Operating profit (EBIT)		**488,164**	**401,694**
Finance income	8	5,182	4,314
Finance costs	9	(126,985)	(139,708)
Share of result of equity-accounted investees, net of tax	17	158	191
Profit before income taxes		**366,519**	**266,491**
Income tax expenses	10	(63,596)	(47,530)
Net profit for the year		**302,923**	**218,961**
of which attributable to:			
shareholders of the parent company		302,287	217,050
non-controlling interest	25	636	1,911
Earnings per share			
Basic earnings per share (CHF/share)	11	55.12	39.57
Diluted earnings per share (CHF/share)	11	54.83	39.43

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the fiscal year		2016/17	2015/16
in thousands of CHF	Notes		
Net profit for the year		**302,923**	**218,961**
Cash flow hedges	26	(24,348)	19,824
Tax effect on cash flow hedges	26	(1,878)	3,957
Currency translation differences		10,632	51,074
Items that may be reclassified subsequently to the income statement		**(15,595)**	**74,855**
Remeasurement of defined benefit plans	24	33,936	(32,638)
Tax effect on remeasurement of defined benefit plans		(8,307)	7,108
Items that will never be reclassified to the income statement		**25,629**	**(25,530)**
Other comprehensive income for the year, net of tax		**10,034**	**49,325**
Total comprehensive income for the year		**312,957**	**268,286**
of which attributable to:			
shareholders of the parent company		312,324	266,086
non-controlling interest		633	2,200

Consolidated Financial Statements

Consolidated Balance Sheet

Assets

as of August 31, in thousands of CHF	Notes	2017	2016
Current assets			
Cash and cash equivalents		399,292	456,800
Short-term deposits		121	50
Trade receivables and other current assets	12	754,523	928,776
Inventories	13	1,317,761	1,623,807
Income tax receivables		30,377	12,099
Derivative financial assets	14	573,770	318,303
Total current assets		**3,075,844**	**3,339,835**
Non-current assets			
Property, plant and equipment	15	1,385,773	1,262,227
Equity-accounted investees	17	502	627
Intangible assets	18	926,150	927,289
Deferred tax assets	19	102,319	105,916
Other non-current assets		43,485	4,909
Total non-current assets		**2,458,229**	**2,300,968**
Total assets		**5,534,073**	**5,640,803**

Liabilities and equity

as of August 31, in thousands of CHF	Notes	2017	2016
Current liabilities			
Bank overdrafts	20	21,264	25,314
Short-term debt	20	318,272	731,340
Trade payables and other current liabilities	21	1,206,688	1,145,481
Income tax liabilities		52,050	44,519
Derivative financial liabilities	14	259,805	310,368
Provisions	22	19,917	18,874
Total current liabilities		**1,877,996**	**2,275,896**
Non-current liabilities			
Long-term debt	23	1,170,743	1,153,027
Employee benefit obligations	24	151,342	176,531
Provisions	22	30,275	5,475
Deferred tax liabilities	19	93,633	53,711
Other non-current liabilities		16,439	4,952
Total non-current liabilities		**1,462,432**	**1,393,696**
Total liabilities		**3,340,428**	**3,669,592**
Equity			
Share capital	25	40,014	102,093
Retained earnings and other reserves		2,138,706	1,854,194
Total equity attributable to the shareholders of the parent company		**2,178,720**	**1,956,287**
Non-controlling interest	25	14,925	14,924
Total equity		**2,193,645**	**1,971,211**
Total liabilities and equity		**5,534,073**	**5,640,803**

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from operating activities

for the fiscal year		2016/17	2015/16
in thousands of CHF	Notes		
Profit before income taxes		366,519	266,491
Recognition of negative goodwill on acquisitions	1	(19,960)	–
Depreciation, amortisation and impairment	15/18	149,943	138,415
Interest expenses/(interest income)	8/9	105,193	110,889
Loss/(gain) on sale of property, plant and equipment, net	6/7	(86)	1,012
Increase (decrease) of employee benefit obligations		2,906	(3,469)
Share of loss/(profit) of equity-accounted investees, net of tax	17	(158)	(191)
Change in working capital:		192,641	210,282
Inventories	13	299,777	130,832
Derivative financial assets/liabilities	14	(338,482)	1,996
Trade receivables and other current assets	12	184,717	2,896
Trade payables and other current liabilities	21	46,629	74,558
Provisions less payments		(20,785)	8,162
Other non-cash effective items		47,587	30,644
Cash generated from operating activities		**823,800**	**762,235**
(Interest paid)		(96,840)	(98,159)
(Income taxes paid)		(42,967)	(42,593)
Net cash from operating activities		**683,993**	**621,483**

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from investing activities

for the fiscal year in thousands of CHF	Notes	2016/17	2015/16
Purchase of property, plant and equipment	15	(179,561)	(159,622)
Proceeds from sale of property, plant and equipment	15	3,844	4,293
Purchase of intangible assets	18	(40,876)	(41,395)
Acquisition of subsidiaries/businesses net of cash acquired	1	2,678	(26,928)
Purchase of short-term deposits		(84)	–
Proceeds from sale of short-term deposits		–	2,107
Sale/(purchase) of other non-current assets		5,822	512
Interest received	8	2,460	3,519
Net cash flow from investing activities		**(205,717)**	**(217,514)**

Cash flows from financing activities

for the fiscal year in thousands of CHF	Notes	2016/17	2015/16
Proceeds from the issue of short-term debt	20	121,450	23,438
Repayment of short-term debt	20	(539,160)	(481,374)
Proceeds from the issue of long-term debt	23	–	485,756
Repayment of long-term debt	23	(5,158)	–
Dividend payment	25	(85,077)	(79,588)
Purchase of treasury shares		(17,070)	(15,280)
Dividends paid to non-controlling interests	25	(635)	(1,547)
Net cash flow from financing activities		**(525,650)**	**(68,595)**
Effect of exchange rate changes on cash and cash equivalents		(6,083)	4,227
Net increase (decrease) in cash and cash equivalents		**(53,458)**	**339,601**
Cash and cash equivalents at beginning of year		431,486	91,885
Cash and cash equivalents at end of year		378,028	431,486
Net increase (decrease) in cash and cash equivalents		**(53,458)**	**339,601**
Cash and cash equivalents		399,292	456,800
Bank overdrafts	20	(21,264)	(25,314)
Cash and cash equivalents as defined for the cash flow statement		**378,028**	**431,486**

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Attributable to the shareholders of the parent company	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustment	Total	Non-controlling interest	Total equity
in thousands of CHF								
as of September 1, 2015	**102,093**	**(11,581)**	**2,284,431**	**(9,867)**	**(592,233)**	**1,772,843**	**14,271**	**1,787,114**
Currency translation adjustments	–	–	–	–	50,785	50,785	289	51,074
Effect of cash flow hedges (note 26)	–	–	–	19,824	–	19,824	–	19,824
Tax effect on cash flow hedges (note 26)	–	–	–	3,957	–	3,957	–	3,957
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**23,781**	**50,785**	**74,566**	**289**	**74,855**
Remeasurement of defined benefit plans (note 24)	–	–	(32,638)	–	–	(32,638)	–	(32,638)
Tax effect on remeasurement of defined benefit plans (note 19)	–	–	7,108	–	–	7,108	–	7,108
Items that will never be reclassified to the income statement	**–**	**–**	**(25,530)**	**–**	**–**	**(25,530)**	**–**	**(25,530)**
Other comprehensive income, net of tax	**–**	**–**	**(25,530)**	**23,781**	**50,785**	**49,036**	**289**	**49,325**
Net profit for the year	–	–	217,050	–	–	217,050	1,911	218,961
Total comprehensive income for the year	**–**	**–**	**191,520**	**23,781**	**50,785**	**266,086**	**2,200**	**268,286**
Dividend to shareholders (note 25)	–	–	(79,588)	–	–	(79,588)	(1,547)	(81,135)
Purchase of treasury shares	–	(15,280)	–	–	–	(15,280)	–	(15,280)
Equity-settled share-based payments (note 4)	–	13,911	(1,685)	–	–	12,226	–	12,226
as of August 31, 2016	**102,093**	**(12,950)**	**2,394,678**	**13,914**	**(541,448)**	**1,956,287**	**14,924**	**1,971,211**
Currency translation adjustments	–	–	–	–	10,635	10,635	(3)	10,632
Effect of cash flow hedges (note 26)	–	–	–	(24,348)	–	(24,348)	–	(24,348)
Tax effect on cash flow hedges (note 26)	–	–	–	(1,878)	–	(1,878)	–	(1,878)
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**(26,226)**	**10,635**	**(15,591)**	**(3)**	**(15,594)**
Remeasurement of defined benefit plans (note 24)	–	–	33,936	–	–	33,936	–	33,936
Tax effect on remeasurement of defined benefit plans (note 19)	–	–	(8,307)	–	–	(8,307)	–	(8,307)
Items that will never be reclassified to the income statement	**–**	**–**	**25,629**	**–**	**–**	**25,629**	**–**	**25,629**
Other comprehensive income, net of tax	**–**	**–**	**25,629**	**(26,226)**	**10,635**	**10,038**	**(3)**	**10,035**
Net profit for the year	–	–	302,286	–	–	302,286	636	302,922
Total comprehensive income for the year	**–**	**–**	**327,915**	**(26,226)**	**10,635**	**312,324**	**633**	**312,957**
Dividend to shareholders (note 25)	(62,079)	–	(22,998)	–	–	(85,077)	(635)	(85,712)
Capital increase (note 25)	–	–	–	–	–	–	3	3
Purchase of treasury shares	–	(17,070)	–	–	–	(17,070)	–	(17,070)
Equity-settled share-based payments (note 4)	–	14,915	(2,659)	–	–	12,256	–	12,256
as of August 31, 2017	**40,014**	**(15,105)**	**2,696,936**	**(12,312)**	**(530,813)**	**2,178,720**	**14,925**	**2,193,645**

Consolidated Financial Statements

Summary of Accounting Policies

Organization and business activity

Barry Callebaut AG ("The Company") was incorporated on December 13, 1994, under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2017, Barry Callebaut's market capitalization based on issued shares was CHF 7,574.6 million (August 31, 2016: CHF 6,937.9 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.11% of the shares issued (August 31, 2016: 50.11%).

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

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

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

Basis of presentation

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

For consolidation purposes, Barry Callebaut AG and its subsidiaries prepare financial statements using the historical cost basis as disclosed in the accounting policies below, except for the measurement of derivative financial instruments, trade receivables and defined benefit obligations. Derivative financial instruments and trade receivables that are managed and sold under the asset-backed securitization program are measured at fair value. Defined benefit obligations are accounted for according to the projected unit credit method.

Due to rounding, the figures presented in the tables may not add up precisely to the totals provided.

Changes in accounting policies

There were no amendments on IFRS with material impact on the Group's Financial Statements in the current fiscal year.

Use of judgment and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the

Consolidated Financial Statements

reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

Information related to judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the Consolidated Financial Statements together with assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending August 31, 2017, are included in the following notes:

Note 1	Acquisitions: fair value measurement
Note 18	Intangible assets – Allocation of goodwill to CGU's/Impairment test: key assumptions underlying recoverable amounts
Note 19	Deferred tax assets and liabilities – Recognition of deferred tax assets: availability of future taxable profits against which tax loss carry-forwards can be utilized
Note 24	Employee benefit obligations – Measurement of defined benefit obligations: key actuarial assumptions
Note 22	Provisions: recognition of provisions

Scope of consolidation/subsidiaries

The Consolidated Financial Statements of the Group include all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies which it controls. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Non-controlling interests are shown as a component of equity in the balance sheet, and the share of the net profit attributable to non-controlling interest is shown as a component of the net profit for the year in the Consolidated Income Statement. Newly acquired companies are consolidated from the date control is transferred (the effective date of acquisition), using the acquisition method. Subsidiaries disposed of are included up to the effective date of disposal.

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

Transactions with non-controlling interests

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

Interests in equity-accounted investees

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

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share of the income and expenses and equity movements of equity-accounted investees from the date that significant influence or joint control commences until the date significant influence or joint control ceases.

Foreign currency transactions

The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into respective functional currencies at the exchange rate prevailing at the reporting date. Any resulting exchange gains and losses are taken to the income statement. If related to commercial transactions or to the measurement of financial instruments in coverage of commercial transactions, such foreign currency gains and losses are classified as cost of goods sold. Otherwise, foreign currency gains and losses are classified as finance income and finance cost.

Foreign currency translation

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

Major foreign exchange rates

	2016/17		2015/16	
	Closing rate	Average rate	Closing rate	Average rate
BRL	0.3034	0.3080	0.3019	0.2683
EUR	1.1428	1.0864	1.0948	1.0908
GBP	1.2393	1.2514	1.2846	1.4164
RUB	0.0164	0.0165	0.0151	0.0145
USD	0.9583	0.9889	0.9820	0.9820
XOF/XAF (unit 1,000)	1.6918	1.6470	1.6697	1.6633

Cash and cash equivalents

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

Trade receivables

Trade receivables, with the exception of those receivables that are managed under the asset-backed securitization program, are stated at amortized cost, less lifetime expected credit losses. For further information on impairment allowances refer to "Allowance for impairment losses of financial assets."

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

Derivative financial instruments and hedging activities

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

As the Group also acts as cocoa bean trader, certain cocoa bean purchase and sales contracts are net cash settled and therefore, contracts allocated to the same portfolio are treated as derivative contracts.

Additionally, the Group applies the fair value option for its executory forward purchase and sale contracts (available under IFRS 9 as an alternative to the off-balance sheet treatment). These exemptions are applied for those cocoa contracts where the measurement eliminates or significantly reduces an accounting mismatch that would otherwise occur on own use contracts.

Hedge accounting

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

The Group is also exposed to increasing sugar prices with regards to its forecasted sugar purchases. The Group therefore applies cash flow hedge accounting when it hedges its sugar price risk embedded in its forecasted sugar purchases with sugar futures.

The Group also enters into long fuel oil swaps to hedge its exposure to fuel oil price movements in its forecasted freight expenditures and it applies cash flow hedge accounting for this hedging relationship.

The Group and its subsidiaries enter into sales and purchase contracts and have highly probable transactions denominated in various currencies and consequently are exposed to foreign currency risks, which are hedged by the Group's centralized treasury department or – in case of legal restrictions – with local banks.

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

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

To reflect the Group's activities of hedging its cocoa price risk exposure embedded in the cocoa and chocolate stocks and unrecognized firm commitments, the Group applies fair value hedge accounting. In this fair value hedge accounting relationship, the chocolate stocks and unrecognized firm sales commitments and the cocoa stocks, unrecognized firm purchase and sales commitments, respectively, are designated as hedged items whereby cocoa bean futures are designated as hedging instruments. When cocoa and chocolate inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the inventory attributable to the hedged cocoa price risk is adjusting the carrying amount of the hedged item (change of inventory cost value) with a corresponding gain or loss in the Consolidated Income Statement.

When unrecognized firm cocoa and chocolate commitments (purchase and sales contracts) are designated as hedged items, the subsequent cumulative change in the fair value of these contracts attributable to the hedged cocoa price risk is recognized as an asset or a liability (reported as "Derivative financial assets" and "Derivative financial liabilities") with a corresponding gain or loss in the Consolidated Income Statement. The hedging instrument is recorded at fair value under "Derivative financial assets" or "Derivative financial liabilities", and the changes in the fair value of the hedging instrument are also recognized in the Consolidated Income Statement.

For foreign currency exchange risks related to firm purchase and sales commitments in certain entities, fair value hedge accounting is applied. The hedge relationship is between the unrecognized firm commitments (hedged items) and the foreign currency forward contracts and/or monetary items (hedging instruments). The changes in fair value of the hedging instruments (attributable to foreign currency exchange rate movements) are recognized in the Consolidated Income Statement. The cumulative change in the fair value of the hedged items (unrecognized firm commitments) attributable to the foreign currency risk is recognized as "Trade receivables and other current assets" or "Trade payables and other current liabilities" with a corresponding gain or loss in the Consolidated Income Statement.

Cash flow hedging – for commodity price risks (cocoa price risk, sugar and fuel oil) and foreign currency exchange risks arising from forecasted purchase and sales transactions and firm commitments

The Group enters into sugar futures to hedge the sugar price risk exposure embedded in certain forecasted sugar purchases, and into foreign exchange forward and futures contracts to hedge the currency risk arising from these forecasted sugar purchases.

The Group applies cash flow hedge accounting for these hedging relationships whereby the sugar futures and the foreign exchange forwards and futures are designated as hedging instruments to hedge the variability in cash flows attributable to the risk of sugar price movements and to the foreign currency risk, respectively, in the hedged forecasted sugar purchases.

The Group is also exposed to increasing fuel oil prices in its forecasted freight expenditures. Accordingly, it enters into long fuel oil swaps to hedge this fuel oil price risk exposure embedded in its forecasted freight expenditures, and into foreign exchange forward and futures contracts to hedge the currency risk arising from these forecasted transactions.

The Group applies cash flow hedge accounting for these hedging relationships whereby the long fuel oil swaps and the foreign exchange forwards and futures are designated as hedging instruments to hedge the variability in cash flows attributable to the risk of fuel oil price movements and to the foreign currency risk, respectively, in its hedged forecasted freight expenditures.

To a small extent, the Group also enters into exchange traded cocoa bean futures to hedge the cocoa price risk arising from forecasted sales of cocoa ingredients, and into foreign exchange forward and futures contracts to hedge the currency risk arising from forecasted cocoa sales transactions denominated in foreign currencies.

The related entities apply cash flow hedge accounting whereby the cocoa bean futures and the foreign exchange forwards and futures are designated as hedging instruments to the underlying forecasted sales to hedge the variability in cash flow that is attributable to the risk of cocoa price movements and to the foreign exchange risk, respectively.

Cash flow hedging – for interest rate risks

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

Accounting for cash flow hedges

For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income. Gains or losses that are recognized in other comprehensive income are transferred to the Consolidated Income Statement in the same period in which the hedged exposure affects the Consolidated Income Statement. The ineffective part of any gain or loss is recognized immediately in the Consolidated Income Statement at the time hedge effectiveness is tested.

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

No hedge accounting designation

The Group's purchasing and sourcing centers and the Group's centralized treasury department have derivative financial instruments that are measured at fair value without being assigned to a hedge accounting relationship.

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

Other financial assets

Other financial assets are the items that are reported in the lines "Loans and other receivables" and "Other current financial assets" in note 12 – "Trade receivables and other current assets". Other financial assets are classified as measured at amortized cost less expected impairment losses. The Group's other financial assets have contractual cash flows that are solely principal, and the Group's interest and business model is to hold these assets to collect contractual cash flows.

All purchases and sales of financial assets are recognized on the trade date. Financial assets are recognized when the Group becomes a party to the contractual provisions and are initially measured at fair value, which represents the consideration given for them, plus transaction costs.

For further information on impairment allowances refer to "Allowance for impairment losses of financial assets."

Financial assets are derecognized when the Group loses control of the contractual rights to the cash flows of the assets. Such control is lost when the rights and benefits specified in the contract are realized, expired, or are surrendered.

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Allowance for impairment losses of financial assets

At each reporting date, the Group recognizes an impairment allowance for financial assets measured at amortized cost.

The impairment allowance represents the Group's estimates of lifetime expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

Impairment losses are reflected in the allowance account of the respective financial asset class and recognized in the Consolidated Income Statement as followed:

Financial asset class	Line item in Consolidated Income Statement
Cash and Cash Equivalents	Financial expenses
Deposits	Other expenses
Trade receivables	Revenue from sales and services
Other receivables	Other expenses
Other financial assets	Revenue from sales and services

Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises the costs of materials, direct production costs including labor costs and an appropriate proportion of production overheads and factory depreciation. Those inventories that are allocated as hedged items in a fair value hedge relationship are adjusted for the change in the fair value attributable to the hedged cocoa price risk.

For movements in inventories, the average cost method is applied. Net realizable value is defined as the estimated selling price less costs of completion, direct selling and distribution expenses.

Intangible assets

Goodwill

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

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units (CGU). The Group defines its CGU for goodwill impairment testing based on the way that it monitors and derives economic benefits from the acquired goodwill. The impairment tests are performed by comparing the carrying value of the assets of these CGU with their recoverable amount, based on their value in use, which corresponds to their future projected cash flows discounted at an appropriate pre-tax rate of return. The cash flows correspond to estimates made by Group Management in financial plans and business strategies covering a period of three years after making adjustments to consider the assets in their current condition. They are then projected to perpetuity using a multiple which corresponds to a steady growth rate. The Group assesses the uncertainty of these estimates by making sensitivity analyses. Where the recoverable amount of the CGU is less than the carrying amount, an impairment loss is recognized.

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Research and development costs

Research costs are expensed as incurred.

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

Brand names, licenses and other intangible assets

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

Property, plant and equipment

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

Estimated useful lives of major classes of depreciable assets are:

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

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

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

Borrowing costs

Borrowing costs related to the acquisition, construction, or production of a qualifying asset are capitalized in accordance with IAS 23. A qualifying asset is an asset that necessarily takes a substantial period of time in order to use or sell it as intended by the group management.

Leased assets

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

Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the income statement over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under an operating lease are charged to the income statement on a straight-line basis over the term of the lease.

Financial liabilities

This accounting policy applies to the items that are reported in lines "Bank overdrafts," "Short-term debt," and "Long-term debt" in the Consolidated Balance Sheet and to the items reported under section "Payables representing financial liabilities" in note 21 – "Trade payables and other current liabilities."

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

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate thereof can be made.

Provisions are recorded for identifiable claims and restructuring costs. Restructuring provisions mainly comprise employee termination payments. Specific provisions for restructuring costs are recorded at such time as the management approves the decision to restructure and a formal plan for restructuring is communicated.

Employee benefit obligations/post-employment benefits

Defined benefit plans – General

The Group operates, in addition to legally required social security schemes, a number of independent defined retirement benefit plans and other post-retirement or long-term employee benefit plans, which conform to local legal and tax requirements. The majority of the Group's reported employee benefit obligations relate to plans located in the US, the United Kingdom, Belgium and Switzerland.

Defined benefit plans cover employees and certain family members in the event of retirement, disability, death in service or termination of employment. Other non-retirement-related defined benefit plans in a small number of Group entities include post-retirement benefit plans as well as long-service award plans for active employees. In most cases, these plans are externally funded in vehicles that are legally separated from the employer and operated by external service providers. However, for certain Group entities representing a small minority of the reported employee benefit obligations, no independent plan assets exist for defined benefit plans. For these plans, the related unfunded liability is included in the balance sheet.

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, applying the discount rate and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by qualified actuaries using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurement of the net defined benefit liability (comprises of actuarial gains and losses, the return on plan assets and the effect of the asset ceiling) are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in profit or loss. The Group recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

The Group’s employee benefit schemes are exposed to changes in legislation and to investment return and matching risks, longevity risks and solvency risks. These risks may all require additional contributions and are therefore reviewed on a regular basis by the companies’ management or by the relevant Board of Trustees as follows:

- Changes in legislation: monitoring of country-specific legislation changes
- Investment return risk: analysis and optimization of the allocation and performance of assets as well as monitoring of compliance with investment guidelines
- Investment matching risk: analysis and optimization of asset-liability matching and periodic fair valuation of assets and liabilities
- Longevity risk: analysis of mortality assumptions and monitoring of demographic development
- Solvency risk: monitoring of solvency of external solution providers

Defined benefit plans – Switzerland

The retirement benefit plans for all Swiss Group entities are defined benefit plans where contributions are expressed as a percentage of the insured actual salary. Members benefit from a guaranteed minimum interest on accrued savings and conversion rates at retirement in accordance with the Swiss Federal Law on compulsory occupational pension plans (BVG). This law defines the minimum pensionable salary and the minimum retirement credits. In addition to retirement benefits, the Swiss retirement benefit plans also provide for temporary partial or total disability benefits as well as for pre-retirement death benefits including widows’ and orphans’ benefits.

The benefit plans are outsourced to external insurance companies, which are responsible for the operation of the plan including the allocation of plan assets. The governance and the supervision as well as the responsibility to make changes in the plan lie with a Board of Trustees. It consists equally of employer and employee nominated representatives.

The applicable regulation requires the retirement benefit plans of all Swiss Group entities to be funded on the basis of employer and employee contributions, including risk premiums and savings contributions. In case of underfunding, recovery measures must be taken, such as additional financing from the employer or from the employer and employees, or reduction of benefits or a combination of both.

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Defined benefit plans – Other countries

In the US, the Group maintains a retirement benefit plan only for pensioners and deferred pensioners related to a discontinued operation. In addition, the Group offers a defined post-retirement medical benefit plan for active employees. This plan is governed by a Board of Trustees.

In Belgium, the Group operates defined benefit plans for events of retirement, actual and potential early retirement, temporary and permanent disability and death in service as well as a long-service award plan. The retirement benefit plans are funded by a combination of employer and employee contributions as regulated by the Belgian Pension Act.

In the United Kingdom, the Group operates a defined benefit retirement scheme in which members receive benefits based on the final salary with the contributions paid by the employer and the employees. This plan is, however, closed to new entrants and frozen for the existing beneficiaries as of January 31, 2014. As of February 1, 2014, all eligible employees are covered by a defined contribution plan which is run by a Board of Trustees in accordance with the UK Pension legislation.

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

Post-retirement benefits other than pensions

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

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognizes costs for restructuring.

If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, they are discounted.

Employee stock ownership program (Long-Term Incentive Plan [LTIP])

For the Long-Term Incentive Plan (LTIP), Barry Callebaut AG shares are purchased on the market and passed on to satisfy the awards. In accordance with IFRS 2, the compensation costs relating to share awards granted under this deferred share plan are recognized in the Consolidated Income Statement over the vesting period at their fair value as at the grant date.

Other long-term employee benefits

Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations. Related costs of such benefits are recognized in the Consolidated Income Statement. The related liability is included in other long-term liabilities.

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Taxes

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

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

The Group determines the expected income tax rate by weighing the applicable tax rates in the jurisdictions concerned based on the mix of the profit before taxes per jurisdiction.

The applicable expected tax rate per company is the domestic corporate income tax rate applicable to the profit before taxes of the company for the respective fiscal year.

Deferred income taxes are recognized using the balance sheet liability method. Deferred income tax applies to all temporary differences arising between the tax values of assets and liabilities and their values in the Consolidated Financial Statements.

Revenue recognition

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

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

Gains and losses related to trading of raw materials, which are fair valued, are netted.

Interest income is recognized as it accrues on an effective yield basis, when it is determined that such income will flow to the Group. Dividends are recognized when the right to receive the payment is established.

Government grants

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

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

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group’s Executive Committee, consisting of the Group Chief Executive Officer, the Chief Financial Officer and the Presidents of the Regions Europe, Americas and Global Cocoa as well as the Chief Operations Officer, the Chief Innovation & Quality Officer and the Chief Human Resources Officer.

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Introduction of new standards in 2016/17 and later

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after September 1, 2016, and have not been applied in preparing these Consolidated Financial Statements. The impacts on the financial statements of the standards and amendments, which are relevant, are disclosed below the table. The Group does not plan to adopt these standards early.

	Effective date	Planned application by the Group in fiscal year
New Standards or Interpretations		
IFRS 15 Revenue from Contracts with Customers and related Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018	Fiscal year 2018/19
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 1, 2018	Fiscal year 2018/19
IFRS 16 Leases	January 1, 2019	Fiscal year 2019/20
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019	Fiscal year 2019/20
Revisions and amendments of Standards and Interpretations		
Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)	January 1, 2017	Fiscal year 2017/18
Disclosure Initiative (Amendments to IAS 7)	January 1, 2017	Fiscal year 2017/18
Annual Improvements to IFRS Standards2014-2016 Cycle: - Amendments to IFRS 12 Disclosure of Interests in Other Entities - Amendments to IAS 28 Investments in Associates and Joint Ventures	 January 1, 2017 January 1, 2018	 Fiscal year 2017/18 Fiscal year 2018/19
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 1, 2018	Fiscal year 2018/19

IFRS 15 Revenue Recognition

The standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: revenue may be recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the good or service is transferred to the customer. For complex transactions with multiple components and/or variable amounts of consideration, or when the work is carried out under contract for an extended period of time, applying the standard may lead to revenue being accelerated or deferred in comparison with current requirements.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue should be recognized.

The Group will adopt IFRS 15 for the financial year starting September 1, 2018, using the cumulative effect method. In accordance with this method the transitional adjustment will be recognized in the retained earnings at the date of the initial application without adjustment of comparatives.

