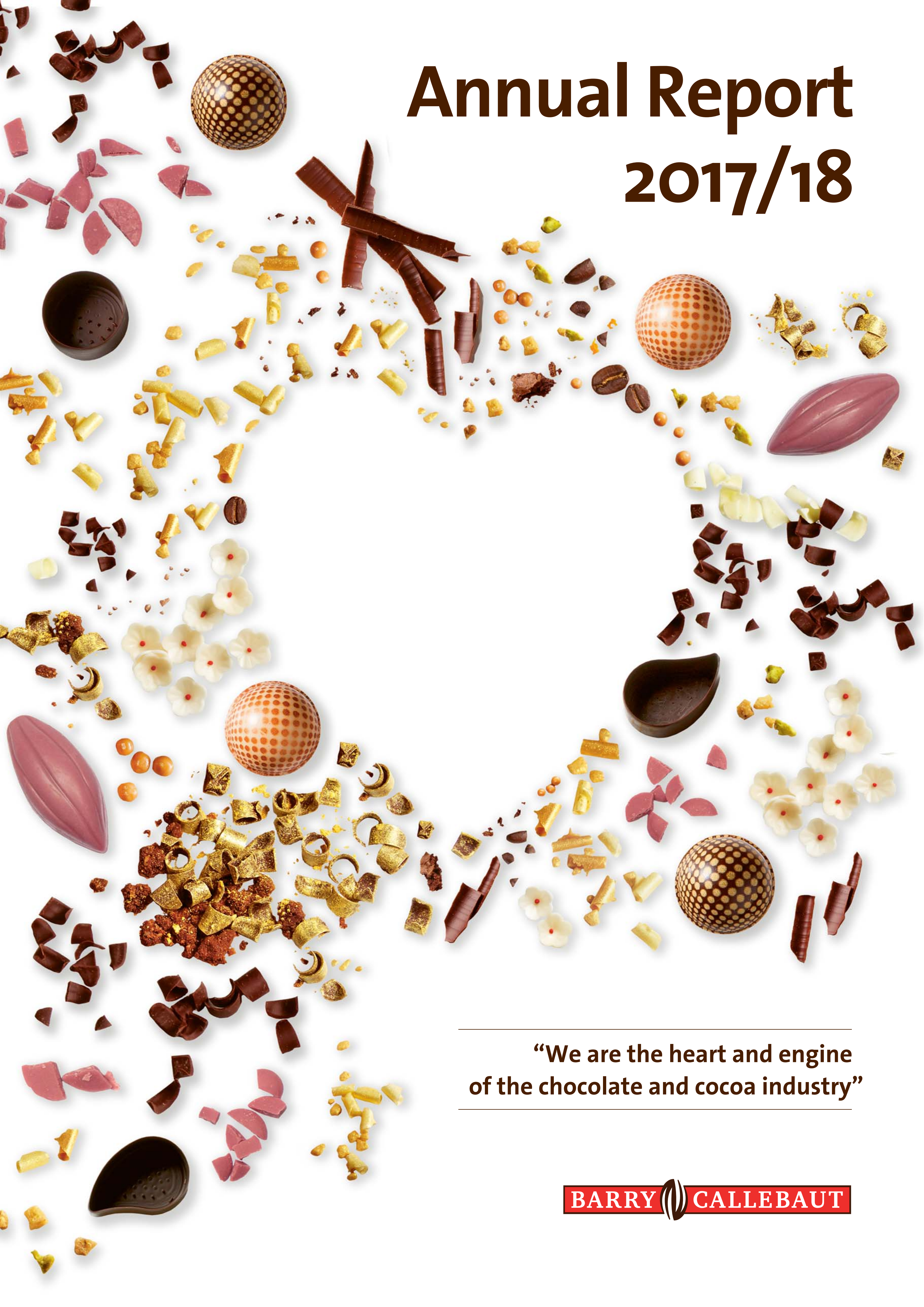


Annual Report 2017/18

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

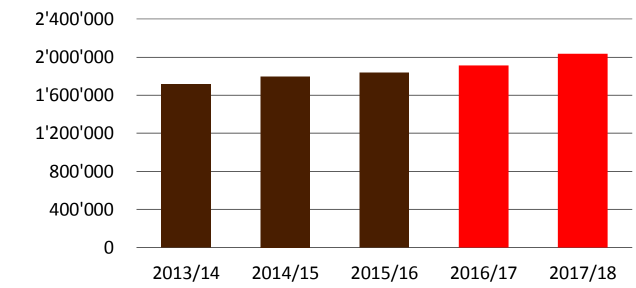
BARRY CALLEBAUT

Key figures 2017/18

Sales Volume	EBIT	Net Profit	Free cash flow	Proposed dividend
+6.3%	+21.2% in local currencies	+31.0% in local currencies		Payout ratio 37%
2 million	**554.0**	**357.4**	**311.9**	**24.00**
tonnes	**CHF million**	**CHF million**	**CHF million**	**CHF per share**

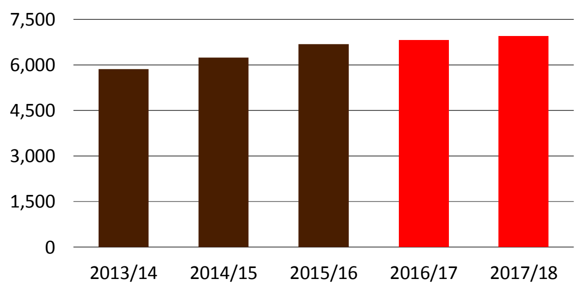
Sales Volume

In tonnes



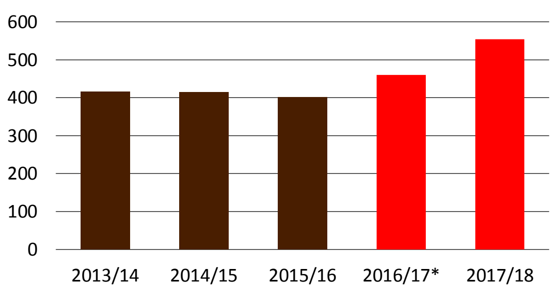
Sales Revenue

In CHF million



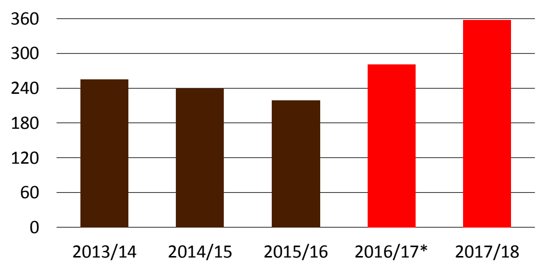
EBIT

In CHF million



Net profit for the year

In CHF million

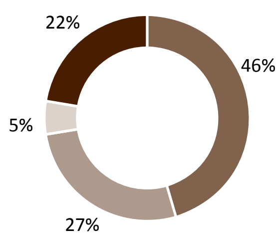


* See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

Sales Volume by Region

In tonnes

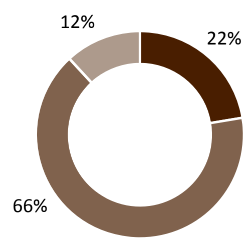
EMEA	925,144
Americas	549,287
Asia Pacific	105,777
Global Cocoa	455,649



Sales Volume by Product Group

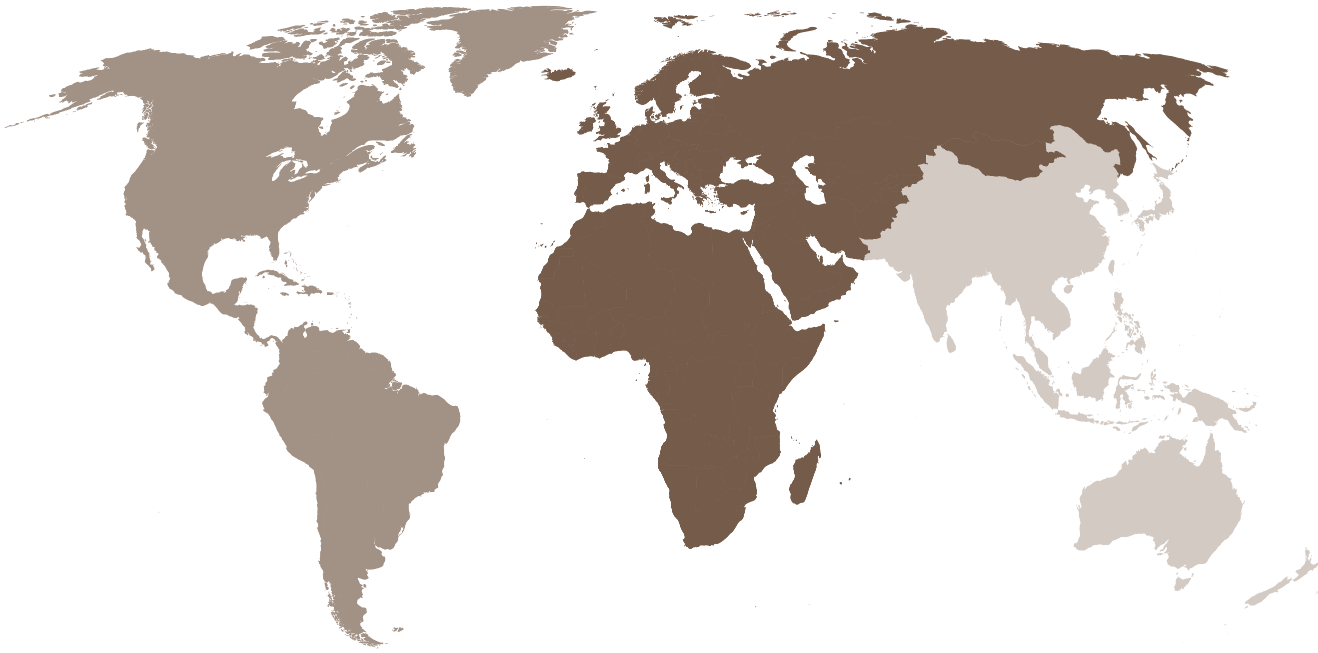
In tonnes

Food Manufacturers Products	1,338,311
Cocoa Products	455,649
Gourmet & Specialties Products	241,897



Fiscal year 2017/18 in brief

- Sales volume up +6.3%, well above the market growth[1], first time over 2 million tonnes
- Operating profit (EBIT, recurring) up +21.2% in local currencies (+25.3% in CHF) to CHF 554.0 million
- Net profit (recurring) up +31.0% in local currencies (+35.9% in CHF) to CHF 357.4 million
- Free cash flow of CHF 311.9 million
- On track to deliver on mid-term guidance[2]
- Board member James (Jim) Donald will not stand for reelection. Suja Chandrasekaran, Angela Wei Dong and Markus Neuhaus proposed as new Board members
- Proposed payout to shareholders of CHF 24.00 per share, up +20.0%



	EMEA	Americas	Asia Pacific	Global Cocoa
Volume growth vs. prior year	+6.8%	+6.0%	+16.2%	+3.9%
EBIT growth vs. prior year in local currencies	+11.2%[3]	+9.2%	+20.2%	+28.3%

1 Source: Nielsen, +1.8% in volume for the period August 2017 to August 2018 – 25 countries.
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.
3 On recurring basis.

This is Barry Callebaut

"Shaping the world of chocolate and cocoa"

First time over

2 million
sales volume
in tonnes

554.0
EBIT
in CHF million

More than
175 years
of chocolate heritage

CAGR
+4.4%
volume growth
over 5 years

6,948.4
sales revenue
in CHF million

20 years
listed on the
SIX Swiss Exchange

21
CHOCOLATE ACADEMY™ Centers

More than
11,500
employees

More than
40,000
chocolate aficionados
trained in 2017/18

59
factories
worldwide

Selling to
140
countries

Sustainably sourced cocoa beans
44%

New type
of chocolate
created: Ruby chocolate
The 4th

Table of Content

Strategy delivering strong results across all regions

Twenty years ago, Barry Callebaut was listed on the SIX Swiss Exchange. Since then, our company has developed into the world's leading chocolate and cocoa company and the growth champion in the food industry. Our proven long-term strategy and its smart execution form the basis for our consistent value creation for our shareholders and all other stakeholders.

Dear Shareholders,

Going public was a visionary step by our founder Klaus Jacobs as it combined the professional corporate governance and access to the capital markets of a listed company with the long-term view and entrepreneurial spirit of a family as the majority owner. This unique combination enabled us to become a truly global market leader in our industry. We nearly quadrupled our sales volume and our EBIT in the past two decades. Our shareholders also benefited from this solid growth as our share price clearly outperformed relevant indices. About half of our dividends support the Jacobs Foundation which is dedicated to education and the future of young people.

In fiscal year 2017/18, the consistent execution of our 'smart growth' strategy again delivered a set of very strong results on top and bottom line across all Regions and Product Groups. Sales volume increased by +6.3%, significantly above the +1.8% volume growth of the global confectionery market, according to Nielsen data. For the first time, we sold more than 2 million tonnes of chocolate and cocoa products. Sales revenue was flat, +0.1% in local currencies, at CHF 6,948.4 million, as a result of lower raw material prices, which we pass on to our customers for a large part of our business. Operating profit (EBIT, recurring) increased by +21.2% in local currencies to CHF 554.0 million, outpacing volume growth. Net profit for the year grew by +31.0% in local currencies to CHF 357.4 million, and our free cash flow amounted to CHF 311.9 million.

Based on these strong results, the Board of Directors is proposing a payout to shareholders of CHF 24.00 per share at the Annual General Meeting of Shareholders on December 12, 2018, an increase of +20.0% versus prior year.

Our continued above-market growth is the result of the consistent implementation of our proven long-term strategy based on four pillars: Expansion, Innovation, Cost Leadership and Sustainability. In the past fiscal year, we achieved again several strategic milestones.

Expansion. To keep serving our customers optimally, we continuously expand our capacities and capabilities. The integration of D'Orsogna Dolciaria in Italy and Gertrude Hawk Ingredients in the US, further extending Barry Callebaut's value-adding Specialties & Decorations business, is well on track. In May 2018, we opened our first CHOCOLATE ACADEMY™ Center on the African continent – our 21st globally – in Johannesburg, South Africa. We expanded our cocoa processing capacities in Côte d'Ivoire and Cameroon and our chocolate production capacities in the Regions Americas and EMEA and in Singapore.

Innovation. In September 2017, Barry Callebaut revealed the fourth type of chocolate: ruby. Since its global launch in Shanghai in September 2017, ruby has been making waves in consumer markets across the world ever since – from the iconic KitKat brand to the finest Belgian Ruby RB1 chocolate under the Callebaut brand in March 2018 and Ruby Rubina, launched under our Swiss Carma brand in May 2018. Furthermore, we extended our dairy-free chocolate product portfolio in the US, tapping into growing customer demand. In addition, our sugar-reduced solutions are enticing customers and growing by double-digits. Last but not least, Callebaut introduced a sensory language and tasting ritual for chocolate in January 2018.

Letter to Shareholders

"In the 20 years since Barry Callebaut's initial public offering, our company has developed into the world's leading chocolate and cocoa company, consistently delivering value for our shareholders and all other stakeholders."

Patrick De Maeseneire, Chairman of the Board

"The continued execution of our 'smart growth' strategy, good visibility on volume growth and healthy global demand give us the confidence that we are well on track to achieve our mid-term guidance."

Antoine de Saint-Affrique, CEO

Letter to Shareholders

Sustainability. We launched a number of initiatives in support of our Forever Chocolate plan to make sustainable chocolate the norm by 2025. In 2017/18, we sourced 44% of our cocoa beans and also 44% of our other chocolate ingredients from sustainable sources (vs. 36% and 30% in prior year). We were one of the driving forces behind the signing of the Cocoa and Forests Initiative at the UN Climate Summit in Bonn in November 2017, bringing together the leading cocoa and chocolate companies, NGOs and the Ivorian and Ghanaian governments to commit to eradicating deforestation from the cocoa supply chain in West Africa. In addition, we are building datasets with detailed location, agronomic and social survey data on already over 130,000 cocoa farms in our supply chain.

These unique datasets allow us to create tailor-made sustainability programs to solve the key issues of the mapped cocoa farming communities. In addition, we developed pilot projects in five key cocoa sourcing countries, Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia, to build a model on what sustainable cocoa farming in these countries entails. Furthermore, we organized the fourth CHOCOVISION conference in June 2018, bringing together over 200 business leaders and key stakeholders in the chocolate and cocoa industry.

Looking to the future with confidence

Our proven strategy, good visibility on volume growth and healthy global demand give us the confidence that we are well on track to achieve our mid-term guidance, which is on average 4–6% volume growth and EBIT above volume growth in local currencies for the 4-year period 2015/16 to 2018/19, barring any major unforeseen events.

Going forward, we see ample opportunities to further grow our business and to do so along the lines of our 'smart growth' strategy: consistently, profitably, sustainably, further leveraging our regional and product mix for better returns. And obviously further developing our teams and talents, as they are – together with our values – at the heart of what makes Barry Callebaut successful.

We would like to thank our employees for the strong results they have delivered and all our customers and shareholders for their trust and continued support.

Patrick De Maeseneire
Chairman of the Board

Antoine de Saint-Affrique
Chief Executive Officer

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. We believe in doing well to do good. This is also reflected in the fact that about half of our dividends support the Jacobs Foundation, which is dedicated to education and the future of young people.

Business model

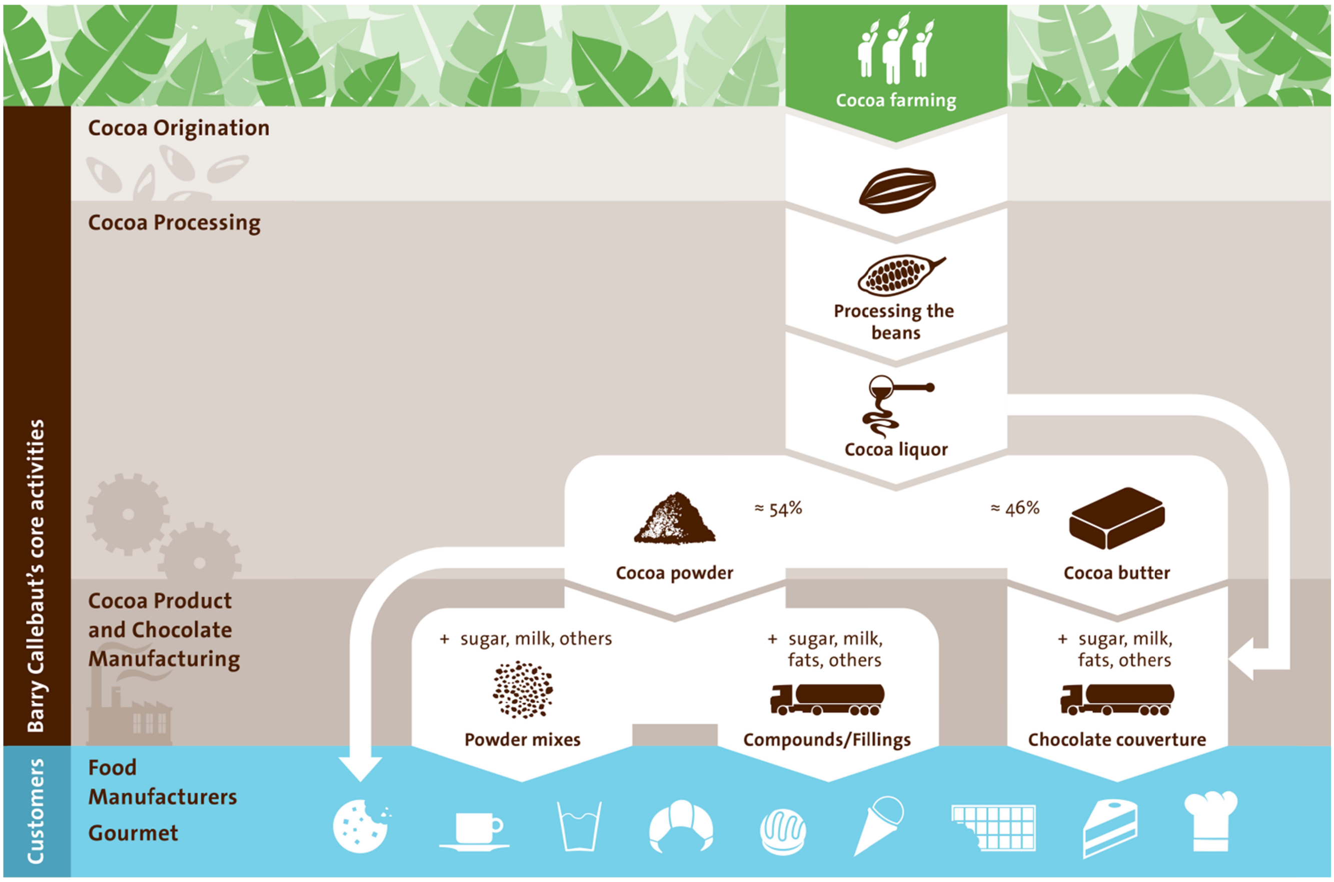
We are the world's leading manufacturer of chocolate and cocoa products, mastering every step in the value chain from the sourcing of raw materials to the production of the finest chocolates. We are able to provide our customers with added-value products and services adapted to specific market needs, 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, we use a cost-plus pricing model that passes on raw material prices directly to our customers for a large part of our business.