The Group has performed a preliminary assessment of the impact of the respective standard. Further detailed analysis is ongoing.

IFRS 16 Leasing

The new standard was issued on January 13, 2016, and will replace IAS 17 Leases. The biggest change introduced by the new standard is that leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements.

IFRS 16 will become effective for financial year 2019/20. Potential impacts on the Group's Consolidated Financial Statements have not yet been fully assessed.

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IFRIC 23 Uncertainty over Income Tax Treatments

IAS 12 Income Taxes provides requirements for the recognition and measurement of current or deferred income tax liabilities and assets. It does not provide specific requirements for the accounting for income tax when the application of tax law to a particular transaction or circumstance is uncertain. In cases where the application of tax law is uncertain, companies use varied accounting treatments, which makes it hard for investors to meaningfully compare companies' financial positions and performances.

IFRIC 23 Uncertainty over Income Tax Treatments includes requirements that improve the consistency and transparency of accounting for uncertain income tax treatments.

IFRIC 23 will become effective for financial year 2019/20. Potential impacts on the Group's Consolidated Financial Statements have not yet been fully assessed.

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Notes to the Consolidated Financial Statements

1 Acquisitions

Acquisition in 2016/17

On September 15, 2016, Barry Callebaut Group announced its intention to acquire and integrate the chocolate production facility of Mondelēz International in Halle, Belgium, and to enter into a long-term agreement for the supply of additional 30,000 tonnes of liquid chocolate per year to Mondelēz International.

The transaction was successfully closed on December 31, 2016, when the Group acquired 100% of the outstanding shares in Mondelēz Belgium Production BVBA.

The consideration transferred was CHF 5.3 million, thereof CHF 5.1 million fully paid in cash. The remaining CHF 0.2 million will be paid out in two tranches, the first one due in January 2018, and the last one in January 2019. The deferred consideration is not subject to any conditions.

The acquisition-related costs, in the amount of CHF 1.9 million were expensed (included in other expenses).

in thousands of CHF	2016/17
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,840
Receivables and other current assets	7,442
Property, plant & equipment	43,259
Intangible assets	142
Deferred tax assets	2,468
Other non-current assets	14,066
Total assets	**75,217**
Other current liabilities	(4,312)
Provisions (current and non-current)	(35,518)
Employee benefit obligations	(5,117)
Deferred tax liabilities	(4,969)
Total liabilities	**(49,916)**
Total identifiable net assets	**25,301**
Negative goodwill (badwill)	(19,960)
Total consideration at fair value	**5,341**
thereof:	
cash paid	5,162
consideration deferred	179

The negative goodwill (badwill) of CHF 20.0 million arising from the acquisition reflects investment needs as well as additional costs and inefficiencies to be incurred by integrating the plant into the factory network and standards of Barry Callebaut, elements which have also been considered in the business plan underlying the acquisition. The negative goodwill (badwill) is included in other income and is allocated to segment EMEA.

Since January 1, 2017, the acquired business contributed CHF 68.2 million to revenues from sales and services and CHF 1.6 million to net profit. Had it been consolidated from September 1, 2016, it would have contributed revenues from sales and services of CHF 102.3 million and net profit for the fiscal year of CHF 2.5 million to the Consolidated Income Statement.

The purchase price allocation is still preliminary, but the Group does not expect any measurement period adjustments.

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Acquisitions in 2015/16

FrieslandCampina Kievit

On March 1, 2016, Barry Callebaut Group has closed the agreement to acquire the commercial beverages vending activities from FrieslandCampina Kievit. The transaction also includes a long-term contract manufacturing agreement under which FrieslandCampina Kievit will continue to produce vending products for Barry Callebaut, such as the Satro Quality Drinks range, at its state-of-the-art production site in Lippstadt, Germany. The acquired activities represent approximately 20,000 tonnes of additional sales volume and CHF 55 million (EUR 50 million/USD 55 million) of additional sales revenue for Barry Callebaut.

The consideration transferred was CHF 26.2 million fully paid in cash. The agreements with the seller do not contain arrangements for contingent considerations.

The Group expensed acquisition-related costs, such as fees for due diligence work and lawyers of CHF 0.5 million over the course of the project immediately in the Consolidated Income Statement (included in "General and administration expenses"), of which all was recognized in the current fiscal period.

The goodwill of CHF 15.9 million arising from the acquisition of FrieslandCampina Kievit is attributable to the integration of the business into the Group's existing business as well as for strengthening BC's range of specialty products, further developing beverage and vending business by getting access to the latest process technology, increasing BC's innovation power and expanding the product offering. The goodwill has been allocated to Region EMEA and is expected to be deductible for income tax purposes. No measurement period adjustments have been made in FY 2016/17.

The revenue included in the Consolidated Income Statement for FrieslandCampina Kievit since March 1, 2016, was CHF 22.5 million. FrieslandCampina Kievit has also contributed CHF 2.4 million to net profit over the same period. Had FrieslandCampina Kievit been consolidated from September 1, 2015, it would have contributed revenue of CHF 50.3 million and net profit for the fiscal year of CHF 6.7 million to the Consolidated Income Statement.

Nyonkopa Cocoa Buying Company Limited

On November 5, 2015, Barry Callebaut Group closed an agreement to acquire Nyonkopa Cocoa Buying Company Limited in Ghana. Nyonkopa is among the top ten private Licensed Buying Companies in Ghana authorized by the Ghana Cocoa Board (COCOBOD) to buy cocoa from farmers and to sell it to the Cocoa Marketing Company of the COCOBOD. The COCOBOD oversees the cocoa sector in Ghana, including quality control, sales and marketing.

Nyonkopa will be integrated into the Biolands Group, Barry Callebaut's direct sourcing organization, so far present in Côte d'Ivoire and Tanzania.

The consideration transferred was CHF 0.7 million. Thereof CHF 0.2 million were paid in November 2015. The remaining CHF 0.5 million were paid in May 2016 after agreed Key Performance Indicators had been achieved.

The acquisition-related costs, in the amount of CHF 0.1 million were expensed (included in General and administration expenses).

The total identifiable assets were CHF –0.4 million, split into CHF 0.9 million assets and CHF 1.3 million liabilities. The remaining goodwill of CHF 1.1 million for Nyonkopa is attributable to the value created by the integration of the business into the Group's existing business, such as improved access to Ghanaian farmers at farm level and the possibility to source directly from them and to provide the farmers with farm services. This is in line with Barry Callebaut's strategy to make cocoa farming more sustainable and attractive to farmers and the approach to focus on farmer productivity and community development. The goodwill has been allocated to Region Global Cocoa and is expected to be deductible for income tax purposes. No measurement period adjustments have been made in FY 2016/17.

The revenue included in the Consolidated Income Statement since November 5, 2015, contributed by Nyonkopa was CHF 33.5 million. Nyonkopa has also contributed CHF 0.8 million to net profit over the same period. Had Nyonkopa been consolidated from September 1, 2015, it would have contributed revenue of CHF 33.9 million and net profit for the fiscal year of CHF 0.9 million to the Consolidated Income Statement.

in thousands of CHF	2015/16
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	10,550
Non-current assets	904
Current liabilities	(1,529)
Non-current liabilities	–
Total identifiable net assets	**9,925**
Goodwill	17,003
Total consideration at fair value	**26,928**
thereof:	
Cash paid	26,928
Consideration deferred	–

2 Discontinued operations and disposal

The Group did not have any discontinued operations and disposals in 2016/17 and 2015/16.

3 Segment information

External segment reporting is based on the internal organizational and management structure, as well as on the internal information reviewed regularly by the Chief Operating Decision Maker. Barry Callebaut's Chief Operating Decision Maker has been identified as the Executive Committee.

The Executive Committee considers the business from a geographic view. Hence, Presidents were appointed for each region. Since the Group's cocoa activities operate independently of the Regions, the Global Cocoa business is reviewed by the Chief Operating Decision Maker as an own segment in addition to the geographical Regions EMEA (Europe, Middle East and Africa), Americas and Asia Pacific. Furthermore, the Executive Committee also views the Corporate function independently. The function "Corporate" consists mainly of headquarters services (incl. the Group's centralized treasury department) to other segments. Thus, the Group reports Corporate separately.

The segment Global Cocoa is responsible for the procurement of ingredients for chocolate production (mainly cocoa; sugar, dairy and nuts are also common ingredients) and the Group's cocoa-processing business. Approx. 50% of the revenues of Global Cocoa are generated with the other segments of the Group.

The regional chocolate business consists of chocolate production related to the Product Groups "Food Manufacturers Products" focusing on industrial customers and "Gourmet & Specialties Products" focusing on products for artisans and professional users of chocolate such as chocolatiers, pastry chefs or bakers as well as products for vending machines.

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Financial information by reportable segments

2016/17 in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenues from external customers	2,900,225	1,668,711	347,938	1,888,282	6,805,156	–	–	6,805,156
Revenues from transactions with other operating segments of the Group	4,113	800	–	1,833,798	1,838,711	–	(1,838,711)	–
Revenue from sales and services	**2,904,338**	**1,669,511**	**347,938**	**3,722,080**	**8,643,867**	**–**	**(1,838,711)**	**6,805,156**
Operating profit (EBIT)	**316,236**	**160,402**	**38,685**	**64,876**	**580,199**	**(92,035)**	**–**	**488,164**
Depreciation and amortization	**(48,647)**	**(30,560)**	**(9,057)**	**(59,567)**	**(147,832)**	**(2,111)**	**–**	**(149,943)**
Impairment losses	**(856)**	**–**	**(1)**	**(988)**	**(1,846)**	**–**	**–**	**(1,846)**
Interest income						**5,182**		**5,182**
Interest expenses						**(105,026)**		**(105,026)**
Total assets	**1,580,718**	**1,028,885**	**185,887**	**2,494,790**	**5,290,280**	**2,163,642**	**(1,919,849)**	**5,534,073**
Additions to property, plant, equipment and intangible assets	(81,411)	(59,911)	(10,962)	(57,061)	(209,345)	(11,092)	–	(220,438)

2015/16 in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenues from external customers	2,738,963	1,622,894	306,790	2,008,119	6,676,766	–	–	6,676,766
Revenues from transactions with other operating segments of the Group	5,014	662	–	1,904,239	1,909,915	–	(1,909,915)	–
Revenue from sales and services	**2,743,977**	**1,623,556**	**306,790**	**3,912,358**	**8,586,681**	**–**	**(1,909,915)**	**6,676,766**
Operating profit (EBIT)	**289,556**	**147,199**	**32,244**	**17,645**	**486,643**	**(84,950)**	**–**	**401,694**
Depreciation and amortization	**(44,649)**	**(29,428)**	**(7,624)**	**(53,677)**	**(135,379)**	**(2,359)**	**–**	**(137,737)**
Impairment losses	**(674)**	**–**	**(4)**	**(0)**	**(678)**	**–**	**–**	**(678)**
Interest income						**3,519**		**3,519**
Interest expenses						**(108,940)**		**(108,940)**
Total assets	**1,427,009**	**819,134**	**186,322**	**2,694,172**	**5,126,637**	**2,141,037**	**(1,626,870)**	**5,640,803**
Additions to property, plant, equipment and intangible assets	(82,420)	(42,864)	(15,364)	(54,319)	(194,968)	(23,956)	–	(218,924)

Global Cocoa comprises Group-wide sourcing and Global Cocoa processing functions also for the benefit of all the regions. Therefore, the major part of its operation profit is consequently allocated to the regions.

Segment revenue, segment results (operating profit EBIT) and segment assets are measured based on IFRS principles.

Finance income and costs, the Group's share of result of equity-accounted investees and income taxes are not allocated to the respective segment for internal management purposes.

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Additional entity-wide disclosures

Information on geographical regions

Barry Callebaut is domiciled in Switzerland; however, its major revenues are generated in other countries. The following table shows revenues and non-current assets excluding investments in equity-accounted investees, deferred tax assets and other non-current assets.

	2016/17	2015/16	2016/17	2015/16
in thousands of CHF	Revenues		Non-current assets[1]	
United States	1,187,929	1,195,047	320,139	304,646
Germany	497,792	508,155	89,660	89,421
France	466,760	460,102	78,571	76,165
United Kingdom	432,900	422,720	43,024	44,279
Belgium	423,335	492,722	431,074	356,592
Brazil	390,634	346,414	90,494	87,458
Mexico	346,628	321,989	29,321	27,014
Italy	312,552	332,554	29,451	25,426
Rest of Europe	1,597,640	1,458,300	528,247	488,952
Rest of Americas	333,531	332,854	137,033	126,042
Asia Pacific	815,455	805,909	534,908	563,522
Total	**6,805,156**	**6,676,766**	**2,311,923**	**2,189,516**

1 Property, plant and equipment + intangible assets.

Information on Product Groups

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

Segment Information by Product Group

in thousands of CHF	2016/17	2015/16
Cocoa Products	1,888,282	2,008,119
Food Manufacturers	3,829,446	3,673,471
Gourmet & Specialties	1,087,428	995,177
Revenues from external customers	**6,805,156**	**6,676,766**

In fiscal year 2016/17, the biggest single customer contributed CHF 759.7 million or 11.2% of total revenues reported across various regions (2015/16: CHF 902.9 million or 13.5%). No other single customer contributed more than 10% of total consolidated revenues.

4 Personnel expenses

in thousands of CHF	2016/17	2015/16
Wages and salaries	(436,747)	(408,845)
Compulsory social security contributions	(82,352)	(74,144)
Equity-settled share-based payments	(12,256)	(12,226)
Expenses related to defined benefit pension plans	(12,335)	(11,702)
Expenses related to other long-term benefit plans	(1,184)	(131)
Contributions to defined contribution plans	(2,584)	(2,656)
Increase in liability for long service leave	(108)	(33)
Total personnel expenses	**(547,566)**	**(509,737)**

5 Research and Development expenses

in thousands of CHF	2016/17	2015/16
Total Research and Development expenses	**(22,412)**	**(20,436)**

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

6 Other income

in thousands of CHF	2016/17	2015/16
Gain on disposal of property, plant and equipment	1,048	159
Group training centers, museums, outlets and rental income	2,973	2,531
Sale of shells of cocoa beans, waste and sundry sales	8,893	8,794
Litigations, claims and insurance	446	645
Release of unused provisions and accruals	628	1,454
Recognition of negative goodwill on acquisitions (note 1)	19,960	–
Other	1,648	1,883
Total other income	**35,597**	**15,466**

Other income also includes CHF 0.3 million related to the subsidy from Takasaki City (prior year: CHF 0.4 million).

7 Other expenses

in thousands of CHF	2016/17	2015/16
Restructuring costs	(1,624)	(5,029)
Litigations and claims, incl. government claims	(7,873)	(2,633)
Loss on sale of property, plant and equipment	(962)	(1,171)
Impairment on property, plant and equipment (note 15)	(988)	–
Impairment on other intangibles (note 18)	(857)	(678)
Impairment of financial instruments (note 26)	(926)	–
Acquisition related costs (note 1)	(1,885)	–
Other	(4,132)	(5,188)
Total other expenses	**(19,248)**	**(14,699)**

In the fiscal year 2016/17, the restructuring costs were mainly related to launch of the new Process Driven Organization (PDO) project in Global Cocoa.

Other expenses include loss on sale of waste, costs related to chocolate museums and dismantling costs.

In the fiscal year 2015/16, restructuring costs include severance costs in connection with the setup of the Shared Service Center (SSC) in Lodz, Poland, and restructuring (reduction of capacity) in Asia.

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8 Finance income

in thousands of CHF	2016/17	2015/16
Interest income	5,182	3,519
Gain on derivative financial instruments	–	796
Total finance income	**5,182**	**4,314**

9 Finance costs

in thousands of CHF	2016/17	2015/16
Interest expenses	(105,026)	(108,940)
Amortized structuring fees	(4,960)	(3,137)
Charges on undrawn portion of committed credit facilities	(2,802)	(2,995)
Net interest costs related to defined benefit plans	(5,349)	(5,468)
Total interest expenses	**(118,137)**	**(120,540)**
Bank charges and other financial expenses	(4,699)	(5,829)
Foreign exchange losses, net	(2,565)	(7,614)
Loss on derivative financial instruments	(1,583)	(5,724)
Total finance costs	**(126,985)**	**(139,708)**

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

Structuring fees are mainly attributable to the amortization of fees capitalized for the EUR 750 million Revolving Credit Facility, as amended and extended in June 2017, the EUR 250 million Senior Note, issued June 2011, the USD 400 million Senior Note, issued June 2013, and the EUR 450 million Senior Note, issued May 2016.

Structuring fees for fiscal year 2016/2017 also include the full amortization of the remaining capitalized fees under the EUR 600 million Revolving Credit Facility as a result of the amendment and extension in June 2017.

Charges on the undrawn portion of committed credit facilities decreased slightly in fiscal year 2016/17.

The foreign exchange losses are mainly attributable to price volatility in the global foreign currency markets.

10 Income tax expenses

in thousands of CHF	2016/17	2015/16
Current income tax expenses	(31,962)	(47,605)
Deferred income tax expenses	(31,634)	75
Total income tax expenses	**(63,596)**	**(47,530)**

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Reconciliation of income taxes

in thousands of CHF	2016/17	2015/16
Profit before income taxes	**366,519**	**266,491**
Expected income tax expenses at weighted average applicable tax rate	(67,171)	(80,900)
Non-tax deductible expenses	(3,280)	(7,521)
Tax-deductible items not qualifying as an expense under IFRS	15,521	45,044
Tax-exempt income	14,793	1,594
Income recognized for tax declarations purposes only	(1,498)	(3,128)
Prior-period-related items	(149)	(745)
Changes in tax rates	(215)	(251)
Losses carried forward not yet recognized as deferred tax assets	(31,348)	(30,652)
Tax relief on losses carried forward formerly not recognized as deferred tax assets	9,751	29,028
Total income taxes	**(63,596)**	**(47,530)**

For the reconciliation above the weighted average tax rate was 18.3% in 2016/17 (2015/16: 30.4%).

The weighted average applicable tax rate has, year-on-year, decreased predominantly due to the increased profitability of the Group and an improved outlook. This has led to lower relative ineffective current year tax losses. To a lesser degree the decrease has also been due to the Group's centralized business model which has established a more favorable distribution of pre-tax profits.

The tax relief on losses carried forward previously not recognized as deferred tax assets of CHF 9.8 million (2015/16: CHF 29.0 million) consists of CHF 4.7 million tax relief of utilization on tax losses carried forward previously not recognized (2015/16: CHF 18.3 million) and CHF 5.1 million of tax losses recognized for the first time in 2016/17 (2015/16: CHF 10.7 million).

11 Earnings per share

in CHF	2016/17	2015/16
Basic earnings per share from continuing operations (CHF/share)	55.12	39.57
Diluted earnings per share (CHF/share)	54.83	39.43

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

in thousands of CHF	2016/17	2015/16
Net profit for the year attributable to shareholders of the parent company, used as numerator for basic earnings per share adjusted for net loss from discontinued operations	302,287	217,050
After-tax effect of income and expenses on dilutive potential ordinary shares	–	–
Adjusted net profit for the year used as numerator for diluted earnings per share	**302,287**	**217,050**

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

	2016/17	2015/16
Weighted average number of shares issued	5,488,858	5,488,858
Weighted average number of treasury shares held	(4,548)	(4,180)
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,484,310	5,484,678
Dilution potential of equity-settled share-based payments	28,510	19,522
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	**5,512,820**	**5,504,200**

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12 Trade receivables and other current assets

as of August 31,	2017	2016
in thousands of CHF		
Trade receivables	408,808	436,604
Accrued income	17,279	37,324
Loans and other receivables	35,326	155,299
Other current financial assets	22,138	18,161
Receivables representing financial assets	**483,551**	**647,387**
Fair value of hedged firm commitments	21,467	14,857
Prepayments	81,114	63,425
Other current non-financial assets	952	1,276
Other taxes and receivables from government	167,440	201,831
Other receivables	**270,972**	**281,388**
Total trade receivables and other current assets	**754,523**	**928,776**

Trade receivables have slightly decreased in comparison to prior year. There has also been a major decrease in broker ledger balance reported as part of loans and other receivables. This change is mainly attributable to the lower cocoa product prices.

The Group runs an asset-backed securitization program, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The amount of the receivables sold net of discounts as at August 31, 2017, is CHF 395.4 million (2016: CHF 357.6 million). This amount is derecognized from the balance sheet. The amount is the combination of the gross value of the receivables sold CHF 420.4 million (CHF 388.0 million as of August 31, 2016) and the discount applicable CHF 25.0 million (CHF 30.4 million as of August 31, 2016).

Net amounts payable to the program amounted to CHF 48.7 million as at August 31, 2017 (2016: CHF 73.6 million), consisting of the balance of receivables collected before the next rollover date of CHF 73.7 million (2016: CHF 104.0 million), less the discount on receivables sold of CHF 25.0 million (2016: CHF 30.4 million). These amounts are included in note 21 – "Trade payables and other current liabilities" on a netted basis.

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

Trade receivables with the fair value of CHF 94.3 million (and CHF 94.4 million nominal amount) as at August 31, 2017 (2016: fair value CHF 77.5 million, nominal amount CHF 77.5 million), are held for realization through sale under the asset-backed securitization program and are therefore classified as measured at fair value through profit or loss. All other trade receivables, accrued income, loans, other receivables and other current financial assets are measured at amortized costs.

Interest expense paid under the asset-backed securitization program amounted to CHF 3.6 million in fiscal year 2016/17 (2015/16: CHF 3.3 million) and is reported under interest expenses.

For detailed information about the expected credit losses calculated on the Group's financial assets measured at amortized costs refer to note 26.6 – "Credit risk and concentration of credit risk."

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13 Inventories

as of August 31,	2017	2016
in thousands of CHF		
Cocoa beans stocks	396,078	468,034
Semi-finished and finished products	757,236	996,307
Other raw materials and packaging materials	164,448	159,466
Total inventories	**1,317,761**	**1,623,807**

As at August 31, 2017, the value of cocoa and chocolate inventories designated in a hedging relationship amounted to CHF 650.4 million (2016: CHF 895.6 million), on which a fair value hedge adjustment of CHF –57.7 million was recorded (2016: CHF 35.1 million). For further detail about the hedged inventories refer to note 26 – "Effect of hedge accounting on the financial position and performance."

The decrease of total inventory as of August 31, 2017, compared to the prior year is mainly attributable to the decline in cocoa bean market price.

As at August 31, 2017, no inventories were pledged regarding security for financial liabilities (2016: CHF 4.3 million).

In fiscal year 2016/17, inventory write-downs of CHF 8.4 million related to price list business and stocks that are not designated in a hedge relationship were recognized as expenses (2015/16: CHF 10.5 million).

14 Derivative financial instruments and hedging activities

as of August 31,	2017		2016	
in thousands of CHF	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Cash flow hedges				
Interest rate risk				
Swaps	46	5,294	13	8,670
Cocoa price risk				
Forward and futures contracts	411	157	1,932	2,748
Sugar price risk				
Futures contracts	254	444	31,358	–
Fuel oil price risk				
Swaps	240	545	–	3,993
Foreign exchange risk				
Forward and futures contracts	21	60	3,619	842
Fair value hedges				
Cocoa price risk				
Forward and futures contracts	41,867	7,640	–	89,859
Foreign exchange risk				
Forward and futures contracts	2,968	1,520	3,599	3,693
Other – no hedge accounting				
Raw materials				
Futures contracts and other derivatives	133,673	36,168	65,850	129,325
Forward contract at fair value using fair value option	48,455	101,364	83,748	7,539
Fair value adjustment on risk component for cocoa and chocolate sales and purchase contracts	274,113	76,822	52,755	–
Foreign exchange risk				
Forward and futures contracts	71,723	29,790	75,430	63,699
Total derivative financial assets	**573,770**	**–**	**318,303**	**–**
Total derivative financial liabilities	**–**	**259,805**	**–**	**310,368**

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

The position “Other – no hedge accounting” contains the fair values of derivative financial instruments of the Group’s purchasing and sourcing centers and the Group’s centralized treasury department, which are not designated into a hedge accounting relationship. The forward and future contracts for foreign exchange risks are in an economic hedge relationship.

For further details about fair value measurement and the hedge accounting relationships as at August 31, 2017, and their impacts refer to note 26 – “Financial risk management.”

15 Property, plant and equipment

2016/17	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of September 1, 2016	**494,115**	**1,612,740**	**125,274**	**146,498**	**2,378,627**
Business combination	29,006	14,165	87	–	43,259
Additions	9,724	72,434	12,763	84,640	179,561
Disposals	(1,347)	(6,289)	(1,976)	(19)	(9,632)
Currency translation adjustments	4,868	19,602	2,440	1,461	28,371
Reclassifications from under construction	26,386	50,244	7,638	(84,268)	–
as of August 31, 2017	**562,752**	**1,762,896**	**146,226**	**148,312**	**2,620,187**
Accumulated depreciation and impairment losses					
as of September 1, 2016	**198,117**	**833,768**	**84,488**	**28**	**1,116,400**
Depreciation charge	17,120	79,708	10,667	–	107,495
Impairment losses (note 7)	–	988	–	–	988
Disposals	(688)	(4,007)	(1,179)	–	(5,874)
Currency translation adjustments	2,182	11,583	1,639	–	15,405
as of August 31, 2017	**216,731**	**922,041**	**95,615**	**28**	**1,234,414**
Net as of August 31, 2017	**346,021**	**840,855**	**50,611**	**148,284**	**1,385,773**

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2015/16	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of September 1, 2015	**462,895**	**1,519,005**	**105,123**	**119,067**	**2,206,090**
Additions	9,766	66,444	7,367	76,046	159,622
Disposals	(260)	(16,131)	(1,352)	(227)	(17,971)
Currency translation adjustments	7,125	19,726	786	3,249	30,886
Reclassifications from under construction	14,589	23,697	13,351	(51,637)	–
as of August 31, 2016	**494,115**	**1,612,740**	**125,274**	**146,498**	**2,378,627**
Accumulated depreciation and impairment losses					
as of September 1, 2015	**179,553**	**765,938**	**76,028**	**28**	**1,021,547**
Depreciation charge	16,328	72,217	9,122	–	97,666
Disposals	(33)	(11,343)	(1,291)	–	(12,666)
Currency translation adjustments	2,046	7,177	631	–	9,854
Reclassified to assets held for sale	224	(222)	(2)	–	–
as of August 31, 2016	**198,117**	**833,768**	**84,488**	**28**	**1,116,400**
Net as of August 31, 2016	**295,997**	**778,972**	**40,786**	**146,470**	**1,262,227**

The Group periodically reviews the remaining useful lives of assets recognized in property, plant and equipment.

Impairment losses of CHF 1.0 million were recognized in property, plant and equipment in fiscal year 2016/17 (2015/16: CHF 0 million) connected to the dismantling of two production lines in Global Cocoa.

Repair and maintenance expenses for the fiscal year 2016/17 amounted to CHF 63.6 million (2015/16: CHF 57.7 million).

As at August 31, 2017, plant and equipment held under finance leases amounted to CHF 3.3 million (2016: CHF 2.8 million). The related liabilities are reported under note 16 – "Obligations under finance leases," note 20 – "Bank overdrafts and short-term debt" and note 23 – "Long-term debt."

As at August 31, 2017, no financial liabilities were secured by means of mortgages on properties (2016: CHF 0.4 million).

16 Obligations under finance leases

as of August 31,	2017	2016	2017	2016
in thousands of CHF	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases				
within one year	114	189	106	180
in the second to fifth year inclusive	–	309	–	296
Total amount payable under finance leases	**114**	**498**	**106**	**476**
less: future finance charges	(8)	(22)	–	–
Present value of lease obligations	**106**	**476**	**106**	**476**
Amount due for settlement next 12 months (note 20)			106	180
Amount due for settlement after 12 months			–	296

The Group entered into finance leasing arrangements for various assets. The weighted average term of finance leases entered into is 48.5 years (2015/16: 8.8 years) as in 2016/17, the group entered into a finance lease obligation for a building with a term of 60 years. The lease obligation was fully paid in advance and is included in other non-current assets.

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The average effective interest rate was 6.0% (2015/16: 8.7%). Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payment.

as of August 31,	2017	2016
in thousands of CHF	Net carrying amount of property, plant and equipment under finance lease	
Land and buildings	3,268	2,546
Furniture, equipment and motor vehicles	–	273
Total assets under financial lease	**3,268**	**2,819**

17 Equity-accounted investees

The carrying amount of equity-accounted investees has changed as follows:

in thousands of CHF	2016/17	2015/16
as of September 1,	**627**	**950**
Disposal of associates and joint ventures	(145)	–
Share of (loss)/profit	158	191
Dividends received	(138)	(514)
as of August 31,	**502**	**627**

The Group's investments in equity-accounted investees are attributable to the following companies:

as of August 31,	2017	2016
Ownership in %		
Shanghai Le Jia Food Service Co. Ltd., China	–	50
Nordic Industrial Sales AB, Finland	49	49

Summarized financial information in respect of the Group's equity-accounted investees is set out below.

as of August 31,	2017	2016
in thousands of CHF		
Total assets	2,393	2,533
Total liabilities	1,214	1,187
Net assets as of August 31,	**1,179**	**1,346**
Group's share of net assets of equity-accounted investees	**502**	**627**

in thousands of CHF	2016/17	2015/16
Total revenue	7,826	6,094
Total profit for the year	342	263
Total comprehensive income	342	263
Group's share of (losses)/profits of equity-accounted investees	**158**	**191**

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18 Intangible assets

2016/17 in thousands of CHF	Goodwill	Brand names and licenses	Internally generated intangible assets	Other	Total
At cost					
as of September 1, 2016	**761,666**	**74,474**	**362,341**	**33,496**	**1,231,977**
Business combination	–	–	142	–	142
Additions	–	–	36,246	4,630	40,876
Disposals	–	–	(890)	–	(890)
Currency translation adjustments	(852)	780	8,437	649	9,013
Reclassified from under development	–	–	1,559	(1,559)	(0)
Other Reclassifications[1]	–	(1,753)	–	–	(1,753)
as of August 31, 2017	**760,813**	**73,500**	**407,836**	**37,216**	**1,279,366**
Accumulated amortization and impairment losses					
as of September 1, 2016	**–**	**49,725**	**237,523**	**17,441**	**304,688**
Amortization charge	–	6,076	28,770	7,602	42,448
Disposals	–	–	(678)	–	(678)
Impairment losses (note 7)	–	–	819	38	857
Currency translation adjustments	–	521	5,293	86	5,901
Reclassified from under development	–	–	300	(300)	(0)
as of August 31, 2017	**–**	**56,322**	**272,027**	**24,867**	**353,217**
Net as of August 31, 2017	**760,813**	**17,178**	**135,809**	**12,350**	**926,150**

1 Reclassified to prepaid expenses.

2015/16 in thousands of CHF	Goodwill	Brand names and licenses	Internally generated intangible assets	Other	Total
At cost					
as of September 1, 2015	**734,805**	**71,281**	**322,771**	**29,242**	**1,158,099**
Business combination	17,003	904	–	–	17,907
Additions	–	1,690	37,530	2,175	41,395
Disposals	–	–	(661)	–	(661)
Currency translation adjustments	9,857	600	2,603	2,176	15,237
Reclassified from under development	–	–	97	(97)	–
as of August 31, 2016	**761,666**	**74,474**	**362,341**	**33,496**	**1,231,977**
Accumulated amortization and impairment losses					
as of September 1, 2015	**–**	**45,035**	**204,159**	**12,837**	**262,031**
Amortization charge	–	4,416	31,396	4,259	40,071
Disposals	–	–	(661)	–	(661)
Impairment losses (note 7)	–	–	654	24	678
Currency translation adjustments	–	274	1,974	320	2,568
as of August 31, 2016	**–**	**49,725**	**237,523**	**17,441**	**304,688**
Net as of August 31, 2016	**761,666**	**24,750**	**124,818**	**16,055**	**927,289**

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Additions to internally generated intangible assets amounted to CHF 36.2 million in fiscal year 2016/17 (2015/16: CHF 37.5 million). Additions mainly included costs related to various projects of internally generated software, amounting to CHF 29.1 million in fiscal year 2016/17 (2015/16: CHF 25.1 million). Costs related to the development of recipes and innovations of CHF 6.5 million were also capitalized under internally generated intangible assets (2015/16: CHF 7.6 million).

The remaining amortization period for brand names varies between four and ten years, for licenses up to ten years, for software between one and eight years and for other including patents between one and twelve years. The amortization charge is included in the positions "General and administration expenses" and "Cost of goods sold" in the Consolidated Income Statement.

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 760.8 million (2015/16: CHF 761.7 million). The allocation to the segments is as follows:

as of August 31,	2017	2016
in million CHF		
Global Cocoa	456.6	462.0
EMEA	243.8	238.3
Americas	55.8	56.6
Asia Pacific	4.6	4.8
Total	**760.8**	**761.7**

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

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

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

Key assumptions used for value-in-use calculations

	2017		2016	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Global Cocoa	6.3%	1.5%	6.1%	1.9%
EMEA	5.7%	1.3%	5.4%	1.5%
Americas	6.6%	0.6%	5.6%	1.0%
Asia Pacific	6.7%	1.5%	5.8%	1.9%

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The annual impairment tests did not result in a need to recognize impairment losses in fiscal year 2016/17.

The key sensitivities in the impairment test are the WACC as well as the terminal growth rate.

The Group has carried out a sensitivity analysis, containing various scenarios. Taking reasonable possible changes in key assumptions into account, no impairment losses have been revealed.

19 Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities

	Inventories	Property, plant, equipment/ intangible assets	Other assets	Provisions	Other liabilities	Tax loss carry-forwards	Total
in thousands of CHF							
as of September 1, 2015	**(911)**	**(35,052)**	**(690)**	**(635)**	**2,884**	**73,557**	**39,153**
Charged to the income statement	4,623	(10,172)	(23,792)	(5)	25,251	4,171	76
Charged to equity	–	–	–	–	11,065	–	11,065
Currency translation effects	(4)	(31)	311	(5)	(77)	1,720	1,914
as of August 31, 2016	**3,708**	**(45,255)**	**(24,171)**	**(645)**	**39,123**	**79,448**	**52,208**
Charged to the income statement	(4,058)	(1,387)	(19,379)	(1,514)	(14,308)	9,011	(31,634)
Charged to equity	–	–	(1)	–	(10,184)	–	(10,185)
Effect of acquisitions	–	(4,865)	–	729	1,636	–	(2,500)
Currency translation effects	(324)	(371)	1,213	91	38	153	798
as of August 31, 2017	**(674)**	**(51,879)**	**(42,338)**	**(1,339)**	**16,305**	**88,611**	**8,686**

For fiscal year 2016/17, deferred tax expenses recognized in equity amounted to CHF 10.2 million (2015/16: deferred tax income of CHF 11.1 million) and these relate to remeasurement of defined benefit plans of CHF 8.3 million (2015/16: deferred tax income of CHF 7.1 million) and to cash flow hedging reserves CHF 1.9 million (2015/16: deferred tax income of CHF 4.0 million).

Recognized deferred tax assets and liabilities

The recognized deferred tax assets and liabilities, without set off of balances within the same tax jurisdiction, are attributable to the following:

as of August 31,	2017			2016		
in thousands of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Inventories	5,138	(5,812)	(674)	8,695	(4,987)	3,708
Property, plant & equipment/intangible assets	29,419	(81,298)	(51,879)	29,683	(74,938)	(45,255)
Other assets	7,076	(49,414)	(42,338)	22,250	(46,421)	(24,171)
Provisions	46	(1,385)	(1,339)	43	(688)	(645)
Other liabilities	40,203	(23,898)	16,305	57,318	(18,195)	39,123
Tax losses carried forward	88,611	–	88,611	79,448	–	79,448
Tax assets/(liabilities)	**170,493**	**(161,807)**	**8,686**	**197,437**	**(145,229)**	**52,208**
Set off within same tax jurisdiction	(68,174)	68,174	–	(91,520)	91,520	–
Reflected in the balance sheet	**102,319**	**(93,633)**	**8,686**	**105,916**	**(53,711)**	**52,208**

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

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

as of August 31,	2017	2016
in thousands of CHF		
Expiry:		
Within 1 year	581	470
After 1 up to 2 years	10,786	2,352
After 2 up to 3 years	6,146	11,643
After 3 up to 10 years	56,846	86,849
After 10 years	4,165	–
Unlimited	364,123	284,004
Total unrecognized tax losses carried forward	**442,647**	**385,318**

Tax losses carried forward utilized during the year 2016/17 were CHF 188.1 million (2015/16: CHF 105.0 million). The related tax relief amounted to CHF 19.3 million, of which CHF 14.6 million were already recognized as a deferred tax asset in the previous year (2015/16: CHF 36.1 million of which CHF 17.8 million were already recognized as a deferred tax asset in the previous year) and CHF 4.7 million that were previously not recognized (2016: CHF 18.3 million).

As at August 31, 2017, the Group had unutilized tax losses carried forward of approximately CHF 706.5 million (2016: approximately CHF 733.7 million) available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 263.9 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 88.6 million (2015/16: CHF 348.4 million recognized resulting in a deferred tax asset of CHF 79.4 million). The net increase of CHF 9.2 million in the deferred tax asset on recognized tax losses carried forward consists of CHF 5.1 million tax relief on the first-time recognition of prior year tax losses carried forward, CHF 18.7 million recognition of current year tax losses carried forward and CHF 14.6 million utilization of tax losses already recognized as a deferred tax asset in prior year.

20 Bank overdrafts and short-term debt

as of August 31,	2017	2016	2017	2016
in thousands of CHF	Carrying amounts		Fair values	
Bank overdrafts	**21,264**	**25,314**	**21,264**	**25,314**
Commercial paper	182,851	133,928	182,851	133,928
Short-term portion of Senior Notes (note 23)	–	382,286	–	402,581
Short-term debt	131,504	64,255	131,504	64,255
Short-term portion of long-term debt (note 23)	3,801	150,691	3,801	150,691
Interest-bearing loans from employees	10	–	10	–
Finance lease obligations (note 16)	106	180	106	180
Short-term debt	**318,272**	**731,340**	**318,272**	**751,634**
Bank overdrafts and short-term debt	**339,536**	**756,654**	**339,536**	**776,949**

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Short-term financial liabilities are mainly denominated in EUR, XOF, CLP and BRL as shown in the table below:

as of August 31,	2017			2016		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	184,515	(0.22%)	3.15%	519,613	0.07%	6.00%
CHF	1,977	1.50%	1.50%	151,393	0.52%	1.50%
INR	6,741	8.00%	9.00%	3,075	8.50%	10.00%
IDR	88	7.00%	9.00%	10,561	6.50%	7.20%
XOF	82,270	4.50%	7.00%	28,752	4.50%	7.00%
XAF	2,204	4.50%	7.00%	2,713	4.50%	7.00%
TRL	7,735	15.00%	15.00%	3,546	13.75%	13.75%
CLP	36,303	3.49%	4.47%	27,593	4.88%	5.41%
BRL	12,078	10.20%	15.90%	9,153	11.25%	15.94%
Other	5,625	(0.05%)	4.63%	255	0.24%	4.63%
Total	**339,536**			**756,654**		

21 Trade payables and other current liabilities

as of August 31,	2017	2016
in thousands of CHF		
Trade payables	680,538	551,919
Amounts due to related parties	135	419
Accrued expenses	105,694	99,521
Other payables	241,670	335,053
Payables representing financial liabilities	**1,028,037**	**986,912**
Accrued wages and social security	105,779	90,290
Fair value of hedged firm commitments	28,514	22,283
Other taxes and payables to governmental authorities	42,228	45,996
Deferred income	2,131	–
Other liabilities	**178,651**	**158,569**
Total trade payables and other current liabilities	**1,206,688**	**1,145,481**

The Group also has payables related to the asset-backed securitization program, see note 12 – "Trade receivables and other current assets". Other payables also consist of outstanding ledger balances with commodity brokers.

22 Provisions

2016/17	Restructuring	Litigation & claims	Other	Total
in thousands of CHF				
as of September 1, 2016	**1,012**	**6,056**	**17,280**	**24,348**
Change in Group structure – acquisitions	–	–	35,518	35,518
Additions	1,689	1,525	6,277	9,491
Use of provisions	(1,228)	(3,092)	(16,464)	(20,785)
Release of unused provisions	(65)	(28)	(601)	(693)
Currency translation adjustments	33	18	2,261	2,312
as of August 31, 2017	**1,441**	**4,480**	**44,271**	**50,191**
of which:				
Current	**1,438**	**2,145**	**16,333**	**19,917**
Non-current	**2**	**2,335**	**27,938**	**30,275**

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2015/16 in thousands of CHF	Restructuring	Litigation & claims	Other	Total
as of September 1, 2015	**3,194**	**5,054**	**5,559**	**13,807**
Change in Group structure – acquisitions	–	–	770	770
Additions	5,101	3,049	12,528	20,678
Use of provisions	(7,262)	(2,248)	(1,552)	(11,061)
Release of unused provisions	(72)	(105)	(1,277)	(1,454)
Currency translation adjustments	52	306	1,251	1,609
as of August 31, 2016	**1,012**	**6,056**	**17,280**	**24,348**
of which:				
current	**839**	**3,453**	**14,582**	**18,874**
non-current	**173**	**2,603**	**2,698**	**5,475**

Restructuring

In the fiscal year 2016/17, the restructuring provisions were mainly related to costs in connection with the launch of the new Process Driven Organization (PDO) project in Global Cocoa.

Litigation & claims

The amount includes provisions for certain litigations and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. The position includes claims from customers for product liability and recalls generally covered by a global insurance policy to the extent they are not covered. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as of August 31, 2017.

Group companies are involved in various legal actions and claims as they arise in the ordinary course of the business. This includes claims in relation to transactions such as acquisitions and disposals as well as claims from customers. Claims from customers for product liability and recalls are generally covered by a global insurance policy. Provisions have been made, where quantifiable, for probable outflows not covered by insurance. In the opinion of management, after taking appropriate legal advice, the future settlements of such actions and claims will not have a material effect on the Group's financial position.

Other provisions

Other provisions relate mainly to amounts that have been provided to cover the negative outcome of onerous contracts.

23 Long-term debt

as of August 31,	2017	2016	2017	2016
in thousands of CHF	Carrying amounts		Fair values	
Senior Notes	1,164,637	1,520,331	1,320,996	1,696,635
Less current portion of Senior Notes (note 20)	–	(382,286)	–	(402,581)
Loans	9,121	165,016	9,121	165,016
Less current portion (note 20)	(3,801)	(150,691)	(3,801)	(150,691)
Other	786	658	786	658
Total long-term debt	**1,170,743**	**1,153,027**	**1,327,102**	**1,309,037**

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On June 15, 2011, the Group issued a 5.375% Senior Note with maturity in 2021 for an amount of EUR 250 million. The Senior Note was issued at a price of 99.26% and includes a coupon step-up clause of 0.25% (limited to 1.00% per annum) per downgraded notch per rating agency. The coupon currently amounts to 5.625%.

On June 20, 2013, the Group issued a 5.5% Senior Note with maturity in 2023 for an amount of USD 400 million. The Senior Note was issued at a price of 98.122% and includes a coupon step-up clause of 0.25% (limited to 1.00% per annum) per downgraded notch per rating agency.

On May 24, 2016, the Group issued a 2.375% Senior Note with maturity in 2024 for an amount of EUR 450 million. The Senior Note was issued at a price of 99.104%.

On June 22, 2017, the Group amended and extended its EUR 600 million Revolving Credit Facility dated June 15, 2011, into an EUR 750 million Revolving Credit Facility with maturity in 2022. Per August 31, 2017, there were no outstanding amounts under the Revolving Credit Facility.

The EUR 250 million Senior Note, the USD 400 million Senior Note, the EUR 450 million Senior Note and the EUR 750 million Revolving Credit Facility all rank pari passu. The Senior Notes as well as the EUR 750 million Revolving Credit Facility are guaranteed by Barry Callebaut AG and certain subsidiaries of the Group.

In addition, there are financial covenants related to the Revolving Credit Facility which comprise of key figures related to profitability per tonne, interest cover ratio and tangible net worth value.

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

as of August 31,	2017	2016
in thousands of CHF		
2017/18	–	7,502
2018/19	3,499	3,785
2019/20	3,429	3,755
2020/21	283,347	270,913
2021/22 (and thereafter for 2016)	78	867,073
2022/23 (and thereafter for 2017)	880,390	–
Total long-term debt	**1,170,743**	**1,153,027**

The weighted average maturity of the long-term debt (i.e. without any portion falling due in less than 12 months) decreased from 6.9 years to 5.9 years.

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

as of August 31,	2017			2016		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	791,448	0.80%	5.63%	758,233	0.96%	7.11%
USD	372,581	5.50%	5.50%	380,274	5.50%	5.50%
JPY	6,525	1.67%	1.67%	14,310	1.67%	1.67%
Other	189	10.00%	10.00%	210	6.50%	6.50%
Total long-term debt	**1,170,743**			**1,153,027**		

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24 Employee benefit obligations

The amounts recognized in the Consolidated Balance Sheet are determined as follows:

as at August 31,	2017	2016	2017	2016
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Present value of funded obligations	346,916	352,391	–	–
Fair value of plan assets	(226,515)	(202,233)	–	–
Excess of liabilities (assets) of funded obligations	**120,401**	**150,157**	**–**	**–**
Present value of unfunded obligations	14,781	14,058	16,160	12,316
Net employee benefit obligations recognized in the balance sheet (recognized as a liability)	**135,182**	**164,215**	**16,160**	**12,316**

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

	2016/17	2015/16	2016/17	2015/16
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Present value of defined benefit obligation as at September 1,	**366,448**	**327,407**	**12,316**	**11,927**
Currency translations	(336)	43	–	–
Current service cost	14,285	11,719	629	572
Past service cost	(334)	(69)	(1)	–
Remeasurement through income statement	–	–	575	(752)
Interest expense	6,399	8,207	494	501
Losses (gains) on curtailment	(1,613)	30	(19)	311
Total recognized in income statement	**18,402**	**19,931**	**1,678**	**632**
Actuarial losses (gains)	(28,088)	37,500	2,121	–
thereof:				
arising from changes in demographic assumptions	(3,505)	(7,132)	–	–
arising from changes in financial assumptions	(24,329)	46,759	1,934	–
arising from experience adjustments	(254)	(2,127)	187	–
Total recognized in other comprehensive income	**(28,088)**	**37,500**	**2,121**	**–**
Business combination	9,112	–	216	–
Exchange differences on foreign plans	(484)	(8,845)	353	470
Contribution by employees	4,297	4,005	–	
Benefits received	13,298	4,255	(376)	2
Benefits paid	(21,288)	(17,804)	(148)	(716)
Total other	**4,935**	**(18,390)**	**45**	**(244)**
Present value of defined benefit obligation as at August 31,	**361,697**	**366,448**	**16,160**	**12,316**
thereof:				
funded obligations	346,916	352,391	–	–
unfunded obligations	14,781	14,058	16,160	12,316

For all of its defined benefit plans, the Group expects to pay CHF 19.6 million in employer contributions in fiscal year 2017/18 (2016/17: CHF 14.6 million).

The gain on curtailment is due to a change in Belgian legislation. The condition of profiting from a higher benefit than theoretically foreseen by applying a benefit formula changed (favorable anticipation rule). This resulted in a smaller number of employees being eligible to the favorable anticipation rule.

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

	2016/17	2015/16
in thousands of CHF	Defined benefit pension plans	
Opening fair value of plan assets as of September 1,	**202,233**	**190,045**
Currency translations	(234)	22
Interest income	1,545	3,240
Total recognized in income statement	**1,311**	**3,262**
Return on plan assets excl. interest income	7,969	4,862
Total recognized in other comprehensive income	**7,969**	**4,862**
Business combination	4,210	–
Contributions by employer	14,429	18,457
Exchange differences on foreign plans	(1,229)	(6,445)
Contributions by employees	4,297	4,005
Benefits received	13,298	4,255
Benefits paid	(20,002)	(16,207)
Total other	**15,003**	**4,065**
Fair value of plan assets as of August 31,	**226,515**	**202,233**

The plan assets consist of the following categories of securities:

as at August 31,	2017	2016
in thousands of CHF	Defined benefit pension plans	
Equities	80,866	74,119
Bonds	51,791	51,391
Insurance portfolio	85,574	63,553
Cash and other assets	8,284	13,171
Total fair value of plan assets	**226,515**	**202,233**

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

The amounts recognized in the Consolidated Income Statement are as follows:

	2016/17	2015/16	2016/17	2015/16
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Current service costs	14,285	11,719	629	572
Net interest expense	4,855	4,967	494	501
Net currency translations	(102)	21	–	–
Past service cost	(334)	(69)	(1)	–
Losses (gains) on curtailments and settlements	(1,613)	30	(19)	311
Remeasurement	–	–	575	(752)
Total defined benefit expenses	**17,091**	**16,669**	**1,678**	**632**
Actual return on plan assets, excluding interest income	**7,969**	**4,862**	**–**	**–**

in thousands of CHF	2016/17	2015/16
Total defined contribution expenses	**(2,584)**	**(2,656)**

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The expenses related to defined benefit pension plans and other long-term benefit plans are recognized in the following line items in the Consolidated Income Statement:

in thousands of CHF	2016/17	2015/16
Cost of goods sold	(3,126)	(3,608)
Marketing and sales expenses	(1,554)	(1,623)
General and administration expenses	(7,978)	(6,177)
Research and Development expenses	(473)	(403)
Other income	–	(1)
Other expenses	(388)	(2)
Personnel expenses	**(13,519)**	**(11,812)**
Interest costs	(5,349)	(5,468)
Foreign exchange gains/(losses)	99	(21)
Finance costs	**(5,250)**	**(5,489)**
Total defined benefit expenses recognized in income statement	**(18,769)**	**(17,301)**

Actuarial assumptions

Weighted average actuarial assumptions used are as follows:

	2016/17	2015/16	2016/17	2015/16
	Defined benefit pension plans		Other long-term benefit plans	
Discount rate	2.1%	1.8%	2.7%	5.2%
Expected rate of pension increase	0.1%	0.6%	0.0%	0.2%
Expected rate of salary increase	0.6%	0.8%	1.0%	1.9%
Medical cost trend rates	0.0%	0.0%	0.0%	2.2%

The applicable mortality tables in the Group's major defined benefit plans and underlying longevity assumptions are summarized in the following table:

	Mortality table	2017	2016	2017	2016
		Life expectancy at age 65 for a male member currently aged 65		Life expectancy at age 65 for a female member currently aged 65	
Switzerland	LPP 2015	20	19	22	21
Belgium	MR/FR	18	18	22	21
United Kingdom	S2NMA/S2NFA	22	18	24	20
Medical cost trend rates	RP-2000	18	18	20	20

Sensitivity analysis

Reasonable and possible changes at the reporting date to one of the relevant actuarial assumptions, with all other assumptions held constant, would have affected the defined benefit obligations by the amounts shown below:

as at August 31,	2017	2016	2017	2016
in thousands of CHF	Increase		Decrease	
Discount rate (1% movement)	(47,258)	(71,015)	47,258	71,015
Expected rate of pension (1% movement)	10,370	28,761	(10,370)	(28,761)
Expected rate of salary (1% movement)	21,003	19,341	(21,003)	(19,341)
Expected rate of future mortality (1% movement)	(4,792)	(7,754)	4,792	7,754

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Share-based payments

Share awards are granted to participants according to individual contracts and the current employee stock ownership program.

Deferred Share Plan 2011–2014

The former Deferred Share Plan 2011–2014 has reached its end. No grants were made under this plan after financial year 2013/14. The last tranches of the share awards granted under this plan vested in fiscal year 2015/16.

Long-Term Incentive Plan

The purpose of the LTIP is to provide the participants with an ownership interest in Barry Callebaut and to reward them for the long-term performance of the company. The LTIP thus aligns their interests to those of the shareholders. The LTIP has been refined in fiscal year 2016/17 with two main adjustments; a higher portion of the grant is performance-related (50% of the grant versus 40% in previous year) and an additional performance criterion has been introduced as outlined below.

The grant of share units under the LTIP is based on a target LTI amount determined individually for each plan participant. For the members of the Executive Committee, the individual LTI grant value amounts to 132% of the annual base salary on average in fiscal year 2016/17. The individual LTI grant value is divided by the average share price of the last three months of the preceding fiscal year in order to calculate the number of share units awarded. The share units vest in three tranches over three fiscal years, i.e. 25% on the first, 25% on the second, and 50% on the third anniversary of the grant date. The first two tranches are restricted share units (RSU) that vest subject to the LTIP participant continuing to be employed by Barry Callebaut. The final tranche consists of performance share units (PSU) that vest subject to meeting two performance criteria over the three-year vesting period. The first performance criterion, accounting for 50% of the PSU grant, is the relative share price development of Barry Callebaut versus a peer group of companies in the chocolate, ingredients and FMCG sector: AAK, Aryzta, Hershey, Kellogg’s, Kerry, Lindt, Mondelēz, Nestlé, Olam, Petra and Unilever. The objective (100% vesting) is to achieve median performance, i.e. to outperform half of the peer companies. There is no vesting for a performance below the first quartile of the peer group (threshold), and the vesting is capped at 300% for delivering the best performance in the peer group. The second performance criterion, accounting for 50% of the PSU grant, is Return on Invested Capital (ROIC). The ROIC performance has been introduced in order to reward the sustainable management of the company’s assets. The three-year ROIC target has been set by the Board of Directors on the basis of the long-term strategic plan of the company. The vesting also ranges from 0% to 300% of the target. Consequently, the overall vesting of the LTI award (including RSU and PSU) ranges from 50% and 200% of the initially determined number of share units granted.

Furthermore, the Board of Directors reserves the right to suspend or adjust the vesting of the share units in case of a negative result from continuous operations of the Barry Callebaut Group. Once the shares are vested and transferred, they are free of any sales restrictions.

For the grants awarded under the LTIP in fiscal year 2015/16, the vesting schedule was for 30% (RSU) on the first anniversary, for 30% (RSU) on the second anniversary and for 40% (PSU) on the third anniversary of the grant date. The performance criterion is the relative performance (3-year Compound annual growth rate) of the Barry Callebaut share versus the share performance of a peer group of companies including chocolate companies, ingredient companies and FMCG companies: AAK, Aryzta, Hershey, Kellogg’s, Kerry, Lindt, Mondelēz, Nestlé, Olam, Petra and Unilever.

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The overperformance of the Barry Callebaut share price versus the benchmark share price of the peer group is incentivized by applying a multiplier of 25 on the overperformance in %, whereas in the case of underperformance, a multiplier of 12.5 applies. However, a cap and a floor apply at 5% over- or underperformance, so that the vesting for the last tranche can vary between 37.5% and 225% of the share awards granted. Consequently, the overall vesting ranges from 75% and 150% of the initially determined number of share units granted. Share units granted to members of the Executive Committee may only vest to the extent that the actual market value of the vested shares (at vesting) in any given year does not exceed 160% of the target LTI amount defined at the most recent grant date for the respective plan participant ("Value Cap").

Furthermore, the Board of Directors reserves the right to suspend or adjust the vesting of the share units in case of a negative result from continuous operations of the Barry Callebaut Group. Once the shares are vested and transferred, they are free of any sales restrictions.

The share awards granted entitle the participants to full shareholders rights upon vesting of the share units (RSU/PSU) and their conversion into shares. In case of resignation or dismissal during the vesting period (which ranges between one and three years), the initially granted, but not yet vested share units are forfeited.

The fair value of the RSU granted (no performance condition) is estimated by taking the market price at grant date less the present value of the expected dividends that will not be received on these RSU during the vesting period. 3,987 share awards were granted in fiscal year 2016/17 with an average fair value of CHF 1,157 (in fiscal year 2015/16, 6,279 share awards were granted with an average fair value of CHF 1,062).

The fair value of the PSU, of which the vesting is conditional upon the relative share price performance, is assessed as per grant date based on a valuation performed by experts applying the "Monte Carlo simulation" method. The most relevant parameters relating to Barry Callebaut and the relevant peer group are the risk-free interest rate, annualized volatility, the share price and the dividend yields. The risk-free rates reflect three-year government bonds of the country of origin of the respective company and range from –1.0% to 1.0%. The volatilities and correlations are based on daily returns of a company's share at its respective exchange of origin over a three-year period preceding the start of the vesting cycle (the annualized volatility for Barry Callebaut and its peer group ranges from 16.3% to 45.6%). The dividend yields are based on dividends paid over a three-year period preceding the start of the vesting cycle and range from 0.7% to 3.3%. The share prices are denominated in their respective currency and retrieved for the specified point in time. The base share price taken into account for Barry Callebaut is the share price at grant date and amounted to CHF 1,181.