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

Competitive advantages

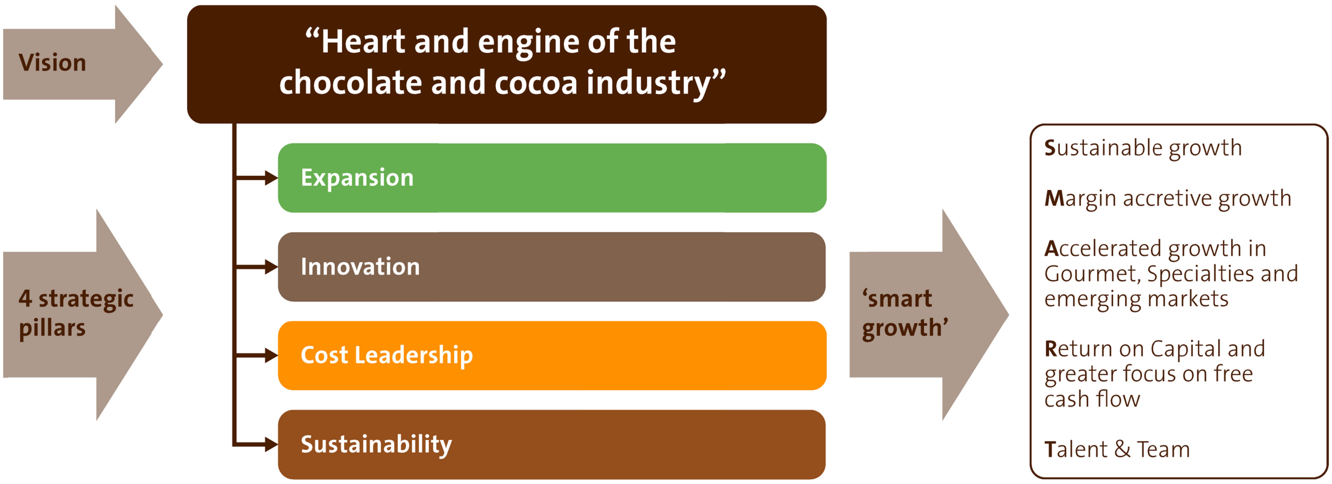
We are fully vertically integrated and have a unique global footprint with 59 factories and 21 CHOCOLATE ACADEMY™ Centers around the globe. With more than 175 years of chocolate heritage, our Group has an unparalleled blend of expertise in cocoa and chocolate, from the sourcing of the beans to insights of future consumer trends which we gather through our chefs network. Through leadership in innovation, we help our customers grow. Combined with our cost leadership, this makes us the preferred outsourcing partner of the food industry. We have 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

Barry Callebaut 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 driving growth in the main markets of Western Europe and North America, we aim to further strenghten our presence in the high potential 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 expand and consolidate our position in the Gourmet & Specialties market 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 profound Research & Development expertise in areas such as 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 profound 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 reinvest knowledge and resources into the communities in which it operates. Forever Chocolate, a movement we launched in November 2016, is our plan 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]	2017/18	2016/17 restated[2]	2015/16	2014/15	2013/14
Consolidated Income Statement							
Sales volume	Tonnes	4.4%	2,035,857	1,914,311	1,834,224	1,794,782	1,716,766
Sales revenue	CHF m	4.3%	6,948.4	6,805.2	6,676.8	6,241.9	5,865.9
EBITDA (recurring)[3]	CHF m	8.2%	728.3	592.1	539.4	540.8	531.5
Operating profit (EBIT)	CHF m	7.4%	554.0	460.2	401.7	414.8	416.2
Operating profit (EBIT, recurring)	CHF m	7.4%	554.0	442.1	401.7	414.8	416.2
EBIT (recurring) / sales revenue	%		8.0%	6.5%	6.0%	6.6%	7.1%
EBIT per tonne (recurring)[4]	CHF	2.9%	272.1	230.9	219.0	231.1	242.4
Net profit for the year	CHF m	8.8%	357.4	281.1	219.0	239.9	255.0
Net profit for the year (recurring)[5]	CHF m	8.8%	357.4	263.0	219.0	239.9	255.0
Free cash flow[6]	CHF m		311.9	475.6	430.9	1.2	(172.6)
Consolidated Balance Sheet							
Total assets	CHF m	3.1%	5,832.0	5,466.5	5,640.8	5,429.4	5,167.5
Net working capital[7]	CHF m	(10.5%)	1,074.4	1,042.5	1,374.2	1,529.7	1,674.6
Non-current assets	CHF m	3.6%	2,505.5	2,477.7	2,301.0	2,185.5	2,175.6
Net debt	CHF m	(12.1%)	1,074.3	1,110.9	1,452.8	1,728.0	1,803.5
Shareholders' equity[8]	CHF m	6.1%	2,269.8	2,111.2	1,956.3	1,772.8	1,790.7
Capital expenditure[9]	CHF m	(3.3%)	217.9	220.4	201.0	249.2	248.8
Ratios							
Economic Value Added (EVA)	CHF m		173.3	100.7	52.5	65.6	84.5
Return on invested capital (ROIC)[10]	%		13.3%	11.0%	9.5%	9.8%	10.5%
Return on equity (ROE)	%		15.7%	12.5%	11.2%	13.5%	14.7%
Debt to equity ratio[11]	%		47.3%	52.6%	74.3%	97.5%	100.7%
Solvency ratio[12]	%		38.9%	38.6%	34.7%	32.7%	34.7%
Interest coverage ratio[13]			7.2	4.9	4.0	4.1	4.5
Net debt / EBITDA			1.5	1.9	2.7	3.2	3.4
Capital expenditure / sales revenue	%		3.1%	3.2%	3.0%	4.0%	4.2%
Shares							
Share price at fiscal year-end	CHF	11.3%	1,728	1,380	1,264	1,061	1,125
EBIT (recurring) per share[14]	CHF	7.4%	101.0	80.6	73.2	75.6	75.9
Basic earnings (recurring) per share[15]	CHF	9.0%	64.9	47.8	39.5	43.2	46.0
Cash earnings per share[16]	CHF		56.9	86.7	78.6	0.2	(31.4)
Payout per share[17]	CHF	11.6%	24.0	20.0	15.5	14.5	15.5
Payout ratio	%	2.9%	37%	39%	39%	33%	33%
Price-earnings ratio at year-end[18]		2.1%	26.6	28.9	32.0	24.6	24.5
Market capitalization at year-end	CHF m	11.3%	9,484.7	7,574.6	6,937.9	5,823.7	6,175.0
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	8.4%	109.8	85.1	79.6	85.1	79.6
Other							
Employees		5.6%	11,570	10,528	9,898	9,430	9,319
Beans processed	Tonnes	0.4%	956,440	925,544	898,135	925,856	940,621
Chocolate & compound production	Tonnes	5.3%	1,539,476	1,437,082	1,383,186	1,287,461	1,254,241

1 Compound annual growth rate for the 5-year period.
2 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives. Comparative amounts were adjusted in 2016/17 fiscal year only. Ratios calculated on recurring / restated figures.
3 EBIT (recurring) + depreciation of property, plant and equipment + amortization of intangibles.
4 EBIT (recurring) / sales volume.
5 Including non-controlling interests.
6 Net cash flow from operating activities – Net cash flow from investing activities (adjusted for acquisitions / disposals of subsidiaries).
7 Includes current assets, liabilities and provisions related to commercial activities.
8 Total equity attributable to the shareholders of the parent company.
9 Capital expenditure for property, plant and equipment and intangible assets.
10 EBIT (recurring) x (1 – effective tax rate) / average capital employed.
11 Net debt / shareholders equity.
12 Total equity attributable to the shareholders of the parent company / total assets.
13 EBITDA (recurring) / net finance costs.
14 EBIT (recurring) / basic shares outstanding.
15 Based on the net profit (recurring) attributable to the shareholders of the parent company / basic shares outstanding.
16 Free cash flow / basic shares outstanding.
17 2017/18 dividend paid out of retained earnings proposed by Board of Directors, subject to approval by Annual General Meeting. 2016/17: dividend partly paid out of retained earnings and partly in form of a capital reduction through par value repayment. 2015/16: dividend paid through capital reserves and capital reduction. 2014/15: dividend totally paid out of paid-in capital reserves.
18 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 by taking appropriate measures 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. Group Risk Management presents the key risks to the ExCo and the AFRQCC on an annual basis. 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 business requires, but at least three times per fiscal year, 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	Mitigation / Measures
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 aging trees, aging 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 farms and maintaining an 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.

Risk Overview

Key Risks	Risk Description	Mitigation / Measures
Business transformation	Timely initiation and successful execution of business transformation initiatives are critical to pursue strategic objectives, avoid disruption, improve agility and adapt to changing market conditions. Ineffective project portfolio management and implementation, insufficient due diligence, inaccurate business plan assumptions or inadequate post-merger integration processes can all have negative consequences. Failure to invest in technology that is no longer competitive or becomes obsolete may further impact the successful execution of business transformation. These factors can result in an underperforming base business, reduced synergies, or higher costs than expected.	All major business transformation projects are prioritized and monitored by the Group's Executive Committee and Strategy Team. The Group deploys dedicated teams with significant experience and capability for their respective business transformation projects. These teams proactively follow market, technology and other trends and work in 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 business transformations is employed. A similar process is employed for the execution of major acquisitions and divestitures.
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, could have a material impact on the result of operations.	The Group has a highly 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 cooperation, 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, promptly and to provide high-quality services that are mutually beneficial for all stakeholders concerned. 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 benchmarking, long- and short-term incentive plans, training and leadership development programs, as well as the tools to support and measure the success of all these processes are all employed.

Risk Overview

Key Risks	Risk Description	Mitigation / Measures
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 operations and supply chain network could be disrupted by incidents at manufacturing sites, adverse weather conditions, climate change, disease (human or crop), natural disasters, political instability, sabotage and other factors which could impact the ability to produce and deliver products to customers.	The Group's operations and supply chain Department operate a well-diversified and flexible manufacturing network that is governed by a global sales and operations planning process. The global sourcing departments are continuously monitoring weather, harvest, political risk and other indicators to proactively anticipate potential shortages or interruptions for raw materials supply. Short-term mitigation measures include adequate levels of safety stocks and a diversified regional supply network.
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.
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 the Group's 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 the 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.

Risk Overview

Key Risks	Risk Description	Mitigation / Measures
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.
Legal, regulatory and compliance	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 a constantly 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

Business Performance Review fiscal year 2017/18

Strong performance in favorable market environment

The overall market conditions in 2017/18 were favorable with a growing global chocolate confectionery market (according to Nielsen[1] +1.8% volume growth in fiscal year 2017/18) and relatively low levels of raw material prices.

The Group's volume increased by +6.3% to 2,035,857 tonnes, with a particularly strong performance in the first half of the year (+8.0%). The strong performance was broadly based in all Regions and Product Groups and supported by our key growth drivers Emerging Markets, Gourmet & Specialties and Outsourcing.

Operating profit (EBIT) significantly improved versus prior year (recurring), up +21.2% in local currencies (+25.3% in CHF), and amounted to CHF 554.0 million. The strong increase is driven by volume growth and a better product and customer mix across all Regions and Product Groups.

Net profit for the year on a recurring basis increased by +31.0% in local currencies and reached CHF 357.4 million (+35.9% in CHF).

The Group's continued focus on Free cash flow (FCF) is one of the key elements of its 'smart growth' strategy. Free cash flow amounted to CHF 311.9 million, compared to an exceptionally strong CHF 475.6 million in the previous fiscal year, which had benefited from decreasing cocoa bean prices and some positive one-off 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 is valid until 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

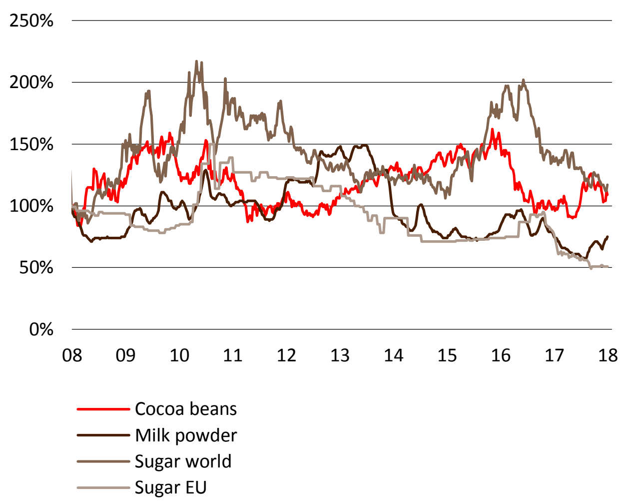
Over the course of fiscal year 2017/18, cocoa bean prices increased by +10.9% to GBP 1,688 per tonne. The price has been very volatile, ranging from a low of GBP 1,349 per tonne in January 2018 to a high of GBP 1,971 per tonne in May 2018. However, the average cocoa bean price for fiscal year 2017/18 was –6.8% lower than the average bean price in the previous year. Following the record crop last year, the current 2017/18 cocoa bean crop is more balanced, due to lower mid crops in Côte d'Ivoire and Ghana.

The favorable level of cocoa bean prices and good demand for cocoa products led to an average combined ratio slightly above the previous year.

In 2017/18 the world sugar crop showed a significant surplus. This led to a further decline of –13.8% in world sugar prices and –34.2% for the European market driven by the elimination of production and export quotas.

Dairy prices initially weakened at the beginning of 2017/18 due to record-high deliveries. However, due to the heatwave in Europe during the summer 2018, prices started to rebound. Dairy prices ended the year at similar levels to where they started.

Raw material prices September 2008 to September 2018



1 Nielsen, August 2017 to August 2018 – 25 countries.

Financial Review

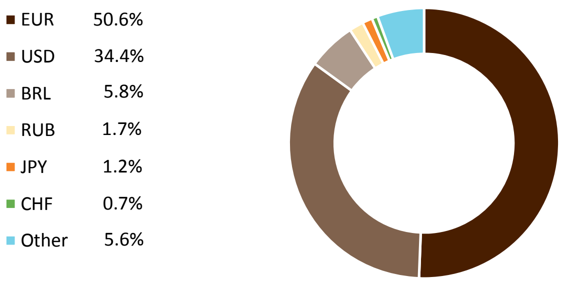
Foreign currencies

In fiscal year 2017/18, volatility in foreign exchange markets increased again, mainly in the emerging market currencies. 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. The impact arising from the translation of results into the Group's reporting currency (Swiss franc) however is not hedged.

For the fiscal year under review, the average exchange rate for the EUR, which accounts for half of the Group's sales revenue, appreciated by +7.0% against the Swiss franc. On the other hand the US dollar depreciated slightly by –1.4% against the Swiss franc. Significantly more volatile, especially towards the end of fiscal year 2017/18, was the development in some major emerging market currencies with the Brazilian real depreciating –7.3% and the Russian ruble –1.2% against the Swiss franc.

In total, the currency translation effects mentioned above had a positive year-on-year impact of +2.0% on sales revenue and +4.2% on EBIT (recurring).

Sales revenue in functional currency



Solid growth in global chocolate demand

The chocolate confectionery market continued its recovery and according to Nielsen[2], grew by a solid +1.8% during the period under review.

Consolidated Income Statement[2]

Margin accretive volume growth

Sales volume for the fiscal year 2017/18 increased by +6.3% to 2,035,857 tonnes.

This growth was broad-based with contributions from all Regions and Product Groups, fuelled by the key growth drivers Emerging Markets, Gourmet & Specialties and Outsourcing.

Sales revenue rose by +0.1% in local currencies (by +2.1 % in CHF) to CHF 6,948.4 million. The positive effect from the volume growth was almost entirely offset by lower prices for raw materials and cocoa based products, which the Group passes on directly to customers for a large part of its business.

Gross profit amounted to CHF 1,157.1 million, corresponding to an increase of +17.2% in local currencies (+20.7% in CHF). The increase, which is significantly above volume growth, was fuelled by a good product and customer mix, as well as a more favorable market environment.

Marketing and sales expenses increased by +8.8 % to CHF 150.0 million. To continuously attract margin accretive business and leverage on recent investments and acquisitions, the Group continued its campaign to promote its global Gourmet brands and expanding the worldwide footprint of its CHOCOLATE ACADEMY™ Centers and distribution network. The Group also expanded its sales network for specialty products to Food Manufacturers.

General and administration expenses increased by +17.0% to CHF 441.0 million. The increase is partly due to scope effects and costs in relation to the Group's recent acquisitions and growth in emerging markets. It is also the result of continued investments in structures, processes and tools and related higher amortization expenses to cater to future growth.

Other income amounted to CHF 19.6 million compared to CHF 35.6 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 as well as claims on insurances and suppliers. The prior year amount contained an exceptional item related to the negative goodwill (badwill) of CHF 20.0 million recognized for an acquisition.

Other expenses amounted to CHF 31.7 million compared to CHF 19.2 million in prior year. This position comprises costs related to litigation and claims, losses on disposal of assets, impairment charges and some other non-recurring items. The increase is mainly due to higher losses on impairments and disposals of assets.

1 Nielsen, August 2017 to August 2018 – 25 countries.
2 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives. Comments in this section refer to prior year numbers on restated and recurring basis unless otherwise stated.

Financial Review

Strong increase in EBIT and EBIT/tonne

Operating profit (EBIT) grew significantly by +21.2% in local currencies (+25.3% in CHF) to CHF 554.0 million on a recurring basis. This strong increase outpaced volume growth and is the result of the higher gross profit.

EBIT per tonne on a recurring basis – i.e. excluding the one-off effect of the aforementioned acquisition in prior year – increased by +14.0% in local currencies (+17.8% in CHF) to CHF 272.1.

Finance income slightly increased and amounted to CHF 6.4 million (prior year CHF 5.2 million).

Finance costs amounted to CHF 107.7 million, compared to CHF 127.0 million in the previous year. The decrease is mainly due to lower interest expenses in light of the repayment of the EUR 350 million 6% Senior Notes in July 2017.

Income tax expenses increased to CHF 95.5 million from CHF 57.4 million in the prior year. This is on the one hand due to a significantly higher profit before tax. On the other hand, the tax reforms in Belgium and the US, enacted in December 2017, led to a one-time non-cash expense of CHF 12.9 million, mostly due to the revaluation of the deferred tax assets and liabilities at the newly enacted tax rates. As a consequence, the Group's effective tax rate increased to 21.1%, compared to 17.0% in the prior year. Excluding this effect the tax rate was at 18.2%.

Net profit for the year strongly increased by +22.5% in local currencies (+27.1% in CHF) to CHF 357.4 million. This increase can be attributed to the increased EBIT, while the increased tax expenses were largely offset by lower net finance costs. On a recurring basis, **net profit for the year** increased by +31.0% in local currencies (+35.9% in CHF).

Consolidated balance sheet – further improved ratios due to increased profitability

Total assets increased by +6.7% to CHF 5,832.0 million at the end of August 2018, compared to CHF 5,466.5 million the year before. This is largely due to higher inventories and trade and other receivables partly resulting from the Group's growth as well as the increase in property, plant and equipment and intangible assets mainly resulting from acquisitions.

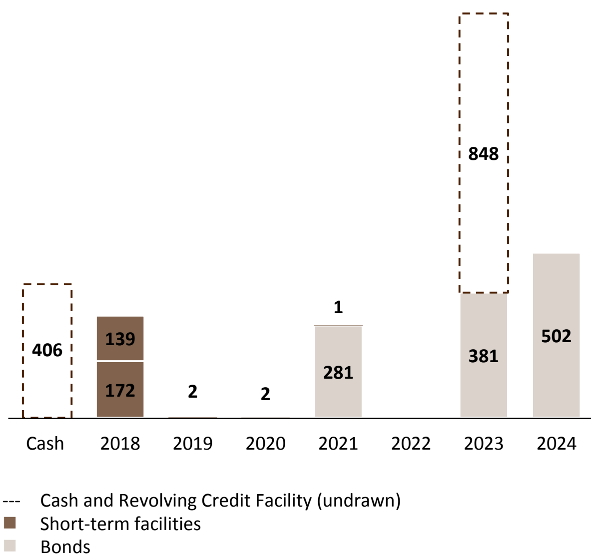
Net working capital increased by CHF 31.9 million to CHF 1,074.4 million as of August 31, 2018 when compared to CHF 1,042.5 million the year before. The increase is largely in line with the Group's growth. The effect of higher inventory, trade receivables and other current assets and somewhat lower trade payables and other current liabilities was largely offset by a corresponding increase in net derivative financial liabilities, which is a reflection of the Group's hedging approach.

Net debt decreased by CHF –36.6 million to CHF 1,074.3 million at August 31, 2018, as a result of higher repayments due to excess cash generated by the Group. The weighted average maturity of the long-term debt (i.e. without any portion falling due in less than 12 months) decreased from 5.9 to 4.9 years.

Equity – including equity attributable to the shareholders of the parent company and non-controlling interests – amounted to CHF 2,285.5 million, up CHF 159.4 million compared to the CHF 2,126.1 million at the end of August 2017. Equity attributable to the shareholders of the parent company amounted to CHF 2,269.8 million compared to last year's CHF 2,111.2 million. The increase mainly results from the net profit generated, partly offset by the payout to shareholders and negative cumulative currency translation adjustments.

Due to the aforementioned lower net debt and the higher equity, the debt-to-equity ratio improved from 52.6% to 47.3%. The solvency ratio slightly increased from 38.6% to 38.9%. The return on invested capital (ROIC) increased to 13.3% compared to 11.0% in the prior year.

Liquidity – debt maturity profile



Financial Review

Consolidated Cash Flow Statement

Cash generated from operating activities amounted to CHF 671.2 million compared to an exceptionally strong comparable of CHF 823.8 million in the prior year. The prior year had been positively affected by the lower cocoa bean prices and some positive one-off items summing up to a cash-inflow related to net working capital changes of CHF 220.6 million. In the current year working capital increased in line with the Group's growth resulting in a cash-out for net working capital of CHF –35.2 million.

Cash outflow for interest was CHF –93.1 million compared to CHF –96.8 million in prior year. Cash outflow for tax was CHF –62.6 million compared to CHF –43.0 million in prior year.

Overall, this resulted in a **net cash from operating activities** of CHF 515.5 million compared to CHF 684.0 million the year before.

Net cash flow from investing activities amounted to CHF –330.3 million (prior year: CHF –205.7 million). The amount was largely related to the Group's investments of CHF –217.9 million in property, plant and equipment as well as in intangibles, at a slightly lower level than in prior year (CHF –220.4 million). In addition to that, there was a cash outflow related to acquisitions in the amount of CHF –126.7 million (prior year CHF +2.7 million). The other elements in investing cash flow resulted in a net inflow of CHF +14.3 million compared to CHF +14.7 million in prior year.

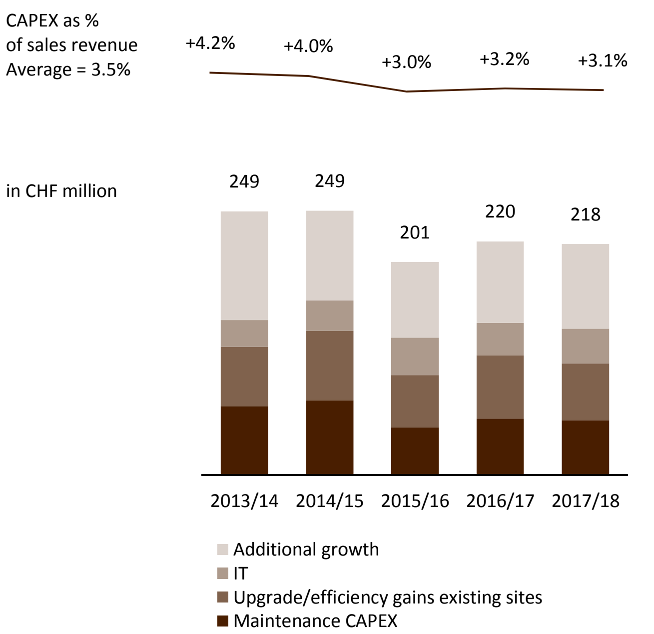
Net cash flow from financing activities amounted to CHF –174.0 million, compared to CHF –525.7 million in prior year. Net cash outflow in the current year was impacted by the repayment of debt amounting to CHF –73.7 million, partly offset by the debt issue of CHF 32.6 million (prior year CHF 121.5 million). The prior year was additionally affected by the repayment of the ten-year EUR 350 million Senior Notes maturing in July 2017 and a term loan of CHF 150 million. The position also contains the cash-out in the amount of CHF –69.9 million for dividends and the nominal capital reduction of CHF –39.9 million (prior year CHF –23.0 million for dividends and the nominal capital reduction CHF –62.1 million) as well as the cash outflow of CHF –22.8 million for the purchase of treasury shares (prior year CHF –17.1 million).