The fair value of PSU, of which the vesting is conditional upon the Group's ROIC performance, is taken at fair value of the Barry Callebaut share at grant date discounted for dividends until the vesting. As this part is based on the Group's performance relating to ROIC, the relative value is adjusted periodically during the vesting period, based on an estimation of the ROIC performance at vesting date.

In fiscal year 2016/17, 2,563 PSU were granted to members of the Executive Committee with an average fair value of CHF 1,150 (in fiscal year 2015/16: 3,027 share awards with an average fair value of CHF 880). To the other plan participants, 1,398 share awards were granted with an average fair value of CHF 1,381 per share (in fiscal year 2015/16: 1,154 share awards with an average fair value of CHF 1,222). The lower fair value of the ExCo PSU compared to the other participants is due to the value cap applicable on the PSU awards to the ExCo.

Board of Directors
The Board of Directors receives share awards annually for the respective service period. These share awards are not part of the share plans described above and are determined by the NCC as a fixed number of shares. The total number of shares awarded for the service period 2016/17 amounted to 2,010 with an average fair value of CHF 1,163 per share (2015/16: 2,190 share awards with an average fair value of CHF 1,070 per share).

Recognition in financial statements
The fair value of the share awards at grant date is recognized over the vesting period as a personnel expense under either of these share plans. For 2016/17, the amount thus recognized (before taxes) was CHF 12.3 million with a corresponding increase in equity (2015/16: CHF 12.2 million). Of the amount recognized in 2016/17, CHF 0.0 million related to the Deferred Share Plan 2011–2014 (2015/16: CHF 1.0 million), CHF 9.9 million to the Long-Term Incentive Plan (2015/16: CHF 8.9 million) and CHF 2.3 million to the BoD plan (2015/16: CHF 2.3 million).

25 Equity

Share

as of August 31,	2017	2016	2015
in thousands of CHF			
Share capital is represented by 5,488,858 (2016: 5,488,858; 2015: 5,488,858) authorized and issued shares of each CHF 7.29 fully paid in (in 2016: 18.60; in 2015: 18.60)	40,014	102,093	102,093

Share capital and dividends

The issued share capital is divided into 5,488,858 registered shares with a nominal value of CHF 7.29 (2016: CHF 18.60). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind. The Company has one class of shares, which carries no right to a fixed dividend.

By resolution of the Annual General Meeting on December 7, 2016, the shareholders approved the proposed distribution of dividends in the amount of CHF 15.50 per share, to be executed through a payment from reserves from capital contributions in the amount of CHF 22,998,315 and through capital reduction in the amount of CHF 62,078,984. The respective payments to the shareholders took place on March 2, 2017.

In fiscal year 2015/16, the payout of CHF 14.50 per share was affected by a dividend payment from reserves from capital contributions. The respective payment in the amount of CHF 79,588,441 took place on March 2, 2016.

Treasury shares

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The book value of the treasury shares as at August 31, 2017, amounted to CHF 15.1 million (2016: CHF 12.9 million).

The fair value of the treasury shares as at August 31, 2017, amounted to CHF 15.9 million (2016: CHF 14.2 million). As at August 31, 2017, the number of outstanding shares amounted to 5,477,355 (2016: 5,477,630) and the number of treasury shares to 11,503 (2016: 11,228). During this fiscal year, 13,090 shares have been purchased, 12,815 transferred to employees under the employee stock ownership program and 0 sold (2015/16: 13,400 purchased; 13,256 transferred and 0 sold).

Retained earnings

As at August 31, 2017, retained earnings contain legal reserves of CHF 23.1 million (2016: CHF 33.4 million), which are not distributable to the shareholders pursuant to Swiss law.

Hedging reserves

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that are expected to occur.

CTA

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

Movements in non-controlling interests

in thousands of CHF	2016/17	2015/16
as of September 1,	**14,924**	**14,271**
Non-controlling share of profit/(loss)	636	1,911
Dividend paid to non-controlling shareholders	(635)	(1,547)
Capital increase	3	–
Currency translation adjustment	(3)	289
as of August 31,	**14,925**	**14,924**

The non-controlling interests are individually not material for the Group.

26 Financial risk management

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

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

The Group manages its business based on the following two business models:

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

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1 Commodity price risks

a) *Commodity risk management*

The manufacturing of the Group's products requires raw materials such as cocoa beans, sugar and sweeteners, dairy, nuts, oils and fats. Therefore, the Group is exposed to commodity price risks.

The Group Commodity Risk Committee (GCRC) is a committee consisting of key risk management stakeholders of the Group who meet on a regular basis to discuss Group Commodity Risk Management issues. The GCRC monitors the Group's Commodity Risk Management activities and acts as the decision-taking body for the Group in this respect. The members of the GCRC include the Group's Chief Financial Officer (CFO) who acts as Chairman of the committee, the President of Global Cocoa, the Head of Group Risk Management (GRM), the CFO of Global Cocoa, the VP of Global Cocoa Trading & Sourcing, the Head of Global Sourcing (for non-cocoa materials) and the Head of Group Treasury.

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

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

Liquidity, credit and fuel price risks are not included in the calculation and the VaR is based on a static portfolio during the time horizon of the analysis. The GCRC breaks down the Group VaR limit into VaR limits for cocoa raw materials and for non-cocoa related raw materials such as sugar, dairy, oils and fats. The Group's CFO and the President of Global Cocoa allocate limits in metric tonnes to the related risk reporting units. The Board of Directors is the highest approval authority for all Group Commodity Risk Management (GCRM) matters and approves the GCRM Policy as well as the Group VaR limit.

The VaR framework of the Group is based on the standard historical VaR methodology; taking 2,000 days (equivalent to seven years) of the most recent prices, based on which the day-to-day relative price changes are calculated. This simulation of past market conditions is not predicting the future movement in commodity prices and therefore it does not represent actual losses. It only represents an indication of the future commodity price risks based on historical volatility. VaR is applied to materials with prices considered to exceed certain volatility levels (e.g. cocoa beans and cocoa products, dairy products, sugar and sweeteners, nuts, oils and fats). As at August 31, 2017, the Group had a total VaR for raw materials of CHF 9.7 million (2016: CHF 20.7 million) well within the Group limit. The average VaR over the fiscal year 2016/17 was CHF 9.2 million (2015/16: CHF 13.6 million).

b) Cocoa price risk and the Group's hedging strategy

The Group's purchasing and sourcing centers make sourcing and risk management decisions for cocoa beans, semi-finished cocoa products and ingredients including hedging commodity price risk exposures. Within the overall limits as defined by the AFRQCC, the Group's purchasing and sourcing centers can also act as a broker-trader with the objective to generate profits from fluctuations in raw material prices or broker-trader margins.

The fair value of the Group's open sales and purchase commitments and inventory changes are continuously in line with price movements in the respective commodity markets. It is the Group's policy to hedge its cocoa price risk resulting from its inventory, cocoa derivatives and purchase and sales contracts. The cocoa price risk component in cocoa stock, purchase and sales contracts as well as chocolate stocks and sales contracts is hedged with exchange traded or over-the-counter cocoa bean derivatives applying fair value hedge accounting. The Group also applies cash flow hedge accounting whereby the cocoa price risk and foreign exchange risk from forecasted cocoa sales are hedged with cocoa bean futures and foreign exchange forward contracts.

In order to calculate the cocoa bean price risk exposure embedded in the various cocoa ingredients and chocolate stocks, purchase and sales contracts, the cocoa processing entities translate the various cocoa ingredient volumes in these positions into cocoa bean equivalent, using technical yields (to calculate, how many cocoa beans are needed to produce those cocoa ingredient volumes). These technical ratios vary according to cocoa ingredient types and cocoa processing units. The chocolate entities calculate the bean equivalent in their positions using the prevailing market/commercial ratios. The entities use this approach and these ratios to enter into the appropriate volume of hedging instruments in order to hedge the cocoa bean price risk component in their positions.
The Group also uses the same hedging ratios in hedge accounting as described above.
The cocoa bean price risk component is contractually specified in the purchase and sales contracts of cocoa ingredients and chocolate products. Therefore, the cocoa bean price risk component is considered separately identifiable and reliably measurable in the Group's hedged items (cocoa ingredients purchase contracts, cocoa stocks, chocolate stocks, cocoa ingredients sales contracts and chocolate sales contracts) as well as in its hedging instruments (cocoa bean futures and other contracts accounted for as derivatives).

c) Sugar price risk hedges

The Group applies cash flow hedge accounting for hedging relationships when it hedges its commodity price risk and its foreign exchange risks attributable to its forecasted sugar purchases with sugar futures and with foreign exchange forward contracts, respectively. When the Group enters into agreements with sugar suppliers where the price of the forecasted sugar purchases will be indexed to the raw sugar world market price, it hedges these forecasted sugar purchases with sugar futures using a hedging ratio of 1:1.

The raw sugar world market price risk component is a contractually specified element in the hedged items. Therefore, the raw sugar world market price risk component is considered separately identifiable and reliably measurable in the Group's hedged items (forecasted sugar purchases) as well as in its hedging instruments (sugar futures).

d) Fuel price risk hedges

The Group entered into cash flow hedge relationships to hedge its fuel oil price exposures as well as its foreign exchange risks attributable to its forecasted freight expenditures with fuel oil swaps and with foreign exchange forward contracts, respectively, applying a hedging ratio of 50% for the hedging of both risk components.

The Rotterdam IFO 380 Monthly Bunker Price is a separately identifiable and reliably measurable risk component in the forecasted freight expenditures, which is hedged by fuel oil swaps that are indexed to Fuel Oil 3.5 Percent Barges FOB Rotterdam Platt's European prices. The commodities behind both the hedged price component and the prices used in the hedging SWAP's are derivatives of crude oil, and there is a very strong correlation between the movements in the two prices.

The related accounting treatments are explained in the section "Summary of Accounting Policies" under the caption "Derivative financial instruments and hedging activities."

2 Foreign currency risks

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

All risks relating to foreign currency exposures of assets and liabilities, certain unrecognized firm commitments and highly probable forecasted purchases and sales are centralized as far as possible within the Group's treasury department, where the hedging strategies are defined.

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

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

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

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

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Policy, foreign exchange exposures are hedged as from identification on an intra-day basis in line with the approved exposure limits. In case of deviation from the agreed foreign exchange exposure limits, approval has to be sought from the Group's Finance Committee. Companies with the same functional currency are shown in one group. EUR exposures of the reporting units with functional currency franc CFA in Côte d'Ivoire (XOF) and Cameroon (XAF) are not included, as the franc CFA has an exchange rate pegged to the EUR, currently at a rate of CFA franc 656 per euro both for XOF and XAF (total EUR long exposures of 39 million as per August 31, 2017, and 270 million as per August 31, 2016).

Net foreign currency exposures

as of August 31,	2017			2016		
Net exposure in thousands of EUR/GBP/USD	EUR	GBP	USD	EUR	GBP	USD
EUR	–	(368)	(2,312)	–	(3,254)	(1,243)
CHF	1,970	(80)	8,076	2,331	1,355	16,495
USD	(2,187)	37	–	(4,808)	186	–
CAD	(665)	–	(789)	(25)	–	(613)
BRL	(13)	–	716	(56)	–	(1,005)
MYR	55	–	(136)	(79)	–	361
RUB	(15)	9	(644)	(60)	(819)	(1,484)
JPY	(31)	(13)	(212)	(77)	–	(217)
MXN	(43)	–	3,701	551	–	4,838
IDR	(18)	–	(66)	(1,732)	–	(4,340)
INR	(303)	–	(2,137)	(258)	–	(1,968)
TRL	(1,049)	2	77	45	12	(36)
Total	**(2,299)**	**(413)**	**6,274**	**(4,168)**	**(2,520)**	**10,788**

In order to quantify and manage the Group's consolidated exposure to foreign currency risks, the concept of historical VaR has been implemented. The VaR concept serves as the analytical instrument for assessing the Group's foreign currency risk incurred under normal market conditions. The VaR indicates the loss which, within a time horizon of one day, will not be exceeded at a confidence level of 95% using seven years of historical market prices for each major currency pair. The VaR is used together with the calculation of the expected shortfall and worst cases as well as the use of stress test scenarios. The VaR is based on static exposures during the time horizon of the analysis. However, the simulation of past market conditions is not predicting the future movement in foreign currency rates. Therefore, it does not represent actual losses. It only represents an indication of future foreign currency risks. As of August 31, 2017, the Group had a VaR of CHF 0.2 million (2016: CHF 0.9 million).

Value at Risk per main exposure currencies

as of August 31,	2017	2016
Value at Risk on net exposures in thousands of CHF Total for the Group and per main exposure currencies		
Total Group	**172**	**885**
CHF	62	70
EUR	95	681
USD	61	229
GBP	5	29
Others	31	84
Diversification effect	32%	19%

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3 Interest rate risks

The Group is exposed to changes in interest rates through its short- and long-term debt obligations mainly located in the Group's centralized treasury department. The Group's centralized treasury department manages and oversees the financing lines of the Group, and the related interest rate risks and, to the extent possible, provides the necessary liquidity in the required functional currency for the companies of the Group. Consequently, the Group's debt obligations are adjusted with the real currency mix of the Group's liabilities in order to reflect the correct exposure to interest rates.

It is the Group's policy to manage its interest costs using an optimal mix of fixed and floating rate debt. This is achieved by entering into interest rate derivative instruments in which it exchanges fixed and floating interest rates. To avoid volatility in the Consolidated Income Statement, cash flow hedge accounting is applied to those derivative instruments.

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

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

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

as of August 31,	2017	2016
in thousands of CHF		
Fixed interest-bearing items		
Carrying amount of financial liabilities	1,175,296	1,685,508
Reclassification due to interest rate derivative	171,416	164,225
Net fixed interest position	**1,346,711**	**1,849,732**
Floating interest-bearing items		
Carrying amount of financial assets	(399,412)	(456,850)
Carrying amount of financial liabilities	334,983	224,173
Reclassification due to interest rate derivative	(171,416)	(164,225)
Net floating interest position	**(235,845)**	**(396,902)**

Sensitivity analysis on interest rate risks

The following table shows the impact of a parallel shift of interest rates by 100 basis points (bps) up and 10 bps down on the Group's equity and income statement, net of tax. The calculation is performed on both, the portion of the outstanding debt (excluding the asset-backed securitization program; see note 12 Trade receivables and other current assets) at floating interest rates and the outstanding derivatives exchanging floating into fixed interest rates at the respective year-end. This sensitivity analysis only indicates the potential impact for the respective fiscal year at the prevailing conditions in the financial markets. Consequently, it does not represent actual or future gains or losses, which are strictly managed and controlled, as stipulated by the Group's Treasury Policy.

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as of August 31,	2017				2016			
Impact on	Income statement		Equity		Income statement		Equity	
in thousands of CHF	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease
Floating rate bearing items	1,769	(177)	–	–	2,977	(298)	–	–
Interest rate swaps	–	–	7,308	(755)	–	–	3,728	(377)
Total interest rate sensitivity	**1,769**	**(177)**	**7,308**	**(755)**	**2,977**	**(298)**	**3,728**	**(377)**

4 Effect of hedge accounting on the financial position and performance

a) Impact of hedging instruments designated in hedging relationships

The impact of hedging instruments designated in hedging relationships as of August 31, 2017, on the Group's Consolidated Balance Sheet is as follows:

in CHF million	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the Consolidated Balance Sheet where the hedging instrument is reported	Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness
as of August 31, 2017		Assets	Liabilities		
Cash flow hedges					
Interest rate risk					
Swaps	342.8	0.0	5.3	Derivative financial assets Derivative financial liabilities	3.6
Cocoa price risk					
Futures contracts	(11.1)	0.4	0.2	Derivative financial assets Derivative financial liabilities	1.4
Sugar price risk					
Futures contracts	61.4	0.3	0.4	Derivative financial assets Derivative financial liabilities	7.1
Fuel oil price risk					
Swaps	5.4	0.2	0.5	Derivative financial assets Derivative financial liabilities	0.9
Foreign exchange risk					
Forward and futures contracts	(6.7)	0.0	0.1	Derivative financial assets Derivative financial liabilities	(2.8)
Fair value hedges					
Cocoa price risk					
Futures contracts	168.0	41.9	7.6	Derivative financial assets Derivative financial liabilities	(97.3)
Foreign exchange risk					
Forward and futures contracts	(2.7)	3.0	1.5	Derivative financial assets Derivative financial liabilities	(15.7)
Monetary items	111.8	413.9	302.1	Cash and cash equivalents Trade receivables and other current assets Short-term debt Trade payables and other current liabilities	(0.9)

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in CHF million	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the Consolidated Balance Sheet where the hedging instrument is reported	Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness
as of August 31, 2016		Assets	Liabilities		
Cash flow hedges					
Interest rate risk					
Swaps	191.6	0.0	8.7	Derivative financial assets Derivative financial liabilities	1.0
Cocoa price risk					
Futures contracts	(68.4)	1.9	2.7	Derivative financial assets Derivative financial liabilities	5.8
Sugar price risk					
Futures contracts	91.9	31.4	–	Derivative financial assets	31.4
Fuel oil price risk					
Swaps	10.6	–	4.0	Derivative financial liabilities	4.2
Foreign exchange risk					
Forward and futures contracts	1.8	3.6	0.8	Derivative financial assets Derivative financial liabilities	2.8
Fair value hedges					
Cocoa price risk					
Futures contracts	139.0	–	89.9	Derivative financial liabilities	(12.2)
Foreign exchange risk					
Forward and futures contracts	(280.1)	3.6	3.7	Derivative financial assets Derivative financial liabilities	21.7
Monetary items	164.2	467.0	302.8	Cash and cash equivalents Trade receivables and other current assets Short-term debt Trade payables and other current liabilities	2.4

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b) Impact of hedged items designated in hedging relationships

The impact of hedged items designated in hedging relationships as of August 31, 2017, on the Group's Consolidated Balance Sheet is as follows:

in CHF million	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		From the accumulated amount of fair value hedge adjustments: part related to hedged items that ceased to be adjusted for hedging gains or losses		Line item in the Consolidated Balance Sheet where the hedged item is reported	Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
as of August 31, 2017	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
Cash flow hedges									
Interest rate risk									
Forecasted interest payments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(3.6)	(10.7)
Cocoa price risk									
Forecasted cocoa sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1.4)	(0.1)
Sugar price risk									
Forecasted sugar purchases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(7.1)	2.2
Fuel oil price risk									
Forecasted fuel oil expenditures	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(0.9)	(0.6)
Foreign exchange risk									
Forecasted purchase and sales transactions denominated in foreign currency	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.8	(3.1)
Fair value hedges									
Cocoa price risk									
Cocoa and chocolate stocks	650.4		(57.7)		–		Inventories	(42.5)	n/a
Risk component of cocoa and chocolate purchase and sales contracts	274.1	76.8	274.1	76.8	–	–	Derivative financial assets Derivative financial liabilities	138.3	n/a
Foreign exchange risk									
Firm purchase and sales commitments denominated in foreign currency	21.5	28.5	21.5	28.5	–	–	Trade receivables and other current assets Trade payables and other current liabilities	16.5	n/a

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in CHF million	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		From the accumulated amount of fair value hedge adjustments: part related to hedged items that ceased to be adjusted for hedging gains or losses		Line item in the Consolidated Balance Sheet where the hedged item is reported	Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
as of August 31, 2016	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
Cash flow hedges									
Interest rate risk									
Forecasted interest payments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1.0)	(13.2)
Cocoa price risk									
Forecasted cocoa sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(5.7)	(0.9)
Sugar price risk									
Forecasted sugar purchases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(31.6)	28.4
Fuel oil price risk									
Forecasted fuel oil expenditures	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(4.0)	(3.7)
Foreign exchange risk									
Forecasted purchase and sales transactions denominated in foreign currency	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2.8)	3.3
Fair value hedges									
Cocoa price risk									
Cocoa and chocolate stocks	895.6	–	35.1	–	–	–	Inventories	18.8	n/a
Risk component of cocoa and chocolate purchase and sales contracts	52.8	–	52.8	–	–	–	Derivative financial assets Derivative financial liabilities	(5.8)	n/a
Foreign exchange risk									
Firm purchase and sales commitments denominated in foreign currency	14.9	22.3	14.9	22.3	–	–	Trade receivables and other current assets Trade payables and other current liabilities	(24.6)	n/a

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c) Impact of the hedging relationships on the Consolidated Income Statement and other comprehensive income

The above hedging relationships affected the Consolidated Income Statement and other comprehensive income, as follows:

Cash flow hedges	Change in the fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported	Amount reclassified from the cash flow hedge reserve to profit or loss	Line item in the Consolidated Income Statement impacted by the reclassification from cash flow hedge reserve
as of August 31, 2017					
in CHF million					
Interest rate risk	3.6	–	n/a	0.9	Finance costs
Cocoa price risk	1.4	–	n/a	(0.6)	Cost of goods sold
Sugar price risk	7.1	–	n/a	(30.0)	Cost of goods sold
Fuel oil price risk	0.9	–	n/a	2.1	Cost of goods sold
Foreign exchange risk	(2.8)	–	n/a	(4.0)	Cost of goods sold

Cash flow hedges	Change in the fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported	Amount reclassified from the cash flow hedge reserve to profit or loss	Line item in the Consolidated Income Statement impacted by the reclassification from cash flow hedge reserve
as of August 31, 2016					
in CHF million					
Interest rate risk	(27.4)	4.9	Finance costs	–	Finance costs
Cocoa price risk	(1.2)	0.1	Cost of goods sold	2.6	Cost of goods sold
Sugar price risk	37.3	0.2	Cost of goods sold	1.8	Cost of goods sold
Fuel oil price risk	(4.6)	0.2	Cost of goods sold	3.1	Cost of goods sold
Foreign exchange risk	6.4	–	n/a	(3.2)	Cost of goods sold

This table includes the changes in the fair value of the hedging instruments recognized in other comprehensive income throughout the entire fiscal year 2016/17 (also including hedge accounting relationships ended before August 31, 2017).

In the fiscal year 2015/16, hedge ineffectiveness of CHF 4.9 million related to hedging of interest rate on EUR 450 million Senior Note has been recorded. The cash flow hedge reserve has been transferred to the Consolidated Income Statement due to the fact that the hedged cash flows are no longer expected to occur.

The table in section "4/a Impact of hedging instruments designated in hedging relationships" (refer to column "Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness") includes the fair value changes on those hedging instruments that are related to hedge accounting relationships, which were still active at August 31, 2017.

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Fair value hedges

in CHF million	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported
as of August 31, 2017		
Cocoa price risk	(1.5)	Cost of goods sold
Foreign exchange risk	(0.1)	Cost of goods sold

in CHF million	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported
as of August 31, 2016		
Cocoa price risk	0.8	Cost of goods sold
Foreign exchange risk	(0.5)	Cost of goods sold

Certain ineffectiveness can arise during the hedging process. The main sources of hedge ineffectiveness are considered to be timing differences between entering into the hedged items and into the hedging instruments and differences between the maturity profile of the hedged items and the hedging instruments.

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The following table provides further information about the effect of cash flow hedges on equity:

in thousands of CHF	Cocoa price risk	Sugar price risk	Fuel oil price risk	Foreign exchange risk	Interest rate risk	Total hedging reserve
as of September 1, 2015	**(2,198)**	**(6,868)**	**(2,799)**	**374**	**1,624**	**(9,867)**
Gains/(losses) taken into equity	(1,205)	37,337	(4,636)	6,436	(27,392)	10,540
Transfer to the Consolidated Income Statement for the period	2,619	1,778	3,221	(3,221)	4,929	9,326
thereof:						
due to hedged cash flows that are no longer expected to occur/ineffectiveness	87	184	195	–	4,929	5,395
due to hedged item affected the Consolidated Income Statement	2,532	1,594	3,026	(3,221)	–	3,931
Income taxes	(72)	(3,805)	472	(273)	7,635	3,957
Currency translation adjustment	(38)	–	5	15	(24)	(42)
as of August 31, 2016	**(895)**	**28,442**	**(3,737)**	**3,331**	**(13,228)**	**13,914**
Gains/(losses) taken into equity	1,414	7,126	942	(2,789)	3,605	10,298
Transfer to initial carrying amount of the hedged item	–	(2,584)	136	(124)	–	(2,572)
Transfer to the Consolidated Income Statement for the period	(606)	(30,040)	2,144	(4,032)	896	(31,638)
thereof:						
due to hedged cash flows that are no longer expected to occur/ineffectiveness	–	–	–	–	–	–
due to hedged item affected the Consolidated Income Statement	(606)	(30,040)	2,144	(4,032)	896	(31,638)
Income taxes	(40)	(699)	(71)	462	(1,530)	(1,878)
Currency translation adjustment	(11)	(8)	(8)	16	(425)	(437)
as of August 31, 2017	**(138)**	**2,238**	**(594)**	**(3,136)**	**(10,682)**	**(12,312)**

5 Timing, nominal amount and pricing of hedging instruments

As mentioned earlier in this note, the Group's Risk Management continuously monitors the entities' exposures to commodity price risk, foreign currency risk and interest rate risk as well as the use of derivative instruments.

The following table provides information about the maturity of the nominal amount and interest rates attached to the swaps held by the Group as of August 31, 2017, to hedge its interest rate risk:

as of August 31, 2017	Period of maturity			
	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	–	342.8	–	342.8
Average interest rate	–	1.09%	–	n/a

as of August 31, 2016	Period of maturity			
	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	–	191.6	–	191.6
Average interest rate	–	1.85%	–	n/a

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As of August 31, 2017, the Group held the following cocoa bean futures and other contracts accounted as derivatives to hedge the cocoa price risk exposure on its hedged items:

	Period of maturity			
as of August 31, 2017	September – December current year	January – May next year	After May next year	Total
Nominal amount (in tonnes, net long/(short))	(12,146)	157,454	100,247	245,555
Average price (in CHF per tonne)	1,779	1,829	1,685	n/a

	Period of maturity			
as of August 31, 2016	September – December current year	January – May next year	After May next year	Total
Nominal amount (in tonnes, net long/(short))	(29,277)	60,742	3,825	35,290
Average price (in CHF per tonne)	2,516	2,549	2,863	n/a

As of August 31, 2017, the Group held the following sugar futures to hedge the sugar price risk exposure on its forecasted sugar purchases:

	Period of maturity			
as of August 31, 2017	September – October current year	November current year – May next year	After May next year	Total
Nominal amount (in tonnes, long)	70,409	100,805	23,097	194,311
Average price (in CHF per tonne)	334	325	328	n/a

	Period of maturity			
as of August 31, 2016	September – October current year	November current year – May next year	After May next year	Total
Nominal amount (in tonnes, long)	91,034	120,700	70,765	282,499
Average price (in CHF per tonne)	319	335	340	n/a

As of August 31, 2017, the Group held the following fuel oil swaps to hedge the fuel oil price risk exposure on its forecasted freight expenditures:

	Period of maturity			
as of August 31, 2017	September current year – June next year	July – December next year	After next year	Total
Nominal amount (in tonnes, long)	12,173	–	–	12,173
Average price (in CHF per tonne)	440	–	–	n/a

	Period of maturity			
as of August 31, 2016	September current year – June next year	July – December next year	After next year	Total
Nominal amount (in tonnes, long)	13,661	8,530	6,121	28,312
Average price (in CHF per tonne)	377	388	388	n/a

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Information about the foreign exchange forwards and futures in case of the major foreign currency hedging pairs held by the Group as of August 31, 2017, to hedge its foreign exchange risk:

as of August 31, 2017	Period of maturity			
	Current year	Next year	After next year	Total
GBP exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	170.4	52.9	(3.0)	220.2
Average foreign exchange rate (EUR/GBP)	0.871	0.874	0.898	n/a
USD exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(160.1)	193.3	(4.0)	29.2
Average foreign exchange rate (EUR/USD)	1.132	1.164	1.184	n/a
GBP exposure hedging in entities whose functional currency is USD				
Nominal amount (CHF million, long/(short))	41.3	0.0	2.3	43.6
Average foreign exchange rate (USD/GBP)	0.778	0.770	0.763	n/a
USD exposure hedging in entities whose functional currency is BRL				
Nominal amount (CHF million, long/(short))	67.2	–	–	67.2
Average foreign exchange rate (BRL/USD)	0.333	–	–	n/a

as of August 31, 2016	Period of maturity			
	Current year	Next year	After next year	Total
GBP exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(54.7)	(72.4)	(2.7)	(129.8)
Average foreign exchange rate (EUR/GBP)	0.853	0.879	0.869	n/a
USD exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(189.9)	(61.8)	(2.1)	(253.7)
Average foreign exchange rate (EUR/USD)	1.082	1.113	1.007	n/a
GBP exposure hedging in entities whose functional currency is USD				
Nominal amount (CHF million, long/(short))	74.5	29.7	0.7	104.8
Average foreign exchange rate (USD/GBP)	0.728	0.699	0.758	n/a
USD exposure hedging in entities whose functional currency is BRL				
Nominal amount (CHF million, long/(short))	0.4	–	–	0.4
Average foreign exchange rate (BRL/USD)	0.333	–	–	n/a

6 Credit risk and concentration of credit risk

Credit risk arising from customers, i.e. the risk of counter parties defaulting, is governed by the Group's Credit Management Policy. This policy defines the Group's credit management process such as the roles and responsibilities of the regional credit control organization, the initial customer account approval, setting and changing credit limits and payment terms, regular monitoring controls, collection effort process, credit insurance procedures and credit allowances. System controls ensure that new customer orders and deliveries are not processed if a specific customer credit limit is exceeded due to outstanding or overdue open amounts.