Free cash flow amounted to CHF 311.9 million, compared to an exceptionally strong CHF 475.6 million in the previous fiscal year, which had benefited from low cocoa bean prices and some positive one-off items.

Capital expenditure

Capital expenditure reflected in the cash flow statement amounted to CHF –217.9 million (fiscal year 2016/17 CHF –220.4 million). The Group maintained its focus on investments that best support its strategy of 'smart growth' by selectively approving capital expenditure with a high return on investment.

Capital expenditure



Financial Review

Outlook

The Group will continue to execute its ‘smart’ growth strategy. The good visibility on volume growth paired with a healthy market environment give the Group the confidence that it will achieve its mid-term guidance (2015/16–2018/19): On average 4–6% volume growth and EBIT growth above volume growth in local currencies, barring any major unforeseen events.

Barry Callebaut share performance

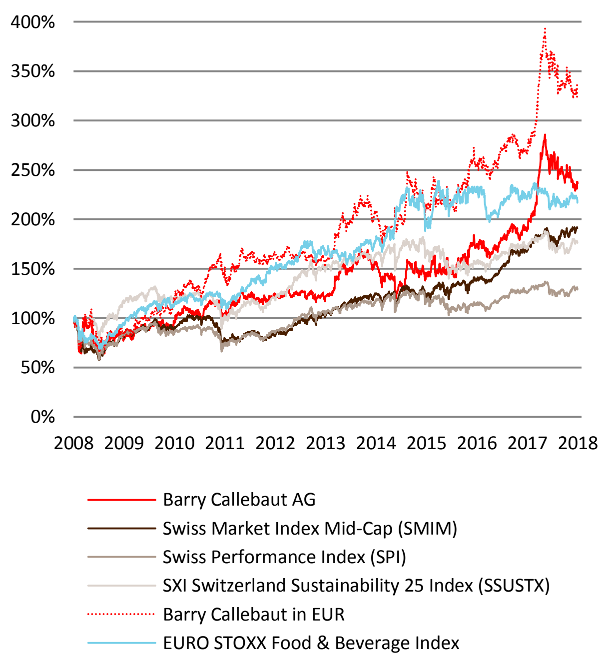
Barry Callebaut shares closed at CHF 1,728 on August 31, 2018, +25.2% above the previous year’s closing price, and outperforming the market. EURO STOXX Food & Beverage Index declined –2.7%, in the same period, while Swiss Small and Mid Caps (SMIM) increased +12.0% and SPI by +2.0%. Barry Callebaut also outperformed SXI Switzerland Sustainability 25® index basket (+2.0%), which brings together the 25 most sustainable companies listed in Switzerland. Barry Callebaut has been a member of this index since 2016. The index is based on an annual assessment by Sustainalytics of all companies composing the SMI Expanded® index. Barry Callebaut continues to be an outperforming company on sustainability, as was confirmed by the 2018 Sustainalytics assessment[3].

Key share data as of August 31, 2018

Shares outstanding	5.5 million
Closing share price	CHF 1,728
Market capitalization	CHF 9.5 billion
52-week high	CHF 2,086
52-week low	CHF 1,370
Average daily volume	9,165 shares

The chart below illustrates the long-term performance of Barry Callebaut shares compared to the relevant indices (2008–2018):

Share price development Barry Callebaut vs. indices



Over a ten-year period (2008–2018), the long-term performance of Barry Callebaut shares (+137.5%) clearly exceeds the returns for the Swiss indices (SMIM +91.0%, SSUSTX +75.9%, SPI +29.3%), and the EURO STOXX Food & Beverage Index (+117.1%) when calculating Barry Callebaut share price in EUR (+239.3%).

3 Source: Sustainalytics, Barry Callebaut AG ESG Report 2018.

Financial Review

Dividend

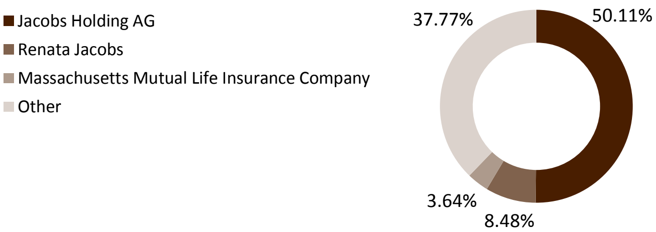
The Board of Directors will propose a payout to shareholders of CHF 24.00 per share (+20.0%) at the Annual General Meeting of Shareholders on December 12, 2018. This represents a payout ratio of 37%. The dividend will be paid to shareholders on or about January 9, 2019, subject to approval by the Annual General Meeting of Shareholders.

Key share data

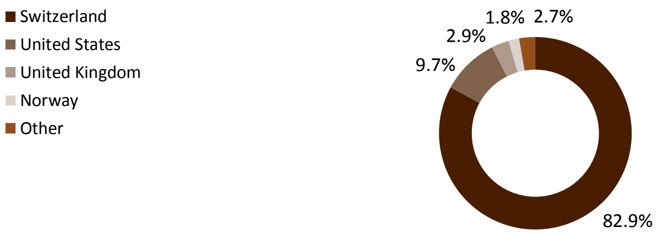
The share capital of Barry Callebaut AG as of August 31, 2018 amounted to CHF 109,777 consisting of 5,488,858 fully paid-in shares with a nominal value of CHF 0.02 each. There is one single class of shares in which every share has the same voting power and grants the same entitlement to dividends.

The free float, excluding the majority shareholders (Jacobs Holding AG and Renata Jacobs), at the end of August 2018 was 41.4%, with the majority of the institutional shareholders based in Switzerland, followed by the US, UK, Norway and other countries.

Ownership structure as of August 31, 2018



Country split of institutional shareholders



Analyst recommendations

Currently, 12 financial analysts regularly cover Barry Callebaut. At the end of fiscal year 2017/18, seven recommended holding our shares, four had a sell recommendation and one a buy recommendation. At the end of August 2018, the average target price according to consensus estimates was CHF 1,668.

Credit rating

Barry Callebaut has active relationships with Standard & Poor's and Moody's. On September 18, 2018 Moody's upgraded the Group's long-term issuer rating to investment grade.

The current ratings are:

- Moody's: Baa3 / stable
- Standard & Poor's: BB+ / positive

Strong growth continued

Region EMEA (Europe, Middle East, Africa) delivered a volume growth well above the market, and a double-digit EBIT increase.

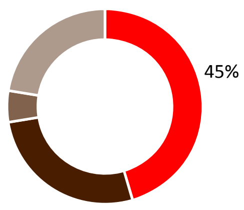
Barry Callebaut's sales volume in Region EMEA increased by +6.8% to 925,144 tonnes while the chocolate confectionery market grew by +1.9%[1]. In Western Europe, sales volume growth was strong as a result of good growth within both Food Manufacturers and Gourmet. In EEMEA (Eastern Europe, Middle East, Africa) sales volume recorded a strong double-digit increase driven by Gourmet and Food Manufacturers as well as a diversification of the customer base.

Sales revenue in EMEA was flat at +0.0% in local currencies (+5.9% in CHF) and amounted to CHF 3,073 million. Operating profit (EBIT, recurring) was up +11.2% in local currencies (+18.1% in CHF) to CHF 352.0 million, driven by strong volume growth and a good product mix.

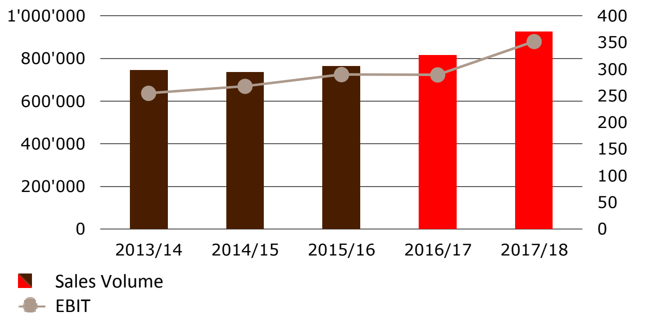
Barry Callebaut successfully closed the acquisition of D'Orsogna Dolciaria, a leading specialties and decorations player, in October 2017. The recently announced acquisition of Inforum in Russia, the world's second largest chocolate confectionery market, and a new long-term supply agreement signed with Burton's Biscuit Company in the UK, one of Europe's largest confectionery markets in volume terms, in September 2018 underline the growth potential in the mostly mature European chocolate and confectionery markets.

1 Source: Nielsen, Chocolate confectionery sales in volume, from August 2017 to August 2018.

Sales Volume per Region



Sales Volume | EBIT



22
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Key figures for Region EMEA

		Change %		2017/18	2016/17
		in local currencies	in CHF		
Sales volume	Tonnes		6.8%	925,144	866,498
Sales revenue	CHF m	(0.0%)	5.9%	3,072.5	2,900.2
EBITDA (recurring)	CHF m	12.6%	19.5%	414.3	346.7
Operating profit (EBIT, recurring)	CHF m	11.2%	18.1%	352.0	298.1

Solid top- and bottom-line performance, investing for growth

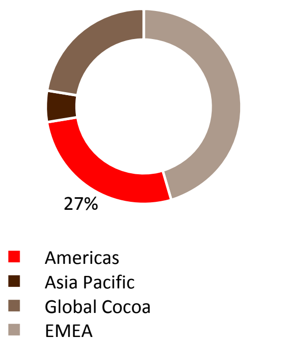
Region Americas delivered a solid year. A strong EBIT reflects a favorable product mix and strong operational performance. Investments in capacity expansions will allow for future growth.

Barry Calleaut's sales volume in Region Americas increased by +6.0% to 549,287 tonnes, well ahead of the overall market growth of +0.7%[1]. Sales revenue rose +3.3% in local currencies (+1.9% in CHF) to CHF 1,701 million. Operating profit (EBIT) for the region was up +9.2% in local currencies (+8.1% in CHF) to CHF 173.4 million, reflecting a favorable product mix and strong operational performance.

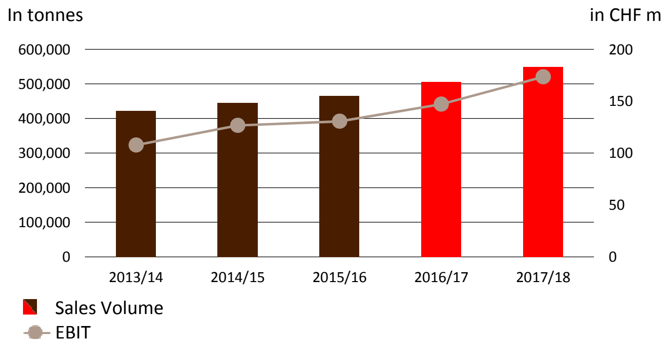
Barry Callebaut successfully closed the acquisition of Gertrude Hawk Ingredients, a leading specialties and decorations player, in December 2017, and completed several expansions of its existing Americas factories, totaling more than CHF 30 million. The expansions will drive growth by increasing the Group's footprint in the region and enhance its capabilities for value adding specialty products.

1 Source: Nielsen, Chocolate confectionery sales in volume, from August 2017 to August 2018.

Sales Volume per Region



Sales Volume EBIT



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Key figures for Region Americas

		Change %		2017/18	2016/17
		in local currencies	in CHF		
Sales volume	Tonnes		6.0%	549,287	518,359
Sales revenue	CHF m	3.3%	1.9%	1,700.6	1,668.7
EBITDA	CHF m	12.9%	11.9%	213.6	191.0
Operating profit (EBIT)	CHF m	9.2%	8.1%	173.4	160.4

Continued strong double-digit growth

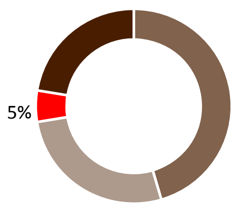
Region Asia Pacific had another very strong year with double-digit growth, both top- and bottom-line, and a particularly strong performance in China, Japan and Indonesia.

Barry Callebaut's sales volume increase of +16.2% to 105,777 tonnes was again significantly ahead of the regional chocolate confectionery market, which grew by +4.9%[1]. The Group's strong sales performance was supported across the region with particularly good growth in China, Japan and Indonesia. Sales revenue rose by +6.6% in local currencies (+6.4% in CHF) to CHF 370.0 million. Operating profit (EBIT) grew by +20.2% in local currencies (+20.4% in CHF) to CHF 46.6 million, driven by the strong volume growth and a strong Gourmet business.

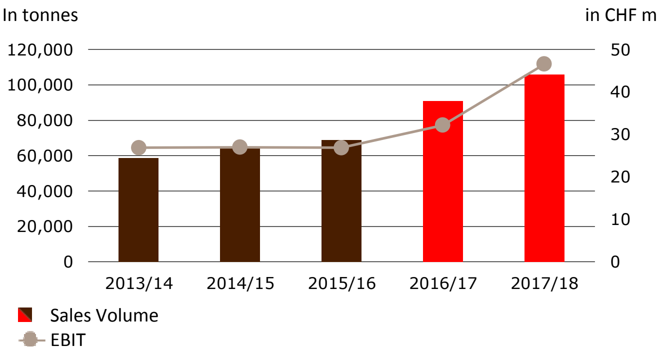
Barry Callebaut invested in the expansion of its chocolate production capacity in Singapore.

1 Source: Nielsen, Chocolate confectionery sales in volume, from August 2017 to August 2018.

Sales Volume per Region



Sales Volume / EBIT



7
factories

Key figures for Region Asia Pacific

		Change %		2017/18	2016/17
		in local currencies	in CHF		
Sales volume	Tonnes		16.2%	105,777	91,020
Sales revenue	CHF m	6.6%	6.4%	370.0	347.9
EBITDA	CHF m	19.3%	19.5%	57.0	47.7
Operating profit (EBIT)	CHF m	20.2%	20.4%	46.6	38.7

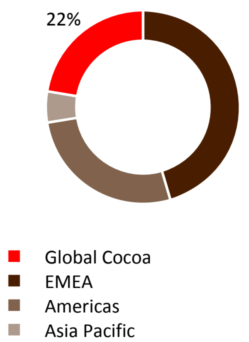
Healthy growth continued

Operating profit further improved in local currencies, benefiting from the completed Cocoa Leadership project.

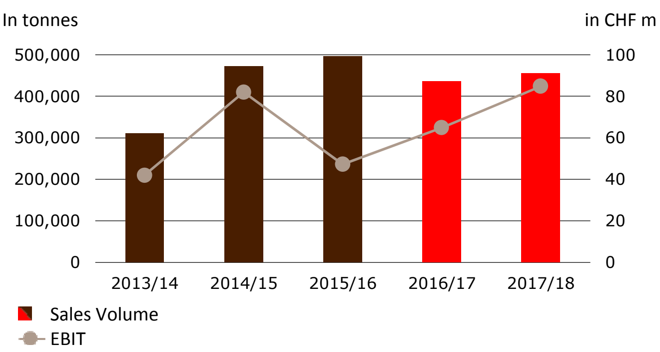
Sales volume to third-party customers increased by a healthy +3.9%, reaching 455,649 tonnes. The Group's continued efforts on premiumizing its cocoa products range have resulted in improved growth and profitability. Sales revenue declined by –3.8% in local currencies (–4.4% in CHF) to CHF 1,805 million, due to lower average prices for cocoa products.

Operating profit (EBIT) further improved by +28.3% in local currencies (+30.7% in CHF) to CHF 84.8 million, benefiting from the Cocoa Leadership project that has been completed and has delivered on its objectives as well as from favorable conditions in the cocoa products market.

Sales Volume per Region



Sales Volume | EBIT



15
factories

Key figures for Global Cocoa

		Change %		2017/18	2016/17
		in local currencies	in CHF		
Sales volume	Tonnes		3.9%	455,649	438,434
Sales revenue	CHF m	(3.8%)	(4.4%)	1,805.2	1,888.3
EBITDA	CHF m	12.4%	14.7%	142.7	124.4
Operating profit (EBIT)	CHF m	28.3%	30.7%	84.8	64.9

Sustainability

Forever Chocolate progress

Increasing our verifiable Impact

Forever Chocolate is our plan to make sustainable chocolate the norm by 2025 – to ensure that chocolate will be around forever. As the world's leading manufacturer of high-quality chocolate and cocoa products, we have a moral obligation as well as a business interest to tackle the structural issues in the chocolate supply chain. Therefore, we have to lift cocoa farmers out of poverty, ensure children are not engaged in child labor[1], become carbon positive, eliminate deforestation from our supply chain as a step to becoming forest positive, and have 100% sustainable ingredients in all our products.

In fiscal year 2017/18, we made great progress to achieving the targets we set ourselves in 2016. Our quantified, time-bound objectives enable us to engrain our sustainability agenda across all our business functions. The progress data show how, through our sourcing, processing and sales, we are driving change, supporting cocoa farming communities, reducing resource consumption in our factories and driving the uptake of sustainably sourced chocolate.

But we have to do more: Forever Chocolate is about increasing our verifiable impact and systemic change. We dedicated the past fiscal year to developing our theory of systemic change, identifying those activities which create self-sustaining cocoa farming communities. These activities range from farm-focused activities, such as increasing farm productivity and crop diversification, to community-focused activities, such as empowering women to generate income, taking measures against the worst forms of child labor and improving access to quality education.

1 According to the International Labour Organization, not all work done by children should be classified as child labor that is to be targeted for elimination. The term 'child labor' is often defined as work that deprives children of their childhood, their potential and their dignity, interferes with their schooling and is harmful to their physical and mental development. Activities such as carrying heavy loads or using chemicals are considered as 'unacceptable forms of child labor' because they are physically dangerous for children.

Programs for change

To assess our theory of change, we developed and implemented five "programs for change" which will allow us to learn how we can drive systemic change in the chocolate supply chain: first, we are building large farmer datasets, which are obtained primarily through interviews and on-farm mapping. Through our Katchilè database, we are collating an unprecedented amount of details to ensure consistency as well as impact measurement and monitoring each year. We currently have detailed location, agronomic, economic and social survey data on over 130,000 cocoa farms in our supply chain. This figure will rise to 500,000, demonstrating our ambition to lift half a million farmers out of poverty by 2025. These datasets allow us to create tailor-made programs zooming in on the key issues of specific cocoa farming communities and will support us in assessing our theory of change: do our activities lead to the impact we are aiming for?

Second, to learn how we can accelerate impact on the ground, we have developed pilot projects in five key cocoa sourcing countries, Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia. Through these pilots we want to verify if our approach is replicable, scalable and eventually leads to farmers' self-sustenance. We are partnering with Wageningen University & Research, the world's leading agricultural university, which has defined the baseline and analytical framework against which we can assess the outcomes.

Third, through our Farm Services business, we offer cocoa farmers products and services to improve the productivity of their cocoa farm. These services include coaching in good farming practices, supporting farmers to access credit and providing cocoa farmers with improved planting material and farm inputs. Together with participating farmers, we are developing customized Farm Business Plans. Following a multi-year approach, we advise on the best mix of seedlings and fertilizers, and support farmers to access labor on credit for each farm. The offering of this mix will also include an assessment whether it will allow the farmer to achieve a higher yield, allowing him/her to

Our Approach

recuperate the costs against which the services were provided. For example, in 2017/18 we decided for Côte d'Ivoire not to include fertilizer in the mix, as the additional costs could not be recuperated by the cocoa farmers considering the relatively low cocoa bean prices.

Fourth, to understand where we have our biggest carbon impact, we calculate our carbon footprint every year. Through this annual benchmarking we can track our progress in shifting our supply chain to a carbon positive trajectory.

Finally, Cocoa Horizons is our preferred vehicle to deliver on our Forever Chocolate targets. It enables our customers to join the journey and invest in sustainable cocoa production. Cocoa Horizons is an effective sustainability program with the vision to drive cocoa farmer prosperity by creating self-sustaining farming communities that protect biodiverse landscapes and support children's rights.

But the need for systemic change in the chocolate supply chain requires us to focus on all of our ingredients, not only cocoa. We have created heat maps to assess which of the ingredients we source are at risk of including the worst forms of child labor, or contributing to deforestation. Through certification and additional requirements on traceability and the mapping of farms we are committed to driving systemic change in the supply chains of all the ingredients we source.

Creating the movement

Forever Chocolate goes beyond Barry Callebaut. It is about creating a movement with industry, government and societal partners, in order to scale up our impact. In the past fiscal year we saw remarkable progress in this area. For example, we actively supported our customers with sustainable solutions, implemented programs and projects on their behalf and worked together to generate demand for sustainable ingredients.

In addition, we were one of the leading companies to establish sustainable multi-stakeholder frameworks such as the Cocoa and Forests Initiative Frameworks for Action, signed by the governments of Côte d'Ivoire and Ghana, leading cocoa and chocolate companies as well as NGOs. The goal of these frameworks is to eradicate deforestation from the cocoa supply chain in West Africa. Furthermore, we signed letters of intent with Côte d'Ivoire and Ghana to work towards the design and validation of a sustainable cocoa farming model. In order to have a proper and long-lasting impact, we need the support of NGOs, governments and the industry.

Barry Callebaut is annually assessed by the company Sustainalytics, to provide us with a solid third-party assessment of our investments in sustainability. The assessment looks at all our efforts in the area of environment, social and governance (i.e. corporate code of conduct, anti-corruption policy, etc.), and ranks against the efforts of other participating food companies. In 2017/18, Barry Callebaut was ranked as 'outperforming' on sustainability.[2]

We are confident that we are progressing towards systemic change in the chocolate supply chain. There is still a lot to be done, but through assessing, learning and improving, we are confidently increasing our impact.

2 Sustainalytics, Barry Callebaut AG ESG Report 2018

Prospering Farmers

PROSPERING FARMERS

By 2025 we will lift more than 500,000 cocoa farmers out of poverty

Lifting cocoa farmers out of poverty

Our Goal

By 2025, we will lift more than 500,000 cocoa farmers out of poverty.