Further, the Group has a credit insurance program whereby all customers with outstanding amounts larger than EUR 70,000 are insured as far as possible.

The Group's credit risk also arises from derivative financial instruments, i.e. foreign exchange derivatives, interest rate derivatives, and commodity derivatives. The Group has foreign exchange and interest rate derivatives with 10–15 banks acting on an international scale and having sound credit ratings. In case of commodity derivatives, the Group enters into future deals in the New York and the London terminal markets, mainly with 5–6 counterparties, and the open positions per counterparty offset each other to a large extent leading to limited minimal open balances (as also represented by the value of derivative financial assets largely offsetting the value of derivative financial liabilities on the balance sheet). Counterparty exposures towards such financial institutions, referring limit utilization and total amount of all uninsured customers is monitored on a regular basis by the Group's centralized treasury department and reported to the Group's Finance Committee and the Audit, Finance, Risk, Quality and Compliance Committee.

As of August 31, 2017, the largest customer represents 9% (2016: 8%) whereas the ten biggest customers represent 33% (2016: 29%) of trade receivables. Other than that the Group has no material credit risk concentration as it maintains a large, geographically diverse customer base. The extent of the Group's credit risk exposure is represented on the one hand by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 1,429.1 million as of August 31, 2017 (2016: CHF 1,208.3 million).

All financial assets measured at amortized cost are first assessed for individual impairment. Subsequently, expected credit loss is calculated by applying the annualized Credit Default Swap rates (CDS) of the country of domicile (where available the individual CDS of the counterparty is applied) and by 25 bps (pro-rated in line with average payment terms). The net expenses representing additions to the allowance for impairment losses and releases of the unused allowance recognized according to the approach described above amounted to CHF 5.0 million in 2016/17 (2015/16: CHF 1.7 million).

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The following table summarizes the expected credit losses on the Group's trade receivables at balance sheet date:

Ageing of trade receivables

as of August 31, in thousands of CHF	2017	2016
Total trade receivables measured at amortized cost	321,154	373,099
of which:		
insured receivables	230,108	198,374
uninsured receivables with an individual balance over CHF 1 million	34,675	124,685
uninsured receivables with an individual balance below CHF 1 million	56,371	50,040
Less lifetime expected credit losses for trade receivables	(6,632)	(14,033)
Total trade receivables measured at amortized cost	**314,521**	**359,066**
of which:		
not overdue	244,307	315,584
lifetime expected credit losses for trade receivables not overdue	(1,935)	(1,359)
expected credit loss rate	0.79%	0.43%
past due less than 90 days	71,454	33,748
lifetime expected credit losses for trade receivables past due less than 90 days	(2,556)	(534)
expected credit loss rate	3.58%	1.58%
past due more than 90 days	5,392	23,767
lifetime expected credit losses for trade receivables past due more than 90 days	(2,141)	(12,140)
expected credit loss rate	39.71%	51.08%
Total trade receivables measured at amortized cost	**314,521**	**359,066**

The Group has insured certain credit risks through a credit insurance policy. A number of customers with significant outstanding amounts are covered by this policy.

The movements in expected credit losses for financial instruments were as follows:

Movements in allowance for impairment losses of financial assets

in thousands of CHF	2016/17	2015/16
as of September 1,	**14,231**	**21,194**
Changes to expected credit losses on financial assets already recognized at the beginning of the fiscal year	1,767	5,903
Changes to expected credit losses on new financial assets originated during the fiscal year	4,271	2,041
Write-offs	(10,840)	(9,119)
Unused amounts reversed	(1,040)	(6,219)
Currency translation adjustment	(12)	432
as of August 31,	**8,377**	**14,231**

Allowance for impairment losses as at August 31, 2017, includes CHF 1.7 million related to "Cash and cash equivalents", "Deposits", "Other receivables" and "Other financial assets" (in 2015/16: CHF 0.2 million).

7 Liquidity risk

Liquidity risk arises through a surplus of financial obligations over available financial assets due at any point in time. The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity coordinated by the Group's centralized treasury department.

Financing needs are covered through a combination of adequate credit lines with financial institutions as well as through short-term and long-term debt capital market products (see note 23 Long-term debt). The Group may use structured solutions for the

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management of its working capital to mitigate seasonality and price effects related to the sourcing of exchange traded commodities (mainly cocoa beans). Related items may not be recognized on the Group's consolidated balance sheet under applicable accounting standards. The Group regularly assesses such structured solutions as characteristics, contractual terms and related accounting treatment may change over time.

Contractual maturities

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

as of August 31, 2017	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF				
Non-derivative financial liabilities				
Bank overdrafts	(21,264)	–	–	(21,264)
Short-term debt	(318,272)	–	–	(318,272)
Trade payables[1]	(680,673)	–	–	(680,673)
Long-term debt	(53,015)	(469,828)	(943,076)	(1,465,919)
Other current liabilities[2]	(347,364)	–	–	(347,364)
Derivatives				
Interest rate derivatives	(3,810)	(1,569)	158	(5,221)
Currency derivatives				
Inflow	2,602,241	4,918	–	2,607,159
Outflow	(2,481,399)	(5,361)	–	(2,486,760)
Commodity derivatives (gross settled)				
Inflow	1,511,725	49,041	–	1,560,766
Outflow	(383,624)	–	–	(383,624)
Commodity derivatives (net settled)				
Inflow	40,383	1,484	–	41,867
Outflow	(7,453)	(187)	–	(7,640)
Total net	**(142,525)**	**(421,501)**	**(942,918)**	**(1,506,944)**

as of August 31, 2016	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF				
Non-derivative financial liabilities				
Bank overdrafts	(25,314)	–	–	(25,314)
Short-term debt	(755,236)	–	–	(755,236)
Trade payables[1]	(552,339)	–	–	(552,339)
Long-term debt	(48,926)	(484,145)	(963,446)	(1,496,517)
Other current liabilities[2]	(434,574)	–	–	(434,574)
Derivatives				
Interest rate derivatives	(3,696)	(4,933)	–	(8,630)
Currency derivatives				
Inflow	3,671,035	15,662	–	3,686,697
Outflow	(3,554,087)	(15,800)	–	(3,569,887)
Commodity derivatives (gross settled)				
Inflow	786,657	13,899	–	800,557
Outflow	(1,384,651)	–	–	(1,384,651)
Commodity derivatives (net settled)				
Inflow	99,140	–	–	99,140
Outflow	(133,999)	(2,066)	–	(136,065)
Total net	**(2,335,989)**	**(477,383)**	**(963,446)**	**(3,776,819)**

1 Trade payables incl. amounts due to related parties.
2 Other current liabilities contain accrued expenses and other payables.

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8 Fair value of financial instruments

a) Methods and assumptions

The carrying value of the following financial instruments approximates fair value because of the short period to maturity:

- Cash and cash equivalents
- Trade receivables
- Other receivables representing financial instruments
- Other current assets representing financial instruments
- Other non-current assets representing financial instruments
- Trade payables
- Bank overdrafts
- Short-term deposits
- Short-term debt
- Other payables representing financial instruments
- Other current liabilities representing financial instruments

Long-term debt

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

Derivative financial assets and liabilities

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

Carrying amount and fair value of each class of financial assets and liabilities are presented in the table below:

as of August 31, 2017	Financial assets (mandatorily) measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities (mandatorily) measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
in thousands of CHF						
Cash and cash equivalents	–	399,292	–	–	399,292	399,292
Short-term deposits	–	121	–	–	121	121
Trade receivables	94,287	314,521	–	–	408,808	408,808
Derivative financial assets	573,770	–	–	–	573,770	573,770
Other current assets[1]	–	74,743	–	–	74,743	74,743
Other non-current assets[2]	–	12,674	–	–	12,674	12,674
Total assets	**668,057**	**801,351**	**–**	**–**	**1,469,408**	**1,469,408**
Bank overdrafts	–	–	–	21,264	21,264	21,264
Short-term debt	–	–	–	318,272	318,272	318,272
Trade payables	–	–	–	680,673	680,673	680,673
Derivative financial liabilities	–	–	259,805	–	259,805	259,805
Long-term debt	–	–	–	1,170,743	1,170,743	1,327,102
Other current liabilities[3]	–	–	–	347,364	347,364	347,364
Total liabilities	**–**	**–**	**259,805**	**2,538,316**	**2,798,121**	**2,954,480**

1 Other current assets contain accrued income, loans and other receivables and other current financial assets.
2 Other non-current assets contain long-term deposits and financial assets related to long-term partnership agreements.
3 Other current liabilities contain accrued expenses and other payables.

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as of August 31, 2016	Financial assets (mandatorily) measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities (mandatorily) measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
in thousands of CHF						
Cash and cash equivalents	–	456,800	–	–	456,800	456,800
Short-term deposits	–	50	–	–	50	50
Trade receivables	77,538	359,066	–	–	436,604	436,604
Derivative financial assets	318,303	–	–	–	318,303	318,303
Other current assets[1]	–	210,784	–	–	210,784	210,784
Other non-current assets[2]	–	2,189	–	–	2,189	2,189
Total assets	**395,841**	**1,028,889**	**–**	**–**	**1,424,731**	**1,424,731**
Bank overdrafts	–	–	–	25,314	25,314	25,314
Short-term debt	–	–	–	731,340	731,340	751,634
Trade payables	–	–	–	552,339	552,339	552,339
Derivative financial liabilities	–	–	310,368	–	310,368	310,368
Long-term debt	–	–	–	1,153,027	1,153,027	1,309,037
Other current liabilities[3]	–	–	–	434,574	434,574	434,574
Total liabilities	**–**	**–**	**310,368**	**2,896,593**	**3,206,961**	**3,383,265**

1 Other current assets contain accrued income, loans and other receivables and other current financial assets.
2 Other non-current assets contain long-term deposits and financial assets related to long-term partnership agreements.
3 Other current liabilities contain accrued expenses and other payables.

b) Fair value hierarchy of financial instruments

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

The fair value hierarchy has the following levels:

- Level 1: The fair value is based on unadjusted, quoted prices in active markets which give the best possible objective indication for the fair value of a financial asset or liability. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker or pricing service, and those prices represent actual and regularly occurring market transactions on an arm's-length basis.
- Level 2: The estimation of the fair value is based on the results of a valuation model. The valuation model for commodity derivatives includes quoted prices in active markets, recent arm's-length transactions or dealer and supplier quotes adjusted for the specific characteristics of the underlying commodities such as the cost of carry, differentials for the properties and conversion yields. Corroborated market data is used for the valuation of foreign exchange and interest rate derivatives. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.
- Level 3: The valuation models used are based on parameters and assumptions not observable on the market.

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The following table summarizes the levels applied with regard to financial assets and financial liabilities measured at fair value:

as of August 31, 2017	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	94,287	**94,287**
Derivative financial assets	174,133	399,638	–	**573,770**
Derivative financial liabilities	37,389	222,416	–	**259,805**

as of August 31, 2016	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	77,538	**77,538**
Derivative financial assets	67,580	250,723	–	**318,303**
Derivative financial liabilities	24,557	285,811	–	**310,368**

From the value of derivative financial assets and derivative financial liabilities as at August 31, 2017, CHF 48.5 million and CHF 101.4 million, respectively, relate to the fair values of executory contracts measured at fair value applying the fair value option (2015/16: CHF 83.7 million and 7.5 million). The fair value of each executory contract measured at fair value using the fair value option was calculated using the methods described in Level 2.

The value of the trade receivables measured at fair value was calculated using a discounted cash flow method based on the nominal value and the discount rates (mainly representing the risk-free rate and credit risk of the counterparty) between the Group and the purchasing party.

There have been no transfers between the fair value hierarchy levels during the fiscal years 2016/17 and 2015/16.

9 Capital management

The Group continues to apply its policy to maintain a sound capital base to support the continued development of the business. The Board of Directors seeks to maintain a prudent balance between debt and equity. In compliance with bank covenants, there is also a minimum Tangible Net Worth value (Equity – Intangible assets) set at CHF 750 million.

The target Payout ratio to shareholders is set at around 35% of the net profit in the form of a share capital reduction and repayment and/or dividend. Dividends will be paid from reserves from capital contributions as long as such remain available. The target Payout ratio and the form of the payout recommended by the Board are reviewed on an annual basis and are subject to the decision of the Annual General Meeting of Shareholders.

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

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10 Offsetting financial assets and financial liabilities

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

as of August 31, 2017	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received or deposited	Related amounts not set off in the balance sheet: Net amount
in thousands of CHF						
Derivative financial assets	718,807	(145,036)	573,770	**(2,249)**	**(20,549)**	**550,972**
Derivative financial liabilities	404,841	(145,036)	259,805	**(2,249)**	**(761)**	**256,795**

as of August 31, 2016	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received or deposited	Related amounts not set off in the balance sheet: Net amount
in thousands of CHF						
Derivative financial assets	421,627	(103,323)	318,303	**(65,609)**	**(264)**	**252,430**
Derivative financial liabilities	413,691	(103,323)	310,368	**(65,609)**	**(40,027)**	**204,732**

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default, insolvency or bankruptcy or following other events predefined in the contract by the counterparty. The cash collateral received and deposited is reported on lines "Trade payables and other current liabilities" and "Trade receivables and other current assets" in the Consolidated Balance Sheet.

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27 Related parties

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

as of August 31,	2017	2016
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.11%
Renata Jacobs	8.48%	8.48%
Massachusetts Mutual Life Insurance Company[1]	3.65%	3.64%

1 Including all subsidiaries controlled by the parent company

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

in thousands of CHF	Nature of cost/revenue	2016/17	2015/16
Other operating expenses charged by related parties		**(1,550)**	**(1,621)**
Jacobs Holding AG	Management services	(1,500)	(1,521)
Other		(50)	(101)
Other payables to related parties		**135**	**419**
Jacobs Holding AG		135	419
Debt instruments due to related parties		**–**	**149,926**
Jacobs Holding AG		–	149,926

Compensation of key management personnel

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

in million CHF	2016/17	2015/16
Short-term employee benefits	13.2	13.3
Post-employment benefits	1.6	2.0
Share-based payments	8.8	9.3
Total	**23.6**	**24.6**

Further details related to the requirements of the Swiss Transparency law (Art. 663b^{bis} and 663c Swiss Code of Obligations) are disclosed in notes 2.7, 3.5 and 3.6 in the Financial Statements of Barry Callebaut AG and in the Remuneration Report.

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28 Capital and lease commitments

Capital commitments

as of August 31,	2017	2016
in thousands of CHF		
Property, plant & equipment	5,113	3,993
Intangible assets	91	1,923
Total capital commitments	**5,204**	**5,916**

Operating lease commitments

Operating lease commitments represent rentals payable by the Group for certain vehicles, equipment, buildings and offices. Equipment and vehicle leases were negotiated for an average term of 2.5 years (2015/16: 2.4 years).

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

as of August 31,	2017	2016
in thousands of CHF		
In the first year	17,410	14,783
In the second to the fifth year	47,216	38,676
After five years	37,615	27,578
Total future operating lease commitments	**102,240**	**81,037**

in thousands of CHF	2016/17	2015/16
Lease expenditure charged to income statement	**16,482**	**15,687**

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29 Group entities

The principal subsidiaries of Barry Callebaut as of August 31, 2017, are as follows:[1]

Country	Subsidiary	Municipality of registration	%-owned	Currency	Capital
Switzerland	Barry Callebaut Sourcing AG	Zurich	100	CHF	2,000,000
	Barry Callebaut Schweiz AG	Dübendorf	100	CHF	4,600,000
	Barry Callebaut Cocoa AG	Zurich	100	CHF	100,000
	Barry Callebaut Management Services AG	Zurich	100	CHF	100,000
Belgium	Barry Callebaut Services N.V.	Lebbeke-Wieze	100	EUR	929,286,000
	Barry Callebaut Belgium N.V.	Lebbeke-Wieze	100	EUR	61,537,705
	Pierre Iserentant SA	Thimister-Clermont	100	EUR	260,908
	International Business Company Belgium BVBA	Kortrijk (Heule)	100	EUR	65,000
	Barry Callebaut Manufacturing Halle BVBA	Halle	100	EUR	15,488,952
Brazil	Barry Callebaut Brasil SA	São Paulo	100	BRL	451,600,810
Cameroon	Société Industrielle Camerounaise des Cacaos SA	Douala	78.35	XAF	1,147,500,000
	SEC Cacaos SA	Douala	100	XAF	10,000,000
Canada	Barry Callebaut Canada Inc.	St.-Hyacinthe	100	CAD	2,000,000
Chile	Barry Callebaut Chile SpA	Santiago	100	CLP	8,001,000,000
China	Barry Callebaut (Suzhou) Chocolate Co., Ltd.	Suzhou	100	CNY	219,137,532
Côte d'Ivoire	Société Africaine de Cacao SA	Abidjan	100	XAF	25,695,651,316
	Barry Callebaut Négoce SA	Abidjan	100	XAF	3,700,000,000
	Biopartenaire SA	Yamoussoukro	100	XAF	200,000,000
Czech Republic	Barry Callebaut Czech Republic s.r.o.	Prague-Vinohrady	100	CZK	200,000
Denmark	Barry Callebaut Denmark ApS	Hostebro	100	DKK	500,000
Ecuador	Barry Callebaut Ecuador SA	Guayaquil	100	USD	50,000
France	Barry Callebaut Manufacturing France SAS	Hardricourt	100	EUR	6,637,540
	Barry Callebaut France SAS	Hardricourt	100	EUR	67,900,000
	Barry Callebaut Nord Cacao SAS	Gravelines	100	EUR	3,037,000
Germany	Barry Callebaut Deutschland GmbH	Norderstedt	100	EUR	77,600
	C.J. van Houten & Zoon Holding GmbH	Norderstedt	100	EUR	72,092,155
	Schloss Marbach GmbH	Öhningen	100	EUR	1,600,000
	Barry Callebaut Manufacturing Norderstedt GmbH & Co. KG	Norderstedt	100	EUR	50,100
	Barry Callebaut Cocoa Germany GmbH	Hamburg	100	EUR	25,000
Ghana	Barry Callebaut Ghana Ltd.	Tema	100	USD	9,204,219
	Nyonkopa Cocoa Buying Company Ltd.	Kumasi	100	GHS	4,250,000
Great Britain	Barry Callebaut Manufacturing (UK) Ltd.	Banbury, Oxfordshire	100	GBP	15,467,852
	Barry Callebaut (UK) Ltd.	Banbury, Oxfordshire	100	GBP	3,200,000
	Barry Callebaut Beverage UK Ltd.	Chester	100	GBP	40,000
India	Barry Callebaut India Private Ltd.	Maharashtra	100	INR	335,900,006
Indonesia	P.T. Barry Callebaut Comextra Indonesia	Makassar	60	IDR	30,750,000
	P.T. Papandayan Cocoa Industries	Bandung	100	USD	40,000,000
	P.T. Barry Callebaut Indonesia	Bandung	100	IDR	23,073,000
Italy	Barry Callebaut Italia S.p.A.	Assago	100	EUR	104,000
	Barry Callebaut Manufacturing Italy Srl.	Milano	100	EUR	2,646,841
	Dolphin Srl.	Milano	100	EUR	110,000
Japan	Barry Callebaut Japan Ltd.	Amagasaki	100	JPY	835,000,000

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Country	Subsidiary	Municipality of registration	%-owned	Currency	Capital
Malaysia	Barry Callebaut Malaysia Sdn Bhd	Petaling Jaya	100	MYR	35,000,000
	Barry Callebaut Services Asia Pacific Sdn Bhd	Petaling Jaya	100	MYR	500,000
	Barry Callebaut Manufacturing Malaysia Sdn Bhd	Johor Bahru	100	MYR	16,000,000
Mexico	Barry Callebaut Mexico, S. de R.L. de CV	Escobedo N.L.	100	MXN	128,246,530
	Barry Callebaut Cocoa Mexico SA de CV	Monterrey	100	USD	107,795
Philippines	Cocoa Ingredients (Philippines) Inc.	Makati City	100	PHP	8,114,000
Poland	Barry Callebaut Manufacturing Polska Sp. z o.o.	Lodz	100	PLN	10,000,000
	Barry Callebaut Polska Sp. z o.o.	Lodz	100	PLN	50,000
	Barry Callebaut SSC Europe Sp. Z.o.o.	Lodz	100	PLN	2,000,000
Russia	Barry Callebaut NL Russia LLC	Moscow-Chekhov	100	RUB	922,510,182
	Gor Trade LLC	Moscow-Chekhov	100	RUB	58,000,000
Serbia	Barry Callebaut South East Europe d.o.o.	Belgrade	100	RSD	1,185,539
Sierra Leone	Bio United Ltd.	Freetown	100	SLL	114,000,000
Singapore	Barry Callebaut Chocolate Asia Pacific Pte. Ltd.	Singapore	100	SGD	100,000,000
	Barry Callebaut Cocoa Asia Pacific Pte Ltd	Singapore	100	USD	324,242,738
	Barry Callebaut Europe Holding Pte Ltd	Singapore	100	USD	–
Spain	Barry Callebaut Ibérica SL	Barcelona	100	EUR	25,000
	Barry Callebaut Manufacturing Ibérica, S.A.U.	Gurb	100	EUR	987,600
	La Morella Nuts S.A.	Castellvell del Camp	100	EUR	344,554
Sweden	Barry Callebaut Sweden AB	Kågeröd	100	SEK	100,000
	ASM Foods AB	Mjölby	100	SEK	2,000,000
Tanzania	Biolands International Ltd.	Moshi	100	TZS	40,000,000
Thailand	Siam Cocoa Products Co., Ltd.	Bangkok	100	THB	125,000,000
The Netherlands	Barry Callebaut Nederland B.V.	Zundert	100	EUR	21,435,000
	Barry Callebaut Decorations BV	Zundert	100	EUR	18,242
	Hoogenboom Benelux BV	Zundert	100	EUR	18,152
	Dings Décor B.V.	Nuth	70	EUR	22,689
	Barry Callebaut Cocoa Netherlands BV	Zaandam	100	EUR	18,000
Turkey	Barry Callebaut Eurasia Gida Sanayi Ve Ticaret Ltd. Sti.	Istanbul	100	TRL	103,000,000
USA	Barry Callebaut Cocoa USA Inc.	Chicago, IL	100	USD	7,663
	Barry Callebaut North America Holding Inc.	Wilmington, DL	100	USD	100,001,000
	Barry Callebaut USA LLC	St. Albans, VT	100	USD	100,190,211

1 Barry Callebaut has some dormant companies which are not enclosed as principal subsidiaries, e.g.Barry Callebaut Manufacturing Germany GmbH; Barry Callebaut Holding (UK) Ltd., Selbourne; Barry Callebaut Nigeria; Adis Holding Inc.; Barry Callebaut USA Holding, Inc.; Omnigest SAS.

Consolidated Financial Statements

30 Subsequent events

Approval of the Financial Statements

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 6, 2017, and are subject to approval by the Annual General Meeting of Shareholders on December 13, 2017.

Acquisitions of D'Orsogna Dolciaria

On July 20, 2017, Barry Callebaut announced its intention to acquire D'Orsogna Dolciaria, a family-owned Italian business-to-business company founded in 1957 and headquartered in San Vito, in the Abruzzo region. D'Orsogna Dolciaria is a leading supplier of high-quality decoration and inclusion solutions mainly for Food Manufacturers and Gourmet, in particular for ice-cream, dairy and bakery products. It has three state-of-the-art production sites in Italy, India and Canada and employs around 300 people.

The acquisition will allow Barry Callebaut to expand the existing offering of specialty and inclusions products with amaretti, meringues, cookies, glazings, toppings, inclusions and other products for ice cream, yogurts, snacks and chocolate decorations.

On October 5, 2017, the acquisition was successfully closed and Barry Callebaut started with the integration of the business activities.

The consideration paid amounted to CHF 48 million (EUR 42 million), fully paid in cash. The total identifiable net assets still need to be further assessed.

Acquisitions of Gertrude Hawk Chocolates

On September 7, 2017 Barry Callebaut announced its intention to acquire Gertrude Hawk Ingredients, the largest division of Gertrude Hawk Chocolates, a family-owned company founded 1936 in Scranton, Pennsylvania. The Ingredients division has a state-of-the-art factory in Scranton, Pennsylvania and employs around 370 people. By creating new and innovative technology and processes to make ice cream and baking inclusions, Gertrude Hawk Ingredients has become a leader in the ingredients market.

With the acquisition, Barry Callebaut will further extend its role in decoration and inclusion products for Food Manufacturers and Gourmet, particularly in the North American market, expanding its portfolio with new technologies for shell molding, panning, enrobing and with solutions for shaped inclusions and peanut butter chips, a very popular product in North America.

The transaction is still subject to regulatory approval, and closing of the transaction is expected to occur in December 2017. The establishment and allocation of the purchase price to net identifiable assets and goodwill can only be assessed at that point in time.

There are no other subsequent events that would require any modification of the value of the assets and liabilities or additional disclosures.

Statutory Auditor's Report

To the General Meeting of Barry Callebaut AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Barry Callebaut AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 August 2017 and the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 34 to 106) give a true and fair view of the consolidated financial position of the Group as at 31 August 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

We conducted our audit in accordance with Swiss law, International Standards on Auditing (ISAs) and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession, as well as the IESBA Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Valuation of Goodwill

Derivative Financial Instruments and Hedge Accounting

Existence and Valuation of Inventory

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Goodwill

Key Audit Matter

The Group reports goodwill totalling CHF 760.8 million as of 31 August 2017, arising from past business combinations.

Management has to assess goodwill for impairment on a yearly basis using a discounted cash flow model to determine the value in use of goodwill balances. This requires the use of a number of key assumptions and judgments, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates applied.

Furthermore, in case of business combinations occurring during the reporting period, management applies judgement in allocating the goodwill to the appropriate cash-generating units (CGUs).

We focused on this area in light of the amounts involved and the level of judgement and estimation required.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment testing, the appropriateness of the assumptions, and the methodology used by management to prepare its cash flow forecasts. We involved our own valuation specialists to support our procedures.

In particular, we performed the following:

— Gaining an understanding and assessing the reasonableness of business plans by comparing the assumptions to prior year;

— Comparing business plan data against budgets and the mid-term plan as approved by the Board of Directors;

— Recalculating the value in use calculations;

— Challenging the robustness of the key assumptions used to determine the value in use, cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible;

— Conducting sensitivity analysis, taking into account the Group's historical forecasting accuracy; and

— Comparing the sum of net asset value to the market capitalisation of the Group.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on Goodwill refer to the following:

— Summary of Accounting Policies, Intangible assets, Goodwill (page 46)

— Notes to the Consolidated Financial Statements – 18 Intangible assets (pages 67 to 69)

Derivative Financial Instruments and Hedge Accounting

Key Audit Matter

The Group reports net derivative financial assets at fair value of CHF 573.8 million and net derivative financial liabilities at fair value of CHF 259.8 million as of 31 August 2017.

Derivative financial instruments are used to manage and hedge commodity price risks, foreign currency exchange risks and interest rate risks. These instruments are typically designated in a fair value or cash flow hedge relationship. Financial instruments that are not designated in a hedging relationship and where no hedge accounting is applied are measured at fair value.

The fair value of the derivative financial instruments is based on quoted prices in active markets or on valuation models using observable input data.

We focused on this are because of the number of contracts, their measurement and the complexity related to hedge accounting.

Our response

We have performed, amongst other audit procedures, the following test work:

- Obtaining an understanding of the risk management policies and testing key controls for the use, the recognition and the measurement of derivative financial instruments;
- Reconciling derivative financial instruments data to third party confirmations;
- Comparing input data used in the Group's valuation models to independent sources and externally available market data;
- Comparing valuation of derivative financial instruments with market data or results from alternative, independent valuation models;
- Testing on a sample basis the applicability and accuracy of hedge accounting;
- Considering the appropriateness of disclosures in relation to financial risk management, derivative financial instruments and hedge accounting.

For further information on Derivative Financial Instruments and Hedge Accounting refer to the following:

- Summary of Accounting Policies, Derivative financial instruments and hedging activities (pages 43 to 45)
- Notes to the Consolidated Financial Statements – 14 Derivative financial instruments and hedging activities (pages 63 to 64)
- Notes to the Consolidated Financial Statements – 26 Financial risk management (pages 80 to 101)

Existence and Valuation of Inventory

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 1,317.8 million as of 31 August 2017.

Inventory is made up of physical items and commodity contracts and is managed globally by using third party warehouses and outsourcing contracts.

Inventories are measured at the lower of cost and net realizable value, except for inventories that qualify as hedged items in a fair value hedge relationship (cocoa and non-cocoa commodity raw materials, semi-finished and finished products). These inventories are measured at cost, adjusted for the hedging gain or loss on the hedged item.

We focused on this area because of its size, the assumptions used in the valuation and the complexity of the supply chain.

Our response

We have, amongst others, performed the following audit procedures:

— Obtaining an understanding over the supply chain and testing selected key controls over recognition and measurement of inventory;

— Testing on a sample basis the accuracy of cost for inventory by verifying the actual production costs, and testing the net realizable value by comparing actual cost with relevant market data;

— Testing on a sample basis the applicability and accuracy of hedge accounting;

— For a sample of warehouses, attending the physical stock-take procedures or reconciling third party confirmations with the accounting records of the Group.

For further information on Inventory refer to the following:

— Summary of Accounting Policies, Inventories (page 46)

— Notes to the Consolidated Financial Statements – 13 Inventories (page 63)

Other Information in the Annual Report

The Board of Directors is responsible for the other information in the annual report. The other information comprises all information included in the annual report, but does not include the consolidated financial statements, the stand-alone financial statements of the company, the remuneration report and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information in the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information in the annual report and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRS and the provisions of Swiss law, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law, ISAs and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Swiss law, ISAs and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Patricia Bielmann
Licensed Audit Expert

Zurich, 6 November 2017

Financial Statements of Barry Callebaut AG

Income Statement

for the fiscal year	2016/17	2015/16
in CHF		
Income		
Dividend income	5,700,000	36,500,000
License income	64,037,149	59,700,964
Management fees	37,257,829	32,976,091
Other financial income	1,235,988	4,877,881
Realized profit on treasury shares	–	617,258
Other operating income	20,326,960	12,505,860
Total income	**128,557,926**	**147,178,054**
Expenses		
Financial expenses	(14,401,390)	(9,195,699)
Personnel expenses	(59,359,475)	(49,236,777)
Other operating expenses	(46,422,140)	(36,330,631)
Depreciation of property, plant and equipment	(562,176)	(540,633)
Amortization of intangible assets	(806,977)	(1,032,254)
Total expenses	**(121,552,158)**	**(96,335,994)**
Profit before taxes	**7,005,768**	**50,842,060**
Direct taxes	(868,671)	(533,556)
Net profit for the year	**6,137,097**	**50,308,504**

Available earnings

in CHF	2016/17	2015/16
Available earnings as of September 1,	**1,531,438,006**	**1,481,067,021**
Dividends on treasury shares	43,508	62,481
Net profit	6,137,097	50,308,504
Available earnings as of August 31,	**1,537,618,611**	**1,531,438,006**

Financial Statements of Barry Callebaut AG

Balance Sheet

Assets

as of August 31,	2017	2016
in CHF		
Current assets		
Cash and cash equivalents	289,824	141,587
Other short-term receivables from Group companies	55,067,928	50,094,609
Short-term interest-bearing loans to Group companies	181,806	72,433
Prepaid expenses and accrued income	2,603,440	2,522,020
Total current assets	**58,142,998**	**52,830,649**
Non-current assets		
Investments in Group companies	2,256,255,039	2,250,912,768
Property, plant and equipment	1,232,752	892,344
Intangible assets		
Trademarks	582,596	749,204
Patents/Product development costs	1,319,541	1,245,701
Other	282,939	424,389
Total non-current assets	**2,259,672,867**	**2,254,224,406**
Total assets	**2,317,815,865**	**2,307,055,055**

Liabilities and shareholders' equity

as of August 31,	2017	2016
in thousands of CHF		
Short-term liabilities		
Bank overdrafts	1,980,908	1,238,320
Trade accounts payable		
to third parties	995,851	3,422,537
to Group companies	2,164,832	10,830,602
to shareholders	152,857	418,969
Short-term interest-bearing loans from Group companies	664,378,159	584,293,554
Short-term provisions	31,767,964	25,195,815
Accrued expenses and deferred income	28,208,391	12,436,822
Total short-term liabilities	**729,648,962**	**637,836,619**
Total liabilities	**729,648,962**	**637,836,619**
Shareholders' equity		
Share capital [1]	40,013,775	102,092,759
Legal capital reserves		
Reserves from capital contributions	39,104	23,037,419
Legal retained earnings		
General legal retained earnings	25,600,070	25,600,070
Voluntary retained earnings		
Available earnings		
Profit brought forward	1,531,481,514	1,481,129,502
Profit for the year	6,137,097	50,308,504
Treasury shares	(15,104,657)	(12,949,818)
Total shareholders' equity	**1,588,166,903**	**1,669,218,436**
Total liabilities and shareholders' equity	**2,317,815,865**	**2,307,055,055**

1 The share capital as of August 31, 2017, consists of 5,488,858 fully paid-in shares at a nominal value of CHF 7.29 (prior year: 5,488,858 shares with a nominal value of CHF 18.60).

Financial Statements of Barry Callebaut AG

Notes to the Financial Statements

1 Principles

1.1 General aspects
These financial statements have been prepared in accordance with the provisions of the new Law on Accounting and Financial Reporting (32nd title of the Swiss code of Obligations). Where not prescribed by law, the significant accounting and valuation principles applied are described below.

Due to rounding, the figures presented in the tables may not add up precisely.

1.2 Investments
Investments are stated at historical costs less any allowance for impairment.

1.3 Treasury shares
Treasury shares are recognized at acquisition cost and deducted from shareholders' equity at the date of acquisition. In case of resale, the gain or loss is recognized through the income statement as financial income or financial expenses.

1.4 Share-based payments
Should treasury shares be used for share-based payment programs for Board members and employees, the difference between the original acquisition costs and any consideration paid by the employees at grant date is recognized as personnel expenses.

1.5 Short-term interest-bearing liabilities
Short-term interest-bearing liabilities are recognized on the balance sheet at nominal value.

1.6 Long-term interest-bearing liabilities
Long-term interest-bearing liabilities are recognized on the balance sheet at nominal value.

1.7 Revenue recognition for Management fees and Licence income
Management fees and license income are recorded as revenue as at the date of invoicing.

1.8 Foregoing a cash flow statement and additional disclosures in the notes
As Barry Callebaut AG has prepared its Consolidated Financial Statements in accordance with International Financial Reporting Standard (IFRS), it has decided to forego presenting additional information on interest-bearing liabilities and audit fees in the notes as well as a cash flow statement in accordance with the law.

Financial Statements of Barry Callebaut AG

2 Information on balance sheet and income statement items

2.1 Prepaid expenses and accrued income

Short-term prepaid expenses and accrued income contain receivables for withholding tax, VAT and pension fund.

2.2 Investments

as of August, 31					2017	2016
Name and domicile	Municipality of registration	Share capital		Purpose	Percentage of ownership[1]	
ADIS Holding Inc., Panama	Panama City	CHF	41,624,342	In Liquidation	100%	100%
Barry Callebaut Belgium N.V., Belgium	Lebbeke-Wieze	EUR	61,537,705	Production, sales	99.99%	99.99%
Barry Callebaut Cocoa AG, Switzerland	Zurich	CHF	100,000	Sales	100%	100%
Barry Callebaut Decorations B.V., The Netherlands	Zundert	EUR	18,242	Production, sales	100%	100%
Barry Callebaut Management Services AG, Switzerland	Zurich	CHF	100,000	Management services	100%	100%
Barry Callebaut Manufacturing Halle B.V.B.A, Belgium	Halle	EUR	15,488,952	Production, sales	100%	0%
Barry Callebaut Nederland B.V., The Netherlands	Zundert	EUR	21,435,000	Holding	100%	100%
Barry Callebaut Nigeria Ltd., Nigeria	Lagos	NGN	10,000,000	Sales	1%	1%
Barry Callebaut Schweiz AG, Switzerland	Dübendorf	CHF	4,600,000	Production, sales	100%	100%
Barry Callebaut Services N.V., Belgium	Lebbeke-Wieze	EUR	929,286,000	Centralized treasury, management services	99.99%	99.99%
Barry Callebaut Sourcing AG, Switzerland	Zurich	CHF	2,000,000	Sourcing	100%	100%
C.J. van Houten & Zoon Holding GmbH, Germany	Norderstedt	EUR	72,092,155	Holding	100%	100%
Schloss Marbach GmbH, Germany	Öhningen	EUR	1,600,000	Conference and training center	100%	100%

1 Capital rights (percentage of ownership) correspond with voting rights.

Through the above listed subsidiaries, Barry Callebaut AG directly or indirectly controls all entities of the Barry Callebaut Group. All subsidiaries are listed in note 29 Group entities to the Consolidated Financial Statements of Barry Callebaut AG.

2.3 Short-term interest-bearing loans from Group companies

as of August 31, in CHF	Maturity	Interest	2017	2016
Short-term loan from Group companies	20.09.17	0.390%	661,800,000	–
Short-term loan from Group companies	20.09.16	1.220%	–	332,900,000
Short-term loan from Group companies	20.09.16	1.220%	–	101,000,000
Short-term loan from Group companies	13.07.17	1.025%	–	150,000,000
			–	–
Bank overdraft from Group companies	n/a	0.390%	2,578,159	393,554
Total			**664,378,159**	**584,293,554**

Financial Statements of Barry Callebaut AG

2.4 Accrued expenses and deferred income

Accrued expenses and deferred income mainly consist of income tax payables and accruals related to short-term incentives to employees.

2.5 Share capital and authorized capital

Share capital in the amount of CHF 40,013,774.82 consists of 5,488,858 registered shares at a par value of CHF 7.29 each.

2.6 Reserves from capital contributions

The reserves from capital contributions include the premium from capital increases minus the dividends distributed to date.

From a fiscal point of view, any distributions made from reserves from capital contributions are treated the same as a repayment of share capital. The Swiss Federal Tax Administration (SFTA) has confirmed that it will recognize disclosed reserves from capital contributions as a capital contribution as per art. 5 para. 1bis Withholding Tax Act.

2.7 Treasury shares

	Number of transactions	Lowest rate in CHF	Highest rate in CHF	Average rate of transaction in CHF	Quantity
Inventory as of September 1, 2015	–	–	–	–	**11,084**
Purchase	34	1,034	1,273	1,140	13,400
Allocations to management	2	–	–	1,045	(11,066)
Allocations to board members	1	–	–	1,070	(2,190)
Inventory as of August 31, 2016	–	–	–	–	**11,228**
Purchase	28	1,180	1,411	1,304	13,090
Allocations to management	3	–	–	1,156	(10,625)
Allocations to board members	1	–	–	1,304	(2,190)
Inventory as of August 31, 2017	–	–	–	–	**11,503**

As at balance sheet date, acquisition costs for directly held treasury shares amounted to CHF 15,104,657 (previous year: CHF 12,949,818).

2.8 Dividend income

In the reporting year, dividend income amounted to CHF 5,700,000 (previous year: CHF 36,500,000). This year’s amount is fully related to the dividend distributed by Barry Callebaut Schweiz AG, Switzerland, for the 2015/2016 business year.

2.9 Other financial income

Other financial income amounts to CHF 1,235,988 (previous year: CHF 4,877,881) and consists mostly of exchange gains.

2.10 License income

License income contains Royalties from group companies. They are related to the usage of brands and trademarks.

2.11 Management fees

Barry Callebaut AG provides a variety of business support services for the benefit of its Group companies. These services include a wide variety of business support services such as management support services, information management services (i.e. information technology related services), accounting and finance, human resources, consulting, tax and legal service etc.

Financial Statements of Barry Callebaut AG

2.12 Financial expenses

for the fiscal year	2016/17	2015/16
in CHF		
Bank interest and fees	249,166	279,024
Interest to Group companies	4,557,066	6,858,256
Exchange losses	9,595,158	2,058,419
Total	**14,401,390**	**9,195,699**

2.13 Other operating expenses

for the fiscal year	2016/17	2015/16
in CHF		
Fees lawyers and consulting	12,672,141	12,002,318
Other expenses third parties	9,605,862	9,928,098
Assistance fees related parties	1,460,284	1,531,069
Assistance fees Group companies	22,683,853	12,869,146
Total	**46,422,140**	**36,330,631**

3 Other information

3.1 Full-time equivalents

The average number of employees of Barry Callebaut AG during the financial year, expressed as full-time equivalents, exceeded 50, but did not exceed 250, as in the prior year.

3.2 Liens, guarantees and pledges in favor of third parties

- The Company is a co-debtor for bank loans of max. EUR 750 million (CHF 853.6 million; 2015/16: CHF 656.9 million) obtained by Barry Callebaut Services N.V., Belgium, on June 22, 2017, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 1,537.6 million less 35% withholding tax).
- The Company is also a co-debtor to the Senior Notes of EUR 250 million (CHF 285.7 million; 2015/16: CHF 273.7 million) issued by Barry Callebaut Services N.V., Belgium, on June 15, 2011, to the Senior Notes of USD 400 million (CHF 383.3 million; 2015/16: CHF 392.8 million) issued by Barry Callebaut Services N.V., Belgium, on June 20, 2013, as well as to the Senior Notes of EUR 450 million (CHF 514.2 million, 2015/16: CHF 492.7 million) issued by Barry Callebaut Services N.V., Belgium, on May 24, 2016. The maximal liability is limited to the freely distributable retained earnings (CHF 1,537.6 million less 35% withholding tax).
- The Company issued several guarantees for various credit facilities granted to direct and indirect subsidiaries for an amount of up to CHF 1,322.6 million (2015/16: CHF 1,275.3 million).

3.3 Contingent liabilities

Until December 31, 2015, the Swiss Barry Callebaut entities formed a VAT subgroup. As long as respective period has not been revised by VAT authorities, liabilities among subgroup participants are still possible.

Financial Statements of Barry Callebaut AG

3.4 Significant shareholders

as of August 31,	2017	2016
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.11%
Renata Jacobs	8.48%	8.48%
Massachusetts Mutual Life Insurance Company[1]	3.65%	3.64%

1 Including all subsidiaries controlled by the parent company.

3.5 Shareholdings of the Board of Directors and the Executive Commitee

Shareholdings of the Board of Directors

Number of shares as of August 31,		2017	2016
Name	Function		
Andreas Jacobs[1, 2]	Chairman (until Dec 2016)	n/a	4,260
Patrick De Maeseneire	Chairman (as from Dec 2016)	250	–
Fernando Aguirre		280	100
Jakob Baer	Vice Chairman (as from Dec 2016)	1,080	900
James (Jim) Donald		1,440	1,260
Nicolas Jacobs		92,886	101,039
Wai Ling Liu		160	180
Timothy Minges		656	476
Andreas Schmid		8,218	8,038
Juergen Steinemann	Vice Chairman (until Dec 2016)	13,979	13,795
Total shares held by Board of Directors		**118,949**	**130,048**

1 Excluding the 50.11% participation held by Jacobs Holding AG (see note 3.4).
2 No disclosures for August 31, 2017, as Andreas Jacobs left the Board of Directors at the last Annual General Assembly.

Shareholdings of the Executive Committee

Number of shares as of August 31,		2017	2016
Name	Function		
Antoine de Saint-Affrique	Chief Executive Officer	476	–
Victor Balli	Chief Financial Officer	1,453	1,000
Peter Boone	Chief Innovation & Quality Officer	–	7
Massimo Garavaglia	President EMEA	900	250
Dave Johnson	CEO and President Americas	2,000	2,023
Carole Le Meur	Chief Human Resources Officer	38	–
Dirk Poelman	Chief Operations Officer	1,636	1,534
Steven Retzlaff	President Global Cocoa	1,128	686
Total shares held by Executive Committee		**7,631**	**5,500**

3.6 Shares granted to the Board of Directors and employees

	2016/17 Quantity	2016/17 Value (CHF)	2015/16 Quantity	2015/16 Value (CHF)
Granted to Members of the Board	2,010	2,337,630	2,190	2,343,300
Granted to employees[1] of Barry Callebaut AG and subsidiaries	7,948	9,494,884	10,460	10,742,002

1 Employees include all participants in the share plan of the Group including employees on the payroll of subsidiaries of which Barry Callebaut AG is the ultimate parent.

3.7 Significant events after the balance sheet date

There are no subsequent events that would require any modification of the value of the assets and liabilities or additional disclosures.

Financial Statements of Barry Callebaut AG

3.8 Proposed appropriation of available earnings and reserves/par value reduction

The Board of Directors proposes to the Annual General Meeting a payout of CHF 20.00 per share consisting of a dividend of CHF 12.73 per share and CHF 7.27 per share in the form of a capital reduction through par value repayment:

3.8.1 Dividend payout of CHF 12.73 per share

Dividend payout of CHF 12.73 per share out of the voluntary retained earnings in the amount of CHF 69,873,162.

3.8.2 Capital reduction and repayment of CHF 7.27 per share

Reduction of the share capital from CHF 40,013,775 to CHF 109,777 in the form of a reduction of the par value from CHF 7.29 per share by CHF 7.27 to CHF 0.02 per share.

3.8.3 Carry-forward of the balance of voluntary retained earnings

of CHF 1,467,745,449.

Statutory Auditor's Report

To the General Meeting of Barry Callebaut AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barry Callebaut AG, which comprise the balance sheet as at 31 August 2017, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 113 to 120) for the year ended 31 August 2017 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Our responsibilities under those provisions and standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with the provisions of Swiss law and the requirements of the Swiss audit profession and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report on Key Audit Matters based on the circular 1/2015 of the Federal Audit Oversight Authority

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. We have determined that there are no key audit matters to communicate in our report.

Responsibility of the Board of Directors for the Financial Statements

The Board of Directors is responsible for the preparation of the financial statements in accordance with the provisions of Swiss law and the company's articles of incorporation, and for such internal control as the Board of Directors determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the entity or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Swiss law and Swiss Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Swiss law and Swiss Auditing Standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

— Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

— Obtain an understanding of internal control relevant to the audit 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 internal control.

— Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.

— Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.

We communicate with the Board of Directors or its relevant committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors or its relevant committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors or its relevant committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report, unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Patricia Bielmann
Licensed Audit Expert

Zurich, 6 November 2017

Governance

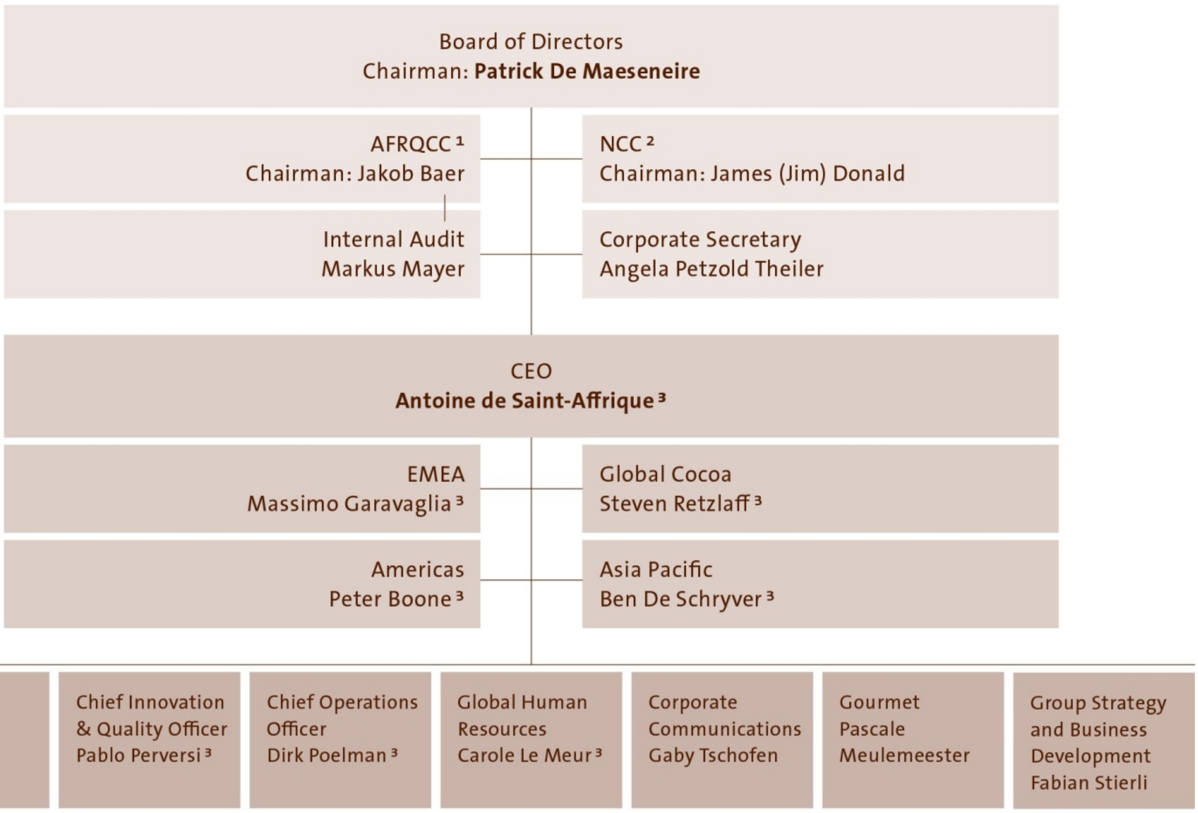
Corporate Governance

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

Group structure and shareholders

As of November 8, 2017, the Barry Callebaut Group has been organized into different regions: Region EMEA (incl. Western Europe and Eastern Europe, Middle East and Africa), Region Americas and Region Asia Pacific. The globally managed Global Cocoa is reported as a separate segment, like a Region. The figures under the respective Regions show all chocolate sales, while the figures reported under Global Cocoa show all sales of cocoa products to third-party customers globally, i.e. in all regions.

The Group's business can also be separated into three different Product Groups: Food Manufacturers Products, Gourmet & Specialties Products and Cocoa Products.



1 AFRQCC: Audit, Finance, Risk, Quality & Compliance Committee
2 NCC: Nomination & Compensation Committee
3 Member of the Executive Committee

Corporate Governance

The structure of the financial reporting is explained in note 3 to the Consolidated Financial Statements. Barry Callebaut AG (the "Company") was incorporated on December 13, 1994, under Swiss law, with head offices located at Pfingstweidstrasse 60 in Zurich, Switzerland. The Company is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. The Company has not requested admission to trading of its shares on any other stock exchange. As at August 31, 2017, the total number of issued shares in the Company was 5,488,858, and thus Barry Callebaut's market capitalization based on issued shares was CHF 7,574.6 million (August 31, 2016: CHF 6,937.9 million).

The principal subsidiaries of the Company are listed in note 29 to the Consolidated Financial Statements. The significant shareholders of the Company are listed in note 3.4 to the Financial Statements of the Company with Jacobs Holding AG as a majority shareholder with a participation of 50.11% of the issued share capital (August 31, 2016: 50.11%). There are no cross-shareholdings equal to or greater than 5% of the issued share capital.

Capital structure

The information required by the DCG regarding the capital structure is provided in note 25 (share capital, movements in the share capital) to the Consolidated Financial Statements. The Company has no convertible bonds outstanding. The issued share capital is divided into 5,488,858 registered shares with a nominal value of CHF 7.29 (2016: CHF 18.60). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind. The Company has one class of shares, which carries no right to a fixed dividend.

By resolution of the Annual General Meeting on December 7, 2016, the shareholders approved the proposed distribution of dividends in the amount of CHF 15.50 per share, to be executed through a payment from reserves from capital contributions in the amount of CHF 22,998,315 and through capital reduction in the amount of CHF 62,078,984. The respective payments to the shareholders took place on March 2, 2017.

Board of Directors

The Board of Directors is ultimately responsible for the policies and management of the Company. The Board of Directors establishes the strategic, accounting, organizational and financing policies to be followed, and appoints the Executive Committee, to which the Board of Directors has delegated the operational management of the Company. Besides its non-transferable and inalienable duties pursuant to Swiss corporate law, the Board of Directors has retained certain competencies as set forth in the Company's Internal Regulations and in a detailed tabular Annex thereto, both of which are publicly accessible on the website of Barry Callebaut (https://www.barry-callebaut.com/about-us/investors/corporate-governance/functioning-board). As set forth in the company's Articles of Incorporation, no Member of the Board of Directors may hold more than 15 additional mandates, of which no more than five may be in stock-exchange-listed companies.

As of August 31, 2017, the Board of Directors consisted of nine non-executive members. Each Director is elected by the Shareholders of Barry Callebaut AG at the Annual General Meeting of Shareholders for a term of office of one year and may be re-elected for successive terms.

The composition of the Board of Directors of Barry Callebaut AG as of August 31, 2017, is as follows:

Name	Nationality	Member since	Function	AFRQCC	NCC
Patrick De Maeseneire	Belgian	2015	Chairman		
Fernando Aguirre	US/Mexican	2013	Director		Member
Jakob Baer	Swiss	2010	Vice Chairman	Chairman	
James (Jim) Donald	US	2008	Director		Chairman
Nicolas Jacobs	Swiss	2012	Director	Member	
Wai Ling Liu*	Hong Kong-Chinese	2014	Director		Member
Timothy Minges	US	2013	Director	Member	
Andreas Schmid*	Swiss	1997	Director	Member	
Juergen Steinemann	German	2014	Director		Member

* Will not stand for reelection at the Annual Meeting of Shareholders of December 13, 2017.

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Patrick De Maeseneire
Chairman, Belgian national

Patrick De Maeseneire (1957) was elected to the Board of Directors of Barry Callebaut AG as Chairman at the Annual General Meeting of Shareholders in December 2016. Previously, he had served as Vice Chairman of the Board of Directors since December 2015.

Patrick De Maeseneire started his professional career in 1980 at Arthur Andersen. Between 1980 and 1997, he held executive positions at Wang, Apple Computer, and Sun International. He joined the Adecco Group in 1998, where he held leading positions both in Europe and in the US. From 2002 to 2009, Patrick De Maeseneire served as CEO of Barry Callebaut. In 2009 he returned to Adecco to become CEO of the Adecco group, a position he held until August 2015.

On November 4, 2015, he was named CEO of Jacobs Holding AG, the major shareholder of Barry Callebaut AG.

Patrick De Maeseneire also serves on the Board of Ahold Delhaize, one of the largest global food retailers.

Patrick De Maeseneire earned a Master's degree in Commercial Engineering at the Solvay Business School of Brussels University (VUB), Belgium, and a special license in Marketing Management at the Vlerick Leuven Gent Management School, Belgium. Patrick De Maeseneire also completed studies in Business Management at the London Business School and INSEAD, Fontainebleau, France.

In 2007, Patrick De Maeseneire was granted the title of Baron by King Albert II of Belgium.

Jakob Baer
Vice Chairman, Swiss national

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

Jakob Baer was Counsel at Niederer Kraft & Frey AG, attorneys at law, Zurich, Switzerland, from 2004 to 2009.

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He also served as a member of the Board of Directors of Adecco from 2004 to April 2012, of Swiss Re and of Allreal Holding AG, both from 2005 to April 2014, and of Rieter Holding AG from 2006 to 2016.

Jakob Baer is Chairman of Stäubli Holding AG and a member of the Board of Directors of IFBC AG, both in Switzerland.