Our Approach

We can only lift cocoa farmers out of poverty if we pursue nothing less than systemic change in cocoa farming. Systemic change means cocoa farming that is prospering and self-sustaining. The first step in achieving systemic change is to understand the specificities and needs in order to enable each cocoa farm in our global supply chain to be self-sustaining. This is why in 2017/18 we started the creation of farmer data sets that map, amongst other things, the size of the farm, its soil quality, its productivity, as well as the household it has to support. We have so far mapped 130,811 cocoa farms in our Katchilè database and will increase this number to half a million by 2025. This database gives us the unprecedented capability to design tailor-made Farm Business Plans for participating cocoa farmers.

In addition, we need to understand what self-sustaining cocoa farming looks like in the major cocoa growing countries. This is why in 2017/18 we designed pilot projects in Côte d'Ivoire, Ghana, Cameroon, Brazil and Indonesia. These pilot projects will test the effectiveness of productivity packages, which include measuring the impact of proper pruning techniques, fertilizer packages, designing the diversification of farm income through introduction of alternate crop packages to farmers, and giving the farmers access to innovative financial instruments. Wageningen University & Research, the world's leading agricultural university, will assess the effectiveness of our interventions in these pilots.

We distributed over 2,1 million young cocoa seedlings for replanting and around 393,000 shade trees.

Cocoa Horizons, as an impact driven sustainability program, ensures that activities are focused on relevant areas and implemented efficiently. In 2017/18 premiums from the purchase of HORIZONS products generated CHF 10.5 million and the program reached more than 70,000 farmers. Farmers participating in Cocoa Horizons have access to coaching, access to a Farmer Business Plan, are supported to access financial services and farm services, and are supported on income diversification activities and women empowerment. All of the above will ensure that cocoa farming again becomes a profitable business.

Creating the movement

Systemic change to cocoa farming requires support from the governments of cocoa growing countries. In fiscal year 2017/18, we partnered with the Ivorian government and the Ghanaian government, signing two letters of intent on sustainable cocoa farming. The purpose of the letters of intent is to encourage the signatories to work collaboratively towards the design and validation of a sustainable cocoa farming model, with a specific focus on the clearing and re-planting of cocoa trees infected with the swollen-shoot virus (CSSV) disease. Also, the cooperation will include agroforestry, more specifically income diversification for cocoa farmers and the planting of shade trees. This is a great example of the movement required to make sustainable chocolate the norm, creating models of farming that positively impact farmers livelihoods.

Our measured impact

In 2017/18, 12,395 farmers (+113%) in Côte d'Ivoire, Ghana, Cameroon, Tanzania, Brazil and Indonesia participated in our Farm Services business, and received coaching and other inputs such as tools and seedlings or support to access finance. We supported cocoa farmers in replanting 281 hectares (+60%) with young cocoa trees, as well as other crops that provide shade, and help cocoa farmers diversify their income. After the +23% increase in productivity measured in 2016/17, we did not see a significant increase in productivity with Ivorian cocoa farmers participating in our Farm Services business compared to the control group in 2017/18. This is partly due to young cocoa trees only starting to positively impact cocoa farmer productivity once they start to grow cocoa

Prospering Farmers

pods after 4–5 years. In addition, productivity was negatively impacted by our decision to not include relatively costly fertilizer in the Farm Services package in order to avoid creating additional costs for the cocoa farmer which, due to the low cocoa bean prices, could not be recuperated.

Based on the World Bank threshold for extreme poverty, USD 1.90/day, we estimate as a baseline that in 2017/18 169,460 cocoa farmers in our supply chain are out of poverty.

Key Metric

169,460

Baseline measurement of the number of cocoa farmers in our supply chain out of poverty, measured against the World Bank's USD 1.90/day threshold for extreme poverty

Enabling KPIs

12,395

Number of cocoa farmers who have access to coaching, inputs such as tools and seedlings, or finance

No measurable productivity improvement per hectare of these farmers in 2017/18

281

Number of hectares of cocoa replanted

Our commitment to the UN SDGs

Zero Child Labor

Eradicating child labor

ZERO CHILD LABOR

By 2025 we will eradicate child labor from our supply chain

Our goal
By 2025, we will eradicate child labor[1] from our supply chain.

Our approach
The existence of the worst forms of child labor is an indication that the cocoa supply chain in West Africa is not prospering, nor self sustaining. Systemic change in cocoa farming will reduce poverty and therefore reduce the incidence of the worst forms of child labor in the cocoa supply chain. But systemic change in cocoa farming alone is not enough. We are rolling out child labor monitoring and remediation systems, prioritizing those cocoa farming communities at highest risk. In addition, eliminating child labor requires systemic change in the farming communities through awareness of the consequences of the worst forms of child labor for a child's development, education, and quality access to primary, secondary and vocational education. This is why we include child labor awareness in the training we offer to cocoa farmers. Access to quality education and awareness of children's rights also need to be addressed. Through partnerships with a number of our customers, we are supporting the construction of schools in cocoa farming communities.

The worst forms of child labor are not limited to cocoa, but also occur in the value chains of other chocolate ingredients. We therefore created a heat map to identify commodities and origins that are at risk of including the worst forms of child labor in their supply chain. We prioritized our efforts to focus on commodities at high risk, such as cane sugar and palm oil, working with our suppliers to eradicate the worst forms of child labor.

Creating the movement
The letters of intent we signed with the Ivorian and Ghanaian governments on sustainable cocoa farming spell out a commitment to increased cooperation on the eradication of the worst forms of child labor. This includes working together on community led initiatives to eradicate child labor and support women cocoa farmers, as well as young cocoa farmers. In addition, through the World Cocoa Foundation (WCF) and the International Cocoa Initiative (ICI), we are actively working together with governments to prepare for a survey in 2019 on the continued prevalence of the worst forms of child labor in the African cocoa supply chain. This report will be a follow-up to the 2015 Tulane University report, which is still considered to be one of the most precise assessments of the situation of child labor in the African cocoa supply chain.

Our measured impact
With the support of ICI, we continue to implement monitoring and remediation systems on child labor. This constitutes on the ground household and farm visits by our staff to survey practices concerning child employment and education in cocoa farming communities. These surveys allow to identify children performing hazardous tasks and to estimate the prevalence of the worst forms of child labor. In 2017/18, we deployed monitoring and remediation in 21 farmer groups covering 12,018 farmers in Côte d'Ivoire and Ghana. We established that in 2017/18 12% (2016/17: 3.2%) of the farmer groups we directly sourced from have systems in place to prevent, monitor and remediate child labor. The monitoring uncovered 4,230 cases of the worst forms of child labor, in all cases children working on their family's farm. This increase is the result of the coverage of a broader range of farmer groups. As we roll out remediation and monitoring systems, additional cases of the worst forms of child labor are expected to be found. All the cases of worst forms of child labor we found are being remediated.

1 According to the International Labour Organization, not all work done by children should be classified as child labor that is to be targeted for elimination. The term 'child labor' is often defined as work that deprives children of their childhood, their potential and their dignity, interferes with their schooling and is harmful to their physical and mental development. Activities such as carrying heavy loads or using chemicals are considered as 'unacceptable forms of child labor' because they are physically dangerous for children.

Zero Child Labor

In order to ensure that there are no worst forms of child labor present in any of the other ingredients we are sourcing for our products, we have updated our supplier code to incentivize suppliers of non-cocoa ingredients to have systems in place to prevent, monitor and remediate child labor. Our focus in the upcoming fiscal year will be to establish what type of systems are being used by our suppliers. This means that for fiscal year 2017/18 we are not reporting on the number of third-party suppliers who have equivalent systems in place.

Key Metric

4,230

Number of child labor cases identified and being remediated in our supply chain

Enabling KPIs

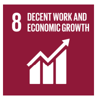
12%

of the farmer groups we directly source from have systems in place to prevent, monitor and remediate child labor

Data available 2018/19

Number of third-party suppliers who have equivalent systems in place

Our commitment to the UN SDGs



Becoming carbon and forest positive

THRIVING NATURE

By 2025 we will be carbon and forest positive

Our goal
By 2025 we will be carbon and forest positive.

Our approach
In order to become carbon positive, we are not just looking at the carbon footprint created by our own operations (scope 1) and generated by the energy we use (scope 2). We also take into account the carbon footprint of our entire supply chain (scope 3), including the production and processing of all raw materials we source, and related land use changes. About 60% of our carbon footprint is generated by land use change, meaning the conversion of forests to agricultural land and the subsequent loss of carbon storage capacity. One way of tackling this is by looking into enhancing carbon sequestration of agricultural land, by implementing good agricultural practices and making the planting of shade trees an integral part of the farm packages we provide to cocoa farmers. We have also teamed up with a renowned research consultancy, Quantis, to undertake analytical work required to more accurately understand carbon in the cocoa supply chain. This means developing a complete cocoa carbon footprint, including methodologies to account for the carbon loss from deforestation. These methodologies will be made publicly available once finalized. Another important challenge are carbon emissions generated by the production of dairy. Here, we are working with our suppliers to create a more sustainable dairy production, including lower carbon emissions, through the Vision Dairy program. We have also joined the Cool Farm Alliance in September 2018 in order to further drive the convergence of environmental impact assessment methodologies on farms and to enable dairy farmers in our supply chain to better measure and mitigate their carbon impacts.

Optimizing our carbon footprint constitutes a mix of minimizing the carbon footprint of our factories, the carbon footprint of the energy we are using for the production of our products, as well as the carbon footprint of our transport activities and our non-cocoa ingredients. For example, 14 out of our 59 factories (24%) are powered by renewable energy.

In order to become forest positive, we first of all need to become deforestation-free. This will require us to work with sustainability certifications and standards – including our own sustainability program Cocoa Horizons – to develop systems that allow for credible proof of the deforestation-free claim. In 2017/18, we mapped 130,811 cocoa farms in our Katchilè database, to understand whether these farmers are located close to protected forest areas and therefore at risk of sourcing cocoa from protected forest areas. In addition, we require the suppliers of all our ingredients at risk of causing deforestation to implement equivalent approaches to guarantee that these commodities are free from deforestation.

Furthermore, we teamed up in 2017/18 with the Swiss Federal Institute of Technology (ETH) in Zurich to jointly develop a satellite based system that can monitor land use change and deforestation. This tool is the first of its kind looking to implement such an approach at a large scale, and once finalized, we will make its methodology publicly available. Most importantly, it will allow us to hold our suppliers accountable at a different level.

Creating the movement
In order to define a structural solution to deforestation in the cocoa supply chain, and to achieve our Forever Chocolate target of becoming forest positive, many actors have to work together. This is why we were one of the driving companies behind the signing of the Cocoa and Forests Initiative Frameworks for Action, November 16, 2017, at the UN Climate Summit in Bonn, Germany.The goal of these frameworks is to eradicate deforestation from the cocoa supply chain in West Africa. The frameworks for action are truly unique, as there is no other commodity for which governments, industry and NGOs have come together to agree on concrete measures to eradicate deforestation. The frameworks include an end to the conversion of any forest land for cocoa production, a moratorium on the direct sourcing of cocoa from national parks and reserves per January 1, 2018, and the development of an action plan by signatory companies and governments to eliminate cocoa production and sourcing from national parks and reserves. In addition, the framework also envisions the development of alternative livelihoods for affected farmers. Many cocoa

Thriving Nature

farmers have been farming in the forests for years, so alternative livelihoods have to be found for this group of farmers. Deforestation is as much a social problem in West Africa, as it is an environmental problem.

Furthermore, in June 2018 we signed a letter of intent with the Ivorian government on agroforestry to work with cocoa farmers in forests to find ways of balancing cocoa farming with a biodiverse environment.