Jakob Baer was admitted to the bar (1971) and subsequently obtained a Doctorate degree in Law (Dr. iur.) from the University of Bern, Switzerland.

Fernando Aguirre
Director, Mexican/US national

Fernando Aguirre (1957) served as Chairman and CEO of Chiquita Brands International, Inc., a leading international food manufacturer, from 2004 to 2012. Prior to Chiquita, Fernando Aguirre worked in various management positions for more than 23 years at The Procter & Gamble Co, such as President of Special Projects, President of the Global Feminine Care business unit, Vice President of Global Snacks and US Food Products business units, Vice President of Laundry & Cleaning Products, Latin America, and Regional Vice President, Latin America, North.

At present, Fernando Aguirre is a member of the Board of Directors of Aetna, Inc., a Fortune 100 publicly held company mainly focused on health care benefits and insurance, where he serves on the Audit Committee and also on the Nominating and Governance Committee. He also served on the board of Levi Strauss & Co. from 2010 to 2014, on the board of Coca Cola Enterprises from 2005 to 2010, and as a member of the International Board of the Juvenile Diabetes Research Foundation from 2006 to 2012. He is also a member of the Advisory Council of the Bechtler Museum of Modern Art in Charlotte, North Carolina.

At present, Fernando Aguirre is the owner and CEO of the Erie Sea Wolves professional baseball team, an affiliate of the Detroit Tigers. He is also Vice Chairman of the Myrtle Beach Pelicans, an affiliate of the Chicago Cubs.

He holds a Bachelor of Science in Business Administration from Southern Illinois University Edwardsville and earned Harvard Business School graduate status in 2009.

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James (Jim) Donald
Director, US national

Jim Donald (1954) served from October 1996 to October 2002 as Chairman, President & CEO of Pathmark Stores, Inc., a USD 4.6 billion regional super-market chain located in New York, New Jersey and Pennsylvania. Prior to that, he held a variety of senior management positions with Albertson's, Inc., Safeway, Inc., and Wal-Mart Stores, Inc. From October 2002 to March 2005, Jim Donald served as President of Starbucks, North America. Under his leadership, Starbucks experienced strong growth and performance. Jim Donald was also President & CEO of Starbucks Corporation from April 2005 to January 2008. Furthermore, Jim Donald served as President and CEO of Haggan, Inc., a 33-store Pacific Northwest grocery company based in Bellingham, from September 2009 to March 2011. Then, from 2012 to 2015, he served as CEO of Extended Stay, a large US-based hotel chain.

From 2008 to 2013, Jim Donald also served as a member of the Board of Directors of Rite Aid Corporation, one of the leading drug-store chains in the US with more than 4,900 stores in 31 states.

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

Nicolas Jacobs
Director, Swiss national

Nicolas Jacobs (1982) serves as a Board member of Barry Callebaut since 2012 and was previously Managing Director for the cocoa and the chocolate operations of South America.

Nicolas Jacobs is further the Managing Partner of an entrepreneurial investment company focused on investments in the consumer goods sector.

Nicolas Jacobs acts as the Executive Co-Chairman of Jacobs Holding AG, a professional investment company and majority shareholder of Barry Callebaut.

Nicolas Jacobs started his career at Goldman Sachs in 2006 and served for Restaurant Brands International (RBI) as Senior Director for Global M&A and Development, with responsibility for strategic projects and expansion.

Nicolas Jacobs holds a Master's degree in Law from the University of Zurich, a Master of Finance from London Business School and a Master of Business Administration from INSEAD in Fontainebleau.

Corporate Governance

Wai Ling Liu
Director, Hong Kong-Chinese national

Wai Ling Liu (1968) started her career as Executive Trainee with the Swire Group, a UK Conglomerate in Hong Kong. From 1992 to 1999, she worked for Nestlé in Hong Kong, lastly as National Sales Head. She then served for Mars (Effems Food) China from 1999 to 2004, where she held several positions in Sales, Marketing and Key Account Management. From 2005 to 2007, Wai Ling Liu served as Regional Managing Director Southeast Asia (Singapore, Malaysia, Thailand, Philippines, and Indonesia) of adidas, where she was responsible for Total Business. In 2008, she joined Tesco China, which operates over 130 hyper-markets and 14 express shops and employs more than 26,000 staff. She first started as Chief Marketing Officer, then was appointed President for a region and last served as Chief Operating Officer. After Tesco, Wai Ling Liu became the CEO of ENZO jewelry chain stores (Luxury Retail) in Greater China, from 2013 to 2015.

Wai Ling Liu graduated with a Bachelor's degree in Social Sciences, a Major's degree in Management Studies and a Minor's degree in Economics & Psychology from the University of Hong Kong in 1990.

Timothy Minges
Director, US national

Timothy Minges (1958) spent 32 years at PepsiCo before retiring in 2016. Prior to retirement, Timothy Minges was Executive Vice President Chief Customer Officer, PepsiCo North America Beverages and a member of PepsiCo's Executive Committee. Prior to 2013, he was President and CEO of PepsiCo's operations in Greater China. He joined PepsiCo in 1983 in the finance department of Frito-Lay North America and was promoted to a series of roles in finance, sales and general management. Timothy Minges moved to Asia in 1994 as General Manager of Frito-Lay Thailand and later assumed a series of roles, including President Asia Pacific, from 1999 to 2003. Prior to PepsiCo Timothy Minges practiced as a CPA at Alexander Grant (now Grant Thornton).

Timothy Minges sat on a variety of Boards at PepsiCo including the North American Coffee Partnership (a PepsiCo joint venture with Starbucks), Calbee Foods Japan, Pepsi-Cola Philippines and Serm Suk Thailand. At present, Tim is a non-executive board member of Tingyi-Asahi Beverages, PepsiCo's China bottler.

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Timothy Minges holds a Bachelor of Science in Accounting from Miami University, Oxford, Ohio, and has completed the PepsiCo Executive Development Program at Yale School of Management.

Andreas Schmid
Director, Swiss national

Andreas Schmid (1957) was appointed CEO of Jacobs Holding AG and member of the Board of Directors of Barry Callebaut AG in 1997. In 1999, he became Chairman of the Board of Directors and CEO of Barry Callebaut AG. In June 2002, he handed over the CEO function, but continued to assume the responsibility of Chairman until December 2005. After that, he assumed the role of the Vice Chairman and has been serving as ordinary member of the Board of Directors since December 2014.

Andreas Schmid started his career in 1984 at Union Bank of Switzerland. Following a position as assistant to a Swiss industrialist, he was CEO and Managing Director of Kopp Plastics (PTY) Ltd. in South Africa from 1989 to 1992. He then worked for the Jacobs Group in various staff and line functions until 1993. From 1993 to 1997, Andreas Schmid was President of the Mövenpick Consumer Goods Division and a member of the worldwide Group Executive Board of Management.

Between 2002 and 2006, Andreas Schmid chaired the Board of Directors of Kuoni Travel Holding AG, and he was a member of the Board of Directors of Adecco SA from 1999 to 2004 as well as a member of the Advisory Board of the Credit Suisse Group from 2001 to 2007. Between 2007 and 2011, Andreas Schmid was Chairman of the Supervisory Board of Symrise AG, and he was a member of the Board of Directors of Badrutt's Palace Hotel AG from 2006 to 2015 as well as Chairman of the Board of Directors of gategroup Holding AG until 2016 and Chairman of the Board of Directors of Oettinger Davidoff AG from 2007 to 2017.

Andreas Schmid is currently Chairman of the Board of Directors of Flughafen Zurich AG, Helvetica Capital and Wirz Partner Holding AG, where he has served before as member of the Board of Directors from 2010 to 2017. Further, Andreas Schmid has been a member of the Board of Directors of Steiner AG since 2008, and he is also a member of the Advisory Board of Allianz Global Corporate Specialty AG since 2010.

Furthermore, Andreas Schmid is Chairman of the Board of Trustees of the Swiss foundation avenir suisse, a think tank for social and economic issues.

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

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Juergen Steinemann
Director, German national

Juergen Steinemann (1958) was elected to the Board of Directors of Barry Callebaut AG at the Annual General Meeting of Shareholders in December 2014. He had served as CEO since August 2009 and stepped down at the end of September 2015.

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

From 1999 to 2001, Juergen Steinemann served as CEO of Unilever's former subsidiary Loders Croklaan, which produces and markets specialty oils and fats for the food industry.

Between 1990 and 1998, Juergen Steinemann was with the former Eridania Béghin-Say Group, where he held various senior positions in business-to-business marketing and sales, ultimately in the "Corporate Plan et Stratégie" unit at the head office in Paris. Next to the above, Juergen Steinemann is an entrepreneur who holds several investments in the food and agri industry.

Juergen Steinemann currently serves as Chairman of the Supervisory Board of METRO AG, a major international retailing company, as Vice Chairman of the Supervisory Board of Big Dutchman AG and as a member of the Board of Directors of Lonza Group Ltd. Furthermore, he was recently elected as Chairman of the Supervisory Board of Bankiva B.V., the top holding of Plukon Food Group B.V., a leading player in the European poultry meat market, and he has also been elected as a member of the Advisory Board of Tower Brook Capital Partners LP.

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Functioning of the Board

The Board of Directors constitutes itself at its first meeting subsequent to the Company's Annual General Meeting of Shareholders, with the exception of the Chairman and the Members of the Compensation Committee, who are elected by the Annual General Meeting of Shareholders pursuant to the Articles of Incorporation and Swiss corporate law. The Board of Directors elects the Vice Chairman. It meets as often as business requires, but at least four times per fiscal year. The meetings usually take place in Zurich. If possible, the Board of Directors meets once per year at one of the Barry Callebaut production sites and combines this meeting with a visit to the local operation. During fiscal year 2016/17, the Board of Directors met six times. One meeting lasted nine hours, two meetings lasted six and a half hours, one four hours and two meetings lasted one hour. The two latter meetings took place in the form of conference calls. In the fiscal year 2016/17, the Board of Directors held one of the regular meetings in the context of a three-day visit to Napa/American Canyon, US.

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

At the request of one member of the Board, members of the Executive Committee are invited to attend meetings. The Board of Directors can determine by majority vote that other third parties, for example external consultants, may attend part or all of the meetings. In the fiscal year under review, the Chief Executive Officer, the Chief Financial Officer and, depending on the agenda items, other members of the Executive Committee or Management were present at all Board meetings and all Committee meetings. At the end of each physical Board meeting, there is a closed Board session without the participation of the Management.

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

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

The Board of Directors has formed the following Committees:

Audit, Finance, Risk, Quality & Compliance Committee
Jakob Baer (Chairman), Nicolas Jacobs, Timothy Minges and Andreas Schmid

The role of the Audit, Finance, Risk, Quality & Compliance Committee (AFRQCC) is to assist the Board of Directors in carrying out its responsibilities. The Board of Directors has not delegated any decision power to the AFRQCC. The primary task of the AFRQCC is to assist the Board of Directors in carrying out its responsibilities and make recommendations regarding the Company's accounting policies, financial reporting, internal control system, legal and regulatory compliance and quality management. In addition, the AFRQCC reviews the basic risk management principles and guidelines, the hedging and financing strategies as well as the bases upon which the Board of Directors determines risk tolerance levels and limits for exposures of raw material positions. For details on the financial risk management, see note 26 to the Consolidated Financial Statements.

The AFRQCC further assists the Board of Directors in fulfilling its oversight responsibility of the external auditors. The AFRQCC recommends the external auditors for election, reviews the quality of their work, their qualification and independence, the audit fees, the external audit coverage, the reporting to the Board of Directors and/or the AFRQCC, and assesses the additional non-audit services as well as the annual financial statements and the notes thereto. The external auditors attended two meetings of the AFRQCC in fiscal year 2016/17; furthermore, the Chairman of the AFRQCC has met the lead external auditor three times outside AFRQCC meetings.

The Company has its own Internal Audit Department, which reports to the Chairman of the AFRQCC. The AFRQCC reviews the quality of the Internal Audit Department. The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's internal control system and the quality of performance in carrying out assigned responsibilities. Significant findings of the Internal Audit Department as well as the respective measures of the Management are presented and reviewed in the meetings of the AFRQCC and, in material cases, in the meetings of the Board of Directors. The AFRQCC reviews the annual plan of the Internal Audit Department based on a

Corporate Governance

risk assessment. In the last fiscal year, the Internal Audit Department was supported on two projects by third-party experts.

Pursuant to the Group's "Fraud Response and Whistleblowing Policy," the Fraud Committee, chaired by the Group's General Counsel, evaluates and, as the case may be, investigates alleged violations of the Code of Conduct under the supervision of the Chairman of the AFRQCC. The Fraud Committee reports all pending cases to the AFRQCC on a regular basis.

The AFRQCC meets as often as business requires, but at least three times per fiscal year. The meetings usually take place in Zurich. In the last fiscal year, the Committee met six times. The meetings lasted two to three hours. One of the meetings took place in the context of the Board of Directors' three-day visit to Napa/American Canyon, US.

Nomination & Compensation Committee
James (Jim) Donald (Chairman), Fernando Aguirre, Wai Ling Liu and Juergen Steinemann

The Company's Nomination & Compensation Committee (NCC) is elected by the Annual General Meeting of Shareholders and advises the Board of Directors in determining and verifying the compensation strategy and regulations of the Group as well as in preparing the motions for the attention of the General Meeting of Shareholders regarding the compensation of the Board of Directors and the Executive Committee. It further assists the Board of Directors in defining and monitoring the performance criteria and it makes recommendations to the Board of Directors with respect to the selection, nomination, compensation, evaluation, and, when necessary, the replacement of key executives. The Board of Directors has not delegated any decision power to the NCC. The NCC establishes jointly with the Chief Executive Officer a general succession planning and development policy. The NCC reviews and recommends the remuneration to be paid to Members of the Board of Directors and the Members of the Executive Committee. It also ensures a transparent Board and Executive Committee nomination process and evaluates potential conflicts of interest involving Management and Members of the Board. The NCC monitors the developments of the regulatory framework for compensation of the top Management and the Board of Directors on an ongoing basis and develops suggestions for the respective adaptations of the Group's compensation system.

The NCC meets as often as business requires, but at least three times per fiscal year. The meetings usually take place in Zurich. Last year, the NCC met five times, once in the form of a conference call. The meetings lasted two hours. One of the meetings took place in the context of the Board of Directors' three-day visit to Napa/American Canyon, US.

Executive Committee

The Executive Committee consists of nine functions and is headed by the Chief Executive Officer. For external activities of each member of the Executive Committee, see the respective curriculum vitae. No member of the Executive Committee may hold more than five additional mandates, of which no more than two may be in stock-exchange-listed companies.

Name	Function	Nationality	Member since
Antoine de Saint-Affrique	Chief Executive Officer	French	2015
Victor Balli	Chief Financial Officer	Swiss	2007
Peter Boone	CEO and President Americas	Dutch	2012
Massimo Garavaglia	President EMEA	Italian	2004
Carole Le Meur	Chief Human Resources Officer	French	2016
Pablo Perversi	Chief Innovation & Quality Officer	Spanish/Argentinean	September 1, 2017
Dirk Poelman	Chief Operations Officer	Belgian	2009
Steven Retzlaff	President Global Cocoa	US/Swiss	2008
Ben De Schryver	President Asia Pacific	Belgian	September 1, 2017

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Antoine de Saint-Affrique

Chief Executive Officer, French national

Antoine de Saint-Affrique (1964) is Chief Executive Officer of Barry Callebaut AG and was appointed to that role as of October 1, 2015.

From September 2011 to September 2015, Antoine de Saint-Affrique served as President Unilever Foods and Member of Unilever's Group Executive Committee, where he was accountable for businesses with a combined turnover of EUR 12.4 billion.

Prior to this, Antoine de Saint-Affrique was Executive Vice President of Unilever's Skin category – an area of the business which includes leading brands such as Dove, Lux, Lifebuoy and Pond's. From 2005 to 2009, Antoine de Saint-Affrique was Executive Vice President for Unilever's Central and Eastern Europe region – an area covering 21 countries. He was based in Moscow. Before joining Unilever in 2000, Antoine de Saint-Affrique was Marketing Vice President and a Partner at Amora Maille, a foods company which was acquired under a leveraged buyout from the Danone Group. He served as a reserve naval officer between 1987 and 1988.

Antoine de Saint-Affrique has lived in Africa, the US, Hungary, the Netherlands, Russia, and the UK. He is a Non-Executive Director and a member of both the CSR and the strategy committee at the ophthalmic company Essilor International, the world leader in corrective lenses. He has also been Conseiller du Commerce Extérieur since 2004.

Antoine de Saint-Affrique has a degree in Business Administration from ESSEC (1987) in Paris, and a qualification in executive education from Harvard Business School. Since 2004, he has led the Marketing course at Mines ParisTech (Corps des Mines).

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Victor Balli

Chief Financial Officer, Swiss national

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

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

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

Victor Balli is a Non-Executive Director and a member of the audit and the compensation committees of Givaudan SA, the global leader in fragrance and flavors.

Corporate Governance

Peter Boone
CEO and President Americas, Dutch national

Peter Boone (1970) was appointed to the position of CEO & President Americas AG effective September 1, 2017. He has been a member of the Executive Committee of Barry Callebaut since 2012.

Peter Boone joined Barry Callebaut as Chief Innovation Officer and member of the Executive Committee in 2012. He assumed in addition responsibility for Quality Assurance as of June 2013 and for Sustainability as of November 2015.

From 2010 to 2012, Peter Boone worked with Unilever as Chief Marketing Officer responsible for the marketing of all brands in all categories in Australia and New Zealand. He was a member of the regional executive board.

Peter Boone started his career at the Information Services division of ITT Corp., where he worked in various marketing roles. In 1996, he joined Unilever as a Strategy Analyst at the Head Office in Rotterdam, Netherlands. Peter Boone also held other positions at Unilever such as Global Vice President Brand Development at the Unilever Headquarters in Rotterdam, Netherlands, and Vice President Marketing & Sales Latin America Foods Solution based in São Paulo, Brazil.

Peter Boone studied Business Administration at Erasmus University in Rotterdam, Netherlands.

Massimo Garavaglia
President EMEA, Italian national

Massimo Garavaglia (1966) was appointed President EMEA (Europe, Middle East, Africa) as of October 1, 2015.

He has been a member of the Executive Committee of Barry Callebaut AG since 2004.

Massimo Gravaglia started his career as sales manager for E. Oreggia, an Italian food products importer from 1990 to 1992.

He joined Callebaut Italy S.p.A. in 1992 as the country manager for Italy. After the merger between Callebaut and Cacao Barry in 1996, Massimo Garavaglia was Barry Callebaut's country manager in Italy until 2003. From 2003 to 2004, he headed the region consisting of the Mediterranean Countries/Middle East/Eastern Europe. From 2004 to 2006, he was President Food Manufacturers. Subsequently he served as President Americas until 2009. From 2009 to 2015, he served as President Western Europe.

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

Corporate Governance

Carole Le Meur
Chief Human Resources Officer, French national

Carole Le Meur (1965) was appointed Chief Human Resources Officer and member of the Executive Committee of Barry Callebaut AG as from April 1, 2016.

From 2008 until joining Barry Callebaut, Carole Le Meur worked with Baxter Healthcare, Inc. From 2008 to 2013, she was Vice President Human Resources EMEA based in Zurich, Switzerland. In 2014 she served as Vice President Human Resources Asia Pacific and Vice President Human Resources Intercontinental for Baxalta Incorporated prior to the spin-off from Baxter, with HR responsibility for the fast growth markets such as Latin America, Brazil, Russia, Turkey and Asia Pacific.

From 2002 to 2008, Carole Le Meur held several Global VP HR positions at Aventis, then Sanofi, a leading Healthcare company, including Vice President Staffing Aventis Pasteur, Vice President Human Resources Global Industrial Operations and R&D France.

Carole Le Meur started her career in FMCG as Brand Marketing Manager with ICI Paints/Dulux, after which she served in various Sales and Marketing positions in Europe for Procter & Gamble Pharmaceuticals from 1990 to 1996. From 1996 to 2002 Carole Le Meur worked as an Executive Search consultant in the Healthcare and Consumer practices of two executive search firms in Europe.

Carole Le Meur holds a Master's degree in Management from EM LYON Business School with a Major in International Affairs, as well as an Executive Master in Consulting and Coaching for Change from INSEAD and has completed executive programs at HEC and the Kellogg business school.

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Pablo Perversi

Chief Innovation & Quality Officer, Spanish and Argentinean national

Pablo Perversi (1970) was appointed to the position of Chief Innovation & Quality Officer and member of the Executive Committee of Barry Callebaut AG effective September 1, 2017.

Before joining Barry Callebaut, Pablo Perversi worked for Unilever as Vice President Foods Europe, a business made of 50+ brands in Europe, serving 370 million consumers. In this position, he has also been a Unilever Europe Executive Team member, a Global Foods Executive Team member and a Vice President for Culinaria Europe. From 2011 to 2014 he was Vice-President Foods SEAA and Unilever SEAA Executive Team member.

Pablo Perversi started his career as a Trainee at Unilever UKI in 1993 in finance. From 1994 to 1997, he worked as Brand Manager Savoury and later Tea at Unilever UK, he then was Marketing Director Frozen Foods and Spreads at Unilever Argentina from 1997 to 2001. In 2001 he was promoted to the position of European Category Director and Spreads Unilever Europe and had the global lead for Spreads and the European lead for Dressings before he became Sales Director at Unilever Spain in 2004. From 2006 to 2009 he served as Vice President and Managing Director at Unilever North LatAm, a business fully dedicated to Food Service. From 2009 to 2011 he was Vice President Marketing Operations and Savoury Global Category and a member of the G10 Board, running all marketing operations for Foodsolutions across 10 regions and 36 countries.

Pablo Perversi studied Industrial Engineering and Economics at the University of Birmingham. Pablo Perversi also holds an accreditation from Cambridge University in Sustainable Leadership.

Corporate Governance

Dirk Poelman
Chief Operations Officer, Belgian national

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

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

Dirk Poelman holds an Industrial Engineering degree in Electro-mechanics from the Catholic Industrial High School in Aalst, Belgium.

Steven Retzlaff
President Global Cocoa, US and Swiss national

Steven Retzlaff (1963) was appointed President Global Cocoa (until August 2013 Global Sourcing & Cocoa) and member of the Executive Committee of Barry Callebaut AG in January 2008.

He joined Barry Callebaut in 1996 and has held various senior finance and general management positions since. He is Vice Chairman of the World Cocoa Foundation and Vice Chairman of the European Cocoa Association.

From 1987 through 1993, he worked for KPMG in San Francisco and Zurich, and from 1993 to 1996 at JMP Newcor in Zug, Switzerland.

Steven Retzlaff holds a Bachelor of Arts in Economics from Whitman College. He also studied at the Institute of European Studies in Madrid and at INSEAD in Fontainebleau, France.

Corporate Governance

Ben De Schryver

President Asia Pacific, Belgian national and permanent resident of the US

Ben De Schryver (1974) has been President of Barry Callebaut in Region Asia Pacific since September 2016 and was promoted to member of the Executive Committee of Barry Callebaut AG effective September 1, 2017.

Ben De Schryver has been with Barry Callebaut in a variety of sales and finance roles since 1999. He started with Barry Callebaut in Belgium in 1999 and transferred to Singapore in 2002 as Chief Financial Officer Region Asia Pacific. He then relocated to Canada as Director Pricing & Customer Services in 2007, before moving on to the company's new regional head office in Chicago in 2009 where he last served as Chief Financial Officer Americas before being appointed President Asia Pacific as of September 1, 2016.

Ben De Schryver holds a Bachelor's Degree in Accounting from University College in Ghent, Belgium

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Shareholders' participation

Each share of Barry Callebaut AG carries one vote at the General Meeting of Shareholders. Voting rights may be exercised only after a shareholder has been registered in the Company's share register as a shareholder with voting rights.

Shareholders may register their shares in the name of a nominee approved by the Company and may exercise their voting rights by giving instructions to the nominee to vote on their behalf. However, a nominee holding more than 3% of the share capital will be registered as nominee for shareholders with voting rights only if it discloses the identity of each beneficial owner of shares claiming 0.5% or more of the share capital. No nominee holding more than 8% of the share capital may be registered as a shareholder with respect to the excess shares. The Board of Directors may, however, on a case-by-case basis, permit some or all of the excess shares to be registered with voting rights. In fiscal year 2016/17, no such exception was requested.

A resolution passed at the General Meeting of Shareholders with a majority of at least two thirds of the shares represented at such meeting is required to change the restrictions on the transferability of registered shares. Shareholders may be represented at the General Meeting of Shareholders by their respective legal representative, another shareholder or the independent proxy pursuant to the "Ordinance against Excessive Compensation at Listed Companies" (OaEC). The Articles of Incorporation follow the majority rules and the provisions on convocation prescribed by the Swiss law concerning general meetings of shareholders. Shareholders with registered voting rights who together represent at least 0.25% of the share capital or of the votes may call for the inclusion of an item on the agenda. Such request for inclusion must be made in writing at least 60 days prior to the date of the General Meeting of Shareholders setting forth the items to be included on the agenda and the motions put forward by the shareholders.

Notice of the General Meeting of Shareholders is given by way of one-time publication in the Company's official publication organ (Swiss Official Gazette of Commerce, "Schweizerisches Handelsamtsblatt"). Shareholders registered in the share register with voting rights at the date specified in the invitation may additionally receive an invitation to the General Meeting of Shareholders in writing. Furthermore, the Company offers its shareholders the opportunity to register with the online platform "Sherpany" and thus the possibility to submit their voting instructions to the independent proxy in an efficient manner. The published disclosures on significant shareholders of the Company are accessible via the disclosure platform of SIX Exchange Regulation: https://www.six-exchange-regulation.com/en/home/publications/significant-shareholders.html.

Change of control and defense measures

According to the Swiss Stock Exchange and Securities Trading Act, an investor who acquires 33⅓% of all voting rights in the Company has to submit a take-over offer for all shares outstanding. The Company has not elected to change or opt out of this rule.

There are no change of control clauses in the employment contracts with the members of the Board of Directors nor of the Executive Committee.

External auditors

At the Annual General Meeting of Shareholders of the Company held on December 7, 2016, the shareholders voted to appoint KPMG AG, Zurich, as statutory auditors. The statutory auditors are appointed annually by the General Meeting of Shareholders for a term of office of one year. The current lead auditor in charge has exercised this function since fiscal year 2014/15. Pursuant to the Swiss Code of Obligations, the lead auditor in charge may exercise her/his role during a maximum of seven years. The current lead auditor in charge may therefore exercise his function until and including fiscal year 2021/22.

For fiscal year 2016/17, the remuneration for the audit of the accounting records and the financial statements of the Company, and the audit of the Group's consolidated financial statements amounted to CHF 2.5 million. The remuneration was evaluated by the AFRQCC in view of the scope and the complexity of the Group. The performance of the auditors is monitored by the AFRQCC, to whom the auditors present a detailed report on the result of the audit of the Group. Prior to the presentation to the AFRQCC, the lead auditor in charge reviews the audit findings with the Chairman of the AFRQCC without the presence of any members of the Management.

KPMG received a total amount of CHF 0.6 million for additional services, i.e. for transaction and other advisory (incl. due diligence). Adequate measures for the avoidance of potential conflicts of interests between the different services provided by KPMG were observed.

Corporate Governance

Information policy

The Company is committed to continuous and open communication with its shareholders, potential investors and other stakeholders based on the principles of transparency and equal treatment, i.e. simultaneous provision of price-sensitive information and no selective disclosure.

The Group provides detailed information on its business activities and financial performance in its annual and half-year reports and press releases, at conferences for media and financial analysts as well as at the Annual General Meeting of Shareholders. Further, representatives of the Group regularly meet (current and potential) investors in personal meetings as well as present the Company and the Group at industry events and investor conferences.

Presentations are also made available on the Group's website, which is updated continuously. The financial calendar for the fiscal year 2017/18 and contacts are published on page 153.

The published media releases of Barry Callebaut are accessible via https://www.barry-callebaut.com/about-us/media/news.

To subscribe to the Group's electronic news alerts, please go to: https://www.barry-callebaut.com/about-us/media/subscribe-our-news-releases.

Remuneration Report

This Remuneration Report describes the fundamental principles of the remuneration system at Barry Callebaut as well as the governance framework related to remuneration decisions. The report provides details on the remuneration of the members of the Board of Directors and the Executive Committee related to fiscal year 2016/17. Shareholdings of the members of the Board of Directors and the Executive Committee are also disclosed (reproduction of note 3.5 to the Financial Statements of Barry Callebaut AG).

The Remuneration Report has been prepared in accordance with the "Ordinance against Excessive Compensation in listed Companies (OaEC)", Art. 663c paragraph 3 of the Swiss Code of Obligations and the Corporate Governance Directive issued by SIX Exchange Regulation.

Remuneration philosophy and principles

The remuneration philosophy and principles are laid out in the Total Reward Policy that was adopted by the Board of Directors in fiscal year 2014/15. Barry Callebaut believes that commitment and performance of its executives, managers and employees should be rewarded, reflecting both the performance of Barry Callebaut as a Company and the individual employee's contributions. Reward programs strengthen the attraction and retention of talented individuals and also support the employees' on-going career development at Barry Callebaut. Market information is taken into account for the determination of individual remuneration levels. However, as a general rule, the target remuneration at Barry Callebaut, including that of the executives, is not directly linked to any external benchmark and is therefore determined on a discretionary basis. Barry Callebaut lives a performance-oriented culture and uses an annual Performance Management and Development Process (PMDP) to monitor and assess the contributions of all employees related to the achievement of business results as well as related to their personal and professional development.

The remuneration principles are summarized below:

We reward performance and share the Company's success…	…by balancing a mix of short-term and long-term remuneration components as rewards for Company results, individual performance and long-term success
We act with fairness and transparency…	… by taking remuneration decisions on the basis of the scope of the function rather than personal attributes, and thus by ensuring internal equity
We offer competitive remuneration…	… by considering relevant market benchmarks when taking remuneration decisions
We share responsibility with our employees…	… by providing risk benefits including retirement and healthcare insurances, in line with the local regulations and market practice
We encourage employee development	… by offering challenging work assignments and Company-sponsored training and education

Governance related to remuneration

Pursuant to the OaEC as implemented in the Company's Articles of Incorporation (Article 30), the General Meeting of Shareholders approves the total remuneration of the members of the Board of Directors and the Executive Committee. The General Meeting of Shareholders approves the motions of the Board of Directors on an annual basis and with binding effect with regard to:

a) The aggregate maximum amount of the remuneration of the Board of Directors for the forthcoming term of office.
b) The aggregate maximum amount of the fixed remuneration of the Executive Committee for the forthcoming fiscal year.
c) The aggregate maximum amount of the short-term and the long-term variable remuneration of the Executive Committee for the past fiscal year.

The General Meeting of Shareholders votes separately on the aggregate remuneration of the Board of Directors and the Executive Committee.

The Board of Directors reports to the General Meeting of Shareholders on the remuneration system and the actual remuneration for the past fiscal year in the Remuneration Report. The Remuneration Report is subject to a consultative vote by the General Meeting of Shareholders.

Remuneration Report

Further, the Articles of Incorporation include the remuneration principles applicable to the Board of Directors and to the Executive Committee. Those provisions can be found and downloaded as a PDF under https://www.barry-callebaut.com/about-us/investors/annual-general-meeting/annual-general-meeting-2016 and include:

- Principles of remuneration of the Board of Directors (Articles 32 and 33);
- Principles of remuneration of the Executive Committee (Articles 32 and 34);
- Additional amount for new members of the Executive Committee (Article 31);
- Credits and loans (Article 35).

The Board of Directors of Barry Callebaut has entrusted the Nomination & Compensation Committee (NCC) to provide support in evaluating and reviewing the remuneration strategy and plans, in proposing the individual remuneration packages for the Board of Directors, the members of the Executive Committee and other key members of the Management and in preparing the remuneration proposals to the General Meeting of Shareholders. The Board of Directors has not delegated any decision power to the NCC, therefore remuneration decisions are taken by the full Board of Directors based on recommendations of the NCC.

In the reporting year, the NCC met five times and all members attended all meetings. The NCC focused its efforts on redesigning the short-term and long-term incentive plans in order to ensure that they are still aligned with the business strategy and the interests of our shareholders, while being compliant with the various regulatory environments. Furthermore, the NCC performed its regular activities throughout the year, such as the determination of the remuneration of the Board of Directors and Executive Committee as well as the preparation of the Remuneration Report and of the say-on-pay votes for submission to the General Meeting of Shareholders.

The Chairman of the NCC reports to the Board of Directors after each meeting on the activities of the NCC. The minutes of the NCC meetings are available to the members of the Board of Directors. As a general rule, the Chairman of the Board of Directors and the CEO attend the meetings in an advisory capacity. They do not attend the meeting when their own compensation and/or performance are being discussed.

The NCC may decide to consult an external advisor from time to time for specific compensation matters. In the reporting year, a company specialized in executive compensation in Swiss listed companies was engaged to provide independent advice on specific compensation and governance matters. This company has no other mandate with Barry Callebaut.

For further details on the NCC, please refer to the "Functioning of the Board" section in the Corporate Governance Report.

The General Meeting of Shareholders has elected the following members to the NCC:

Name	Nationality	Member of the NCC since
James (Jim) Donald (Chairman)	US	2008
Fernando Aguirre	Mexican/US	2013
Wai Ling Liu	Hong Kong-Chinese	2014
Juergen Steinemann	German	2017

Remuneration of the Board of Directors

In order to reinforce the independence of the Board in exercising its supervisory duties towards executive management, the remuneration of its members is not linked to any performance criteria. The remuneration of the Board of Directors is reviewed annually and determined at the discretion of the Board of Directors. It consists of fixed fees in cash and a grant of Barry Callebaut AG shares. The fixed fees in cash amount to CHF 400,000 for the Chairman of the Board of Directors, CHF 200,000 for the Vice Chairman, CHF 140,000 for members chairing a Board Committee, CHF 125,000 for members participating in a Board Committee and CHF 100,000 for the other members. The fees in cash are paid out quarterly. The number of shares granted amounts to 500 shares for the Chairman, 250 shares for the Vice Chairman and 180 shares for the other members of the Board of Directors. The shares are transferred without restrictions at the end of the term of office on the Board. Board members do not receive any lump-sum payments for expenses. The remuneration of the members of the Board is subject to the mandatory social security contributions. Pursuant to the Articles of Incorporation, the members of the Board may in principle be eligible for pension fund contributions by the Company. However, in fiscal year 2016/17 no such contributions were made with respect to non-executive members of the Board.

The increase in remuneration of the Board of Directors compared to the previous year is mainly due to a higher average share price for the shares granted in relation to the fiscal year under review.

The remuneration structure remained unchanged compared to the previous year.

At the General Meeting of Shareholders in December 2015, the shareholders approved a maximum aggregate amount of CHF 2,200,000 and 2,190 shares for the Board of Directors for the remuneration period from the General Meeting of Shareholders in December 2015 until the General Meeting of Shareholders in December 2016. The remuneration paid for this term of office amounts to CHF 1,789,652 and 2,190 shares and is therefore within the limit approved by the shareholders.

At the General Meeting of Shareholders in December 2016, the shareholders approved a maximum aggregate amount of CHF 2,200,000 and 2,190 shares for the Board of Directors for the remuneration period from the General Meeting of Shareholders in December 2016 until the General Meeting of Shareholders in December 2017. The remuneration effectively paid for the portion of this term of office included in this Remuneration Report (January 1, 2017 until August 31, 2017) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Remuneration Report 2017/18.

Remuneration Report

Remuneration of the Board of Directors for fiscal year 2016/17 (audited figures)

in CHF BoD Member	Compensation fix	Other compensation[1]	Total cash-related remuneration	Number of shares[2]	Value of shares[3]	Total remuneration 2016/17
Patrick De Maeseneire[4] Chairman/Delegate	333,333	77,590	410,923	438	509,750	920,673
Jakob Baer Vice Chairman[5] Chairman of the AFRQCC[6]	180,000	41,104	221,104	232	269,588	490,692
Fernando Aguirre Member of the NCC[7]	125,000	–	125,000	180	207,585	332,585
James (Jim) Donald Chairman of the NCC	140,000	–	140,000	180	207,585	347,585
Nicolas Jacobs Member of the AFRQCC	125,000	42,684	167,684	180	207,585	375,269
Wai Ling Liu Member of the NCC	125,000	50,806	175,806	180	207,585	383,391
Timothy Minges Member of the AFRQCC	125,000	–	125,000	180	207,585	332,585
Andreas Schmid Member of the AFRQCC	125,000	42,684	167,684	180	207,585	375,269
Juergen Steinemann Member of the NCC	116,667	–	116,667	180	207,585	324,252
Andreas Jacobs[8] Chairman/Delegate	133,333	–	133,333	125	133,750	267,083
Total remuneration Board of Directors	**1,528,333**	**254,868**	**1,783,201**	**2,055**	**2,366,183**	**4,149,384**

1 Including social security contributions.
2 Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service conditions. Grants to Board are based on the service period between Annual General Meetings of Shareholders.
3 Value defined as closing share price at the beginning of the service period.
4 Chairman of the Board since December 7, 2016.
5 Vice Chairman of the Board since December 7, 2016.
6 Audit, Finance, Risk, Quality & Compliance Committee.
7 Nomination & Compensation Committee.
8 Member of the Board until December 7, 2016.

Remuneration of the Board of Directors for fiscal year 2015/16 (audited figures)

in CHF BoD Member	Compensation fix	Other compensation[1]	Total cash-related remuneration	Number of shares[2]	Value of shares[3]	Total remuneration 2015/16
Andreas Jacobs Chairman/Delegate	400,000	–	400,000	500	528,167	928,167
Patrick De Maeseneire[4] Vice Chairman Member of the NCC[5]	133,333	12,863	146,196	167	178,333	324,529
Fernando Aguirre Member of the NCC	125,000	–	125,000	180	190,140	315,140
Jakob Baer Chairman of the AFRQCC[6]	140,000	34,259	174,259	180	190,140	364,399
James (Jim) Donald Chairman of the NCC	140,000	–	140,000	180	190,140	330,140
Nicolas Jacobs Member of the AFRQCC	125,000	39,824	164,824	180	190,140	354,964
Wai Ling Liu Member of the NCC	125,000	47,224	172,224	180	190,140	362,364
Timothy Minges Member of the AFRQCC	125,000	–	125,000	180	190,140	315,140
Andreas Schmid Member of the AFRQCC	125,000	39,652	164,652	180	190,140	354,792
Juergen Steinemann	66,667	–	66,667	203	214,150	280,817
Total remuneration Board of Directors	**1,505,000**	**173,822**	**1,678,822**	**2,130**	**2,251,630**	**3,930,452**

1 Including social security contributions.
2 Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service conditions. Grants to Board are based on the service period between Annual General Meetings of Shareholders.
3 Value defined as closing share price at the beginning of the service period.
4 At the General Meeting of Shareholders held on December 8, 2015, Patrick De Maeseneire was elected as a member of the BoD and succeeded Juergen Steinemann in the role of the Vice Chairman.
5 Nomination & Compensation Committee.
6 Audit, Finance, Risk, Quality & Compliance Committee.

Remuneration Report

Remuneration of the Executive Committee

The individual remuneration of the members of the Executive Committee is reviewed annually and determined at the discretion of the Board of Directors, based on the proposal of the NCC, in accordance with the principles set out in the Executive Total Reward Policy, market information and data, scope and level of responsibility of the position, and profile of the incumbents in terms of qualification, experience and skills set.

The remuneration structure for the Executive Committee of Barry Callebaut consists of four main remuneration elements: a fixed annual base salary, an annual short-term cash bonus pursuant to the Company's Short-Term Incentive Plan, a share-based long-term incentive pursuant to the Company's Long-Term Incentive Plan and other benefits.

Base salary	Annual gross base salary	• Determined at the discretion of the Board of Directors based on various criteria such as market value of the role, scope of the position and profile (experience, skills) of the incumbent • Target weight in % of total remuneration: CEO 25%–40%, Executive Committee 25%–40%
Variable annual bonus	Barry Callebaut Short-Term Incentive Plan (STIP)	• Target between 75% and 100% of annual base salary for members of the Executive Committee • Based on the achievement of financial and strategic targets • Maximum payout: 200% of target • Payout in cash annually after release of full-year results • Target weight in % of total remuneration: CEO 25%–40%, Executive Committee 25%–40%
Share awards	Barry Callebaut Long-Term Incentive Plan (LTIP)	• Individual grant values approved by the Board of Directors; number of shares determined by dividing the grant value by the average share price over three months prior to the grant • Vesting of award over a three-year vesting cycle: 25% in the first and second year each, 50% in the third year subject to a performance criteria • Performance criteria: vesting of the final tranche based on two performance critieria, 50% on the relative performance of the Barry Callebaut share price compared to a basket of benchmark companies and 50% on the ROIC performance of the Company over the three-year vesting period • Target weight in % of total remuneration: CEO 20%–50%, Executive Committee 20%–50%
Other benefits	Risk benefits and perquisites	• Social security contributions by employer • Post-employment and retirement benefits • Healthcare and medical insurances • Executive perquisites such as company car, relocation costs, etc.

Base salary

The fixed annual gross base salary is defined at the discretion of the Board of Directors on the basis of various criteria, such as market value of the role, scope of the position, and profile of the incumbent in terms of skills set and professional experience.

Short-Term Incentive Plan (STIP)

The STIP was harmonized throughout the organization in fiscal year 2016/17. It is designed to reward the performance of the Company, its regions/functions and the individual contributions of the participants over a time horizon of one year.

The STIP target is expressed as percentage of the fixed annual base salary and varies between 75% and 100% for the members of the Executive Committee.

For each participant, the STIP is based on a collective performance factor ("CPF") and an individual performance factor ("IPF") weighted 60% and 40%, respectively. For the members of the Executive Committee, the CPF (60% of STIP) is based on the performance of Barry Callebaut as a Group, measured as follows:

- Group sales volume: 25%
- Group EBIT: 25%
- Group cash flow: 40%
- Strategic initiatives: 10%

The IPF (40% of STIP) is based on the performance of the unit under responsibility, e.g. the respective Region or Function. The objectives are of financial nature primarily and support the strategy of profitable growth. They are defined in three categories:

- Growth objectives for the Region/Function, including financial objectives such as sales volume, or other quantifiable goals that support the growth of the Region/Function;
- Profitability objectives for the Region/Function, including financial objectives such as EBIT or cost savings, or other quantifiable goals that increase the profitability of the Region/Function (operations, processes);
- Strategic initiatives that are key for the success of the Region/Function and a leadership objective related to talent management and succession planning.

Remuneration Report

The weight between growth, profitability and strategic objectives depends on the nature of the function.

For each financial objective, an expected level of performance ("target") is defined, corresponding to a payout factor of 100%. A threshold level of performance, below which there is no payout, and a maximum level of performance, above which the payout is capped at 200% of the target have also been defined.

The CEO proposes to the NCC the relevant performance criteria for the CPF and for the IPF of the Executive Committee members. The Chairman of the Board of Directors proposes the performances objectives of the IPF for the CEO. The NCC reviews and submits the recommendations to the Board of Directors for approval.

The STIP is paid out in cash.

Long-Term Incentive Plan (LTIP)

The purpose of the LTIP is to provide the participants with an ownership interest in Barry Callebaut and to reward them for the long-term performance of the company. The LTIP thus aligns their interests to those of the shareholders. The LTIP was refined in fiscal year 2016/17 with two main adjustments: firstly, a higher portion of the grant is performance-related (50% of the grant versus 40% in previous year). Secondly, an additional performance criterion has been introduced as further outlined below.

The grant of share units under the LTIP is based on a target LTI amount determined individually for each plan participant. For the members of the Executive Committee, the individual LTI grant value amounts to 132% of the annual base salary on average in fiscal year 2016/17. The individual LTI grant value is divided by the average share price of the last three months of the preceding fiscal year in order to calculate the number of share units awarded. The share units vest in three tranches over three fiscal years, i.e. 25% on the first, 25% on the second, and 50% on the third anniversary of the grant date. The first two tranches are restricted share units (RSU) that vest subject to the LTIP participant continuing to be employed by Barry Callebaut. The final tranche consists of performance share units (PSU) that vest subject to meeting two performance criteria over the three-year vesting period. The first performance criterion, accounting for 50% of the PSU grant, is the relative share price development of Barry Callebaut versus a peer group of companies in the chocolate, ingredients and FMCG sector: AAK, Aryzta, Hershey, Kellogg's, Kerry, Lindt, Mondelēz, Nestlé, Olam, Petra and Unilever. The objective (100% vesting) is to achieve median performance, e.g. to outperform half of the peer companies. There is no vesting for a performance below the first quartile of the peer group (threshold) and the vesting is capped at 300% for delivering the best performance in the peer group. The second performance criterion, accounting for 50% of the PSU grant, is Return on Invested Capital (ROIC). The ROIC performance was introduced in order to reward the sustainable management of the company's assets. The three-year ROIC target was set by the Board of Directors on the basis of the long-term strategic plan of the company. The vesting also ranges from 0% to 300% of target. Consequently, the overall vesting of the LTI award (including RSU and PSU) ranges from 50% and 200% of the initially determined number of share units granted. The Board of Directors reserves the right to suspend or adjust the vesting of the share units in case of a negative result from continuous operations of the Barry Callebaut Group. Once the shares are vested and transferred, they are free of any sales restrictions.

The following table provides an overview of the different performance scenarios and the respective impact on the total vesting opportunity for participants, expressed in percentage of the originally granted number of share units (subject to the respective plan participant's continued service over the entire vesting cycle, and Barry Callebaut reporting a positive profit after tax):

Performance achievement scenario	Share awards 1st Tranche	Share awards 2nd Tranche	Share awards 3rd Tranche	Total share awards vested over a vesting cycle
100% achievement of performance criteria	25%	25%	50%	100%
Top achievement of performance criteria (cap)	25%	25%	150%	200%
Lowest achievement of performance criteria (floor)	25%	25%	0%	50%

Other benefits

Other benefits include risks benefits that provide for a reasonable level of income in case of retirement, death or disability. Those consist of social security contributions, post-employment benefits, pension contributions and insurances. The members of the Executive Committee with a Swiss employment contract participate in the occupational pension plan offered to all employees in Switzerland. Members of the Executive Committee under foreign employment contract are insured commensurately with market conditions and with their position. Each plan varies but is in line with the local competitive and legal

Remuneration Report

environment and is in accordance with the legal requirements of the respective country.

Members of the Executive Committee are also provided with certain executive perquisites such as relocation allowances, housing or other cost of living allowances, car allowances, and gross-ups for tax equalization of certain benefits. The benefits for each member of the Executive Committee are subject to their specific situation, the typical market practice and other factors after consideration of the total value of their individual remuneration package. The monetary value of these benefits is disclosed in the remuneration tables at their fair value.

Employment contracts

The members of the Executive Committee are employed under employment contracts of unlimited duration and subject to a notice period of maximum one year. They are not contractually entitled to severance payments or to change of control provisions.

Remuneration of the Executive Committee for fiscal year 2016/17 (audited figures)

in CHF	Compen-sation fix	Compen-sation variable[2]	Post-employ-ment benefits[3]	Other compen-sation	Total cash-related remunera-tion	Number of shares[4]	Value of shares[5]	Total remunera-tion 2016/17
Remuneration Executive Committee[1]	**5,071,649**	**6,626,527**	**1,407,904**	**375,468**	**13,481,548**	**5,131**	**5,921,194**	**19,402,742**
Highest individual remuneration within Executive Committee: **Antoine de Saint-Affrique** CEO Barry Callebaut Group	**1,600,000**	**1,708,560**	**361,177**	**9,900**	**3,679,637**	**1,385**	**1,598,288**	**5,277,925**

1 Disclosure relates to the Executive Committee as in place on August 31, 2017, i.e.: Antoine de Saint-Affrique, Victor Balli, Peter Boone, Massimo Garavaglia, David Johnson, Carole Le Meur, Dirk Poelman, Steven Retzlaff.
2 Based on best estimate of expected payout for fiscal year 2016/17 (accrual principle).
3 Including social security and pension contributions.
4 Number of shares granted in relation to the fiscal year 2016/17; vesting subject to meeting service and/or performance conditions.
5 Value of shares is defined as fair value at grant date. For restricted share units, this is the share price at grant date. For performance share units the fair value is established based on a valuation performed by external experts applying the "Monte Carlo simulation method". In both cases the net present value of expected dividends that will not be received by the plan participant during the vesting period is excluded from the fair value.

Remuneration of the Executive Committee for fiscal year 2015/16 (audited figures)

in CHF	Compen-sation fix	Compen-sation variable[2]	Post-employ-ment benefits[3]	Other compen-sation	Total cash-related remunera-tion	Number of shares[4]	Value of shares[5]	Total remunera-tion 2015/16
Remuneration Executive Committee[1]	**5,326,055**	**5,764,245**	**1,790,860**	**904,564**	**13,785,724**	**7,569**	**7,486,645**	**21,272,369**
Highest individual remuneration within Executive Committee: **Antoine de Saint-Affrique** CEO Barry Callebaut Group	**1,546,360**	**1,390,000**	**166,862**	**14,523**	**3,117,745**	**1,587**	**1,565,798**	**4,683,543**

1 Disclosure relates to the Executive Committee as in place on August 31, 2016, i.e.: Antoine de Saint-Affrique, Victor Balli, Peter Boone, Massimo Garavaglia, David Johnson, Carole Le Meur, Dirk Poelman, Steven Retzlaff. Also included is the remuneration of Juergen Steinemann (former CEO) for the transition period ending March 2016.
2 Based on best estimate of expected payout for fiscal year 2015/16 (accrual principle).
3 Including social security and pension contributions.
4 Number of shares granted in relation to the fiscal year 2015/16; vesting subject to meeting service and/or performance conditions.
5 Value of shares is defined as fair value at grant date. For restricted share units, this is the share price at grant date. For performance share units the fair value is established based on a valuation performed by external experts applying the "Monte Carlo simulation method". In both cases the net present value of expected dividends that will not be received by the plan participant during the vesting period is excluded from the fair value.

Remuneration Report

Comments on the remuneration tables

The decrease in remuneration compared to the previous fiscal year is mainly due to the following factors:

- The prior year contained a transition period with both Antoine de Saint-Affrique as CEO and Juergen Steinemann
- The individual fixed remuneration and the LTI grant values have remained unchanged versus previous year (on a full year basis) except for one member
- The overall payout under the STIP was higher than in previous year. This is due to the performance of the Group and the ExCo members versus financial and strategic targets set. The STI payout amounts to 142% of the target for the CEO and ranges between 133% and 152% of the target for the other members of the Executive Committee
- Consequently, the ratio of fixed versus variable remuneration amounts to 33% versus 67% for the CEO and ranges from 24% versus 76% to 33% versus 67% for the other members of the Executive Committee

The PSU granted under the LTIP in 2014 vested at the end of the reporting year. Under the plan rules of the 2014 LTIP, the vesting of the PSU was conditional upon the share price evolution of Barry Callebaut compared to the average share price evolution of peer companies. The share price of Barry Callebaut increased by 5.64% during the plan period compared to an average of the peer group of 1.94%, which translates into a vesting level of 192.35%.

The aggregate amount of remuneration for the Executive Committee is subject to the approval of the General Meeting of Shareholders. A maximum aggregate amount of fixed remuneration of CHF 6,250,000 was approved by the General Meeting of Shareholders in December 2015 prospectively for fiscal year 2016/17. Accordingly, the fixed remuneration of CHF 5,071,649 effectively paid is within the approved limits. The aggregate remuneration amount for the short-term and long-term incentives for fiscal year 2016/17 will be submitted to shareholders' vote at the upcoming General Meeting of Shareholders in December 2017.

Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

Number of shares as of August 31,		2017	2016
Name	Function		
Andreas Jacobs[1, 2]	Chairman (until Dec 2016)	n/a	4,260
Patrick De Maeseneire	Chairman (as from Dec 2016)	250	–
Fernando Aguirre		280	100
Jakob Baer	Vice Chairman (as from Dec 2016)	1,080	900
James (Jim) Donald		1,440	1,260
Nicolas Jacobs		92,886	101,039
Wai Ling Liu		160	180
Timothy Minges		656	476
Andreas Schmid		8,218	8,038
Juergen Steinemann	Vice Chairman (until Dec 2016)	13,979	13,795
Total shares held by Board of Directors		**118,949**	**130,048**

1 Excluding the 50.11% participation held by Jacobs Holding AG (see note 3.4 to the Financial Statements of Barry Callebaut AG).

2 No disclosure for August 31, 2017, as Andreas Jacobs left the Board of Directors at the last General Meeting of Shareholders.

Remuneration Report

Shareholdings of the Executive Committee

Number of shares as of August 31,		2017	2016
Name	Function		
Antoine de Saint-Affrique	Chief Executive Officer	476	–
Victor Balli	Chief Financial Officer	1,453	1,000
Peter Boone	Chief Innovation & Quality Officer	–	7
Massimo Garavaglia	President EMEA	900	250
Dave Johnson	CEO and President Americas	2,000	2,023
Carole Le Meur	Chief Human Resources Officer	38	–
Dirk Poelman	Chief Operations Officer	1,636	1,534
Steven Retzlaff	President Global Cocoa	1,128	686
Total shares held by Executive Committee		**7,631**	**5,500**

Consideration paid for services of the majority shareholder

In line with the practice of the past years, Barry Callebaut AG and Jacobs Holding AG, Zurich, have entered into an auxiliary services agreement, under which Jacobs Holding AG offers certain management and consultancy services to Barry Callebaut AG. In fiscal year 2016/17, the total remuneration paid by Barry Callebaut AG under this agreement amounted to CHF 1.5 million (excl. VAT). The contract is renewable annually.

Loans and credits (audited)

During fiscal year 2016/17, no loans or credits were granted to members of the Board of Directors or to members of the Executive Committee, nor to related parties.

As of August 31, 2017, there were no outstanding loans or credits to members of the Board of Directors or to members of the Executive Committee, nor to related parties.

Report of the Statutory Auditor

To the General Meeting of Barry Callebaut AG, Zurich

We have audited the accompanying remuneration report dated 6 November 2017 of Barry Callebaut AG for the year ended 31 August 2017. The audit was limited to the information according to articles 14–16 of the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance) contained in the tables referred to as audited on pages 143 to 151 of the remuneration report.

Responsibility of the Board of Directors

The Board of Directors is responsible for the preparation and overall fair presentation of the remuneration report in accordance with Swiss law and the Ordinance against Excessive compensation in Stock Exchange Listed Companies (Ordinance). The Board of Directors is also responsible for designing the remuneration system and defining individual remuneration packages.

Auditor's Responsibility

Our responsibility is to express an opinion on the accompanying remuneration report. We conducted our audit in accordance with Swiss Auditing Standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the remuneration report complies with Swiss law and articles 14 – 16 of the Ordinance.

An audit involves performing procedures to obtain audit evidence on the disclosures made in the remuneration report with regard to compensation, loans and credits in accordance with articles 14 – 16 of the Ordinance. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatements in the remuneration report, whether due to fraud or error. This audit also includes evaluating the reasonableness of the methods applied to value components of remuneration, as well as assessing the overall presentation of the remuneration report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the remuneration report for the year ended 31 August 2017 of Barry Callebaut AG complies with Swiss law and articles 14 – 16 of the Ordinance.

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Patricia Bielmann
Licensed Audit Expert

Zurich, 6 November 2017

Contact & Financial calendar

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Financial calendar

December 13, 2017
Annual General Meeting of Shareholders 2016/17, Zurich

January 24, 2018
3-month key sales figures 2017/18

April 11, 2018
Half-year results 2017/18

July 13, 2018
9-month key sales figures 2017/18

November 7, 2018
Full-year results 2017/18

December 12, 2018
Annual General Meeting of Shareholders 2017/18, Zurich

Forward-looking statement
Certain statements in this Annual Report regarding the business of the Barry Callebaut Group are of a forward-looking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe," "estimate," "intend," "may," "will," "expect," "project" and similar expressions as they relate to the company. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect the Barry Callebaut Group's future financial results are discussed in the Annual Report 2016/17. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, as well as changes in tax regimes and regulatory developments. The reader is cautioned to not unduly rely on these forward-looking statements. The Barry Callebaut Group does not undertake to publish any update or revision of any forward-looking statements.

Impressum

Publisher
Barry Callebaut AG
West-Park
Pfingstweidstrasse 60
8005 Zurich
Switzerland

Concept
Source Associates,
Zurich, Switzerland

Photography
Fabian Haefeli
Zurich, Switzerland

Jos Schmid
Zurich, Switzerland

Prepress
Linkgroup AG,
Zurich, Switzerland