Our measured impact

The carbon footprint of our supply chain from farm to customer was 9.1 million tonnes CO_2e in 2017/18. This is an increase of +10.6%, mostly due to a change in the weighing of the methane emissions associated with dairy production. For that same reason, our CO_2e intensity per tonne of average products slightly increased to 4.45 tonnes (+2.3%) in 2017/18, despite our energy saving measures in factories and transport.

A part of the volume of raw materials that we source is at risk of causing deforestation. We have therefore created a heat map to provide an overview of the geographical footprint of these raw materials and their inherent risks. On the basis of this heat map, we have assessed which measures, such as traceability and farm mapping, have to be put in place, in addition to certification schemes, to be able to guarantee that the commodities are free from deforestation. On the basis of this first assessment 6% of all our raw material volume at risk of causing deforestation, can be considered proven to be free from deforestation. We will now put in place additional safeguards to ensure that the remaining volume of the raw materials we source which are at risk of causing deforestation, will be 100% proven to be deforestation-free by 2025.

Our first focus is to become deforestation-free for all our ingredients. In addition, we continue to search for partners who can support us in landscaping approaches to regenerate forests. For the moment, we cannot yet provide data on regenerated hectares of forests.

Key Metric

The carbon footprint of our supply chain from farm to customer and number of hectares of forest regenerated

9.1

Million tonnes CO_2e

Data available 2018/19

Number of hectares of forest regenerated

Enabling KPIs

4.45

CO_2e intensity per tonne of product

6%

Raw materials at risk of causing deforestation proven to be deforestation-free

Our commitment to the UN SDGs

Sustainable ingredients

SUSTAINABLE CHOCOLATE

By 2025 we will have 100% sustainable ingredients in all of our products

Our Goal

By 2025, we will have 100% sustainable ingredients in all of our products.

Our Approach

Sustainable ingredients means that our chocolate can continue to be enjoyed by future generations, forever. This means that it is produced while ensuring regard for a biodiverse environment and the farming communities we and our suppliers work with.

We updated our supplier code, which details our expectations towards suppliers with regards to compliance with laws and regulations, human rights as well as environmental impact. Our supplier code now also contains requirements that we expect all our suppliers to comply with, as well as guidance for continuous improvement that helps suppliers to further improve. We also work with customers to support them in having equivalent discussions with their suppliers.

Creating the movement

In 2017/18, we reviewed our sourcing policies with a third party, in order to establish which sustainability standards we should apply in order for our ingredients to be considered sustainable. Certification is for us a solid first indicator whether ingredients have been sourced sustainably. This does not prevent us from demanding additional safeguards in case specific commodities from specific countries are at risk of causing deforestation, or could include the worst forms of child labor. This is for example why we joined the Palm Oil Innovation Group (POIG). Building on the work of the Roundtable on Sustainable Palm Oil (RSPO), POIG has introduced additional sustainability criteria on palm oil production, such as no development of palm oil plantations in High Conservation Stock (HCS) areas or peat land and strict criteria to safeguard against gross labor and human rights violations. We have started to assess our palm oil suppliers against the stricter standards of the POIG. This is also why we joined the Cerrado Manifesto to prevent the further development of soy farms that destroy important grasslands in Brazil.

Our measured impact

Of all the agricultural raw materials we are sourcing, 44% have been sustainably sourced. In 2017/18, we sourced 44% (2016/17: 36%) of cocoa beans through sustainability programs. This percentage includes our own Cocoa Horizons program, together with our customers' own programs and external certification such as UTZ Certified, Rainforest Alliance, Fairtrade and Organic. We sourced 44% (2016/17: 30%) of our non-cocoa agricultural raw materials sustainably. This includes the use of sustainability certification schemes for the respective ingredients.

Key Metric

44%

Percentage of agricultural raw materials sustainably sourced

Enabling KPIs

44%

of sustainably sourced cocoa beans

44%

of sustainably sourced non-cocoa raw materials

Our commitment to the UN SDGs

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

Our People

Our People

Growing our talents by creating a unique employee experience and sustaining our culture and values

Our people are the foundation of our success. The strength of our organization comes from the contribution of each and every individual, with our passion and company values as common denominators. We strive to create a constructive environment with respect for the individual, where ongoing development, passion, integrity, entrepreneurship and customer focus are encouraged and stimulated. We therefore maintain a focus on fostering our unique culture, attracting, developing and retaining brilliant talents with diverse skills from all over the world, while we build a unique workplace that will enable the company to fulfill its purpose.

Leveraging diversity, inclusion and engagement

A diverse workforce and an inclusive culture are key to our company's success and uniqueness. We are committed to harnessing the power of difference to achieve business success, in an environment where every employee is empowered and capable of achieving their very best. This is why, over the past year, we strengthened our efforts to promote diversity and inclusion.

The One Young World Summit, held in Bogotà, Colombia, in October 2017 as well as the Women's Forum in Paris, France, in October 2017 provided the platforms for our senior management to discuss and share with millenials their views on Barry Callebaut.

The 2017 Employee Engagement survey in which all regions and functions participated, led to the development of global, regional and local action plans to align all employees around the same vision and values so that we all work as one company, one team, and one culture.

Bringing in and developing the best talents

Over the past year, we redesigned the talent management programs we offer at our internal Marbach Learning Academy to better reflect the unique management culture of Barry Callebaut. We have increased our efforts to reward talent, giving our employees more space to grow by filling 41% of our managerial positions with internal candidates. In addition, to maintain our talent pipeline, we rewarded through our employee-referral program, colleagues who helped to recruit an external talent. We also offered employees across the company more than 120 training courses on various topics, from health and safety to functional and leadership capabilities, with 337 managers taking part in our Marbach talent and management development programs.

Our Graduate Program Yourfuture@BC also remains one of the key elements to fuel our pipeline of talents, with nine new graduates joining the program in September 2018.

Rewarding employees for their performance

Our performance management philosophy strengthens the strategic alignment throughout the organization, while promoting desirable behaviors and a culture of continuous development. Our employees are rewarded for their performance and for demonstrating behaviors that are in line with the core values of Barry Callebaut of customer focus, passion, entrepreneurship, team spirit and integrity. Our employees are focused on creating a unique customer experience, they are passionate about chocolate and cocoa, take personal initiative to explore new trends and innovate, are able to collaborate in teams beyond the company (including producers, suppliers, customers and consumers) and have a very high standard of integrity and honesty. Employees are committed to generating sustainable and long-term value for all of our stakeholders.

Employee Development

Fostering a unique workplace

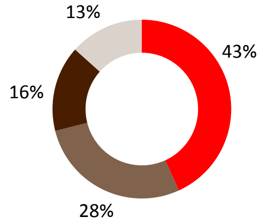
In 2017/18, we saw continued progress in how we ensure our employees are working in a safe and healthy environment. Every Barry Callebaut plant has appointed a health and safety officer who coordinates the implementation of safety plans and policies. The injury frequency rate at factory level was 8.64 accidents per million hours worked. The severity rate at factory level was 0.215 lost days per thousand hours worked. We are applying SMETA standards. In 2017/18 we succesfully audited and certified 35 of our factories, bringing the total of our SMETA compliant factories to 45. We also rolled out a Global Human Resources Labor policy. With the implementation of this policy, we put in place a foundation for adherence to the Ethical Trading Initiative (ETI) Base Code, local, national and international laws and standards, as well as to customers' expectations and requirements. With a direct workforce of over 11,500 people located across five continents, Barry Callebaut is an international employer of choice.

Average seniority by geographic region in year

	2017/18
Africa	6.2
Americas	8.1
Asia Pacific	5.4
EMEA	10.8

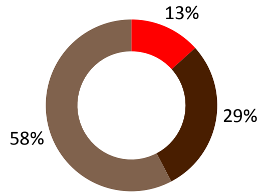
Employees per geographic region

EMEA	4,999
Americas	3,223
Asia Pacific	1,797
Africa	1,551
Number of employees	**11,570**

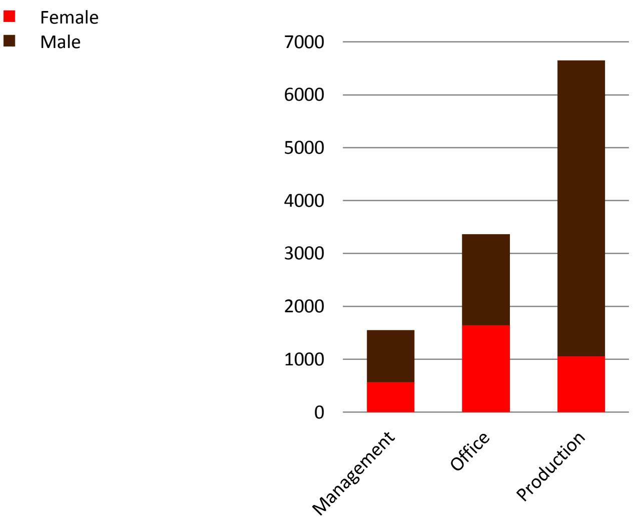


Employees per function

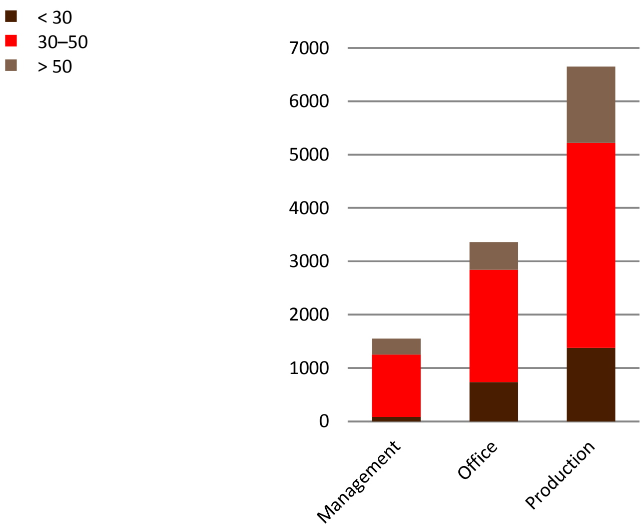
Management	1,551
Office	3,368
Production	6,651
Number of employees	**11,570**



Gender of employees by function



Age of employees by function



Financial Reports

Consolidated Financial Statements

Consolidated Income Statement

for the fiscal year		2017/18	2016/17 restated[1]
in thousands of CHF	Notes		
Revenue from sales and services		**6,948,411**	**6,805,156**
Cost of goods sold		(5,791,331)	(5,846,346)
Gross profit		**1,157,080**	**958,810**
Marketing and sales expenses		(149,956)	(137,862)
General and administration expenses		(441,040)	(377,073)
Other income	6	19,595	35,597
Other expenses	7	(31,655)	(19,248)
Operating profit (EBIT)[2]		**554,024**	**460,224**
Finance income	8	6,368	5,182
Finance costs	9	(107,687)	(126,985)
Share of result of equity-accounted investees, net of tax	17	171	158
Profit before income tax		**452,876**	**338,579**
Income tax expense	10	(95,517)	(57,431)
Net profit for the year		**357,359**	**281,148**
of which attributable to:			
shareholders of the parent company		356,133	280,512
non-controlling interests	25	1,226	636
Earnings per share			
Basic earnings per share (CHF/share)	11	64.93	51.15
Diluted earnings per share (CHF/share)	11	64.55	50.88

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.
2 Operating profit (EBIT) as used by the Group is defined as profit before finance income, finance costs, share of equity-accounted investees and taxes.

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the fiscal year		2017/18	2016/17 restated[1]
in thousands of CHF	Notes		
Net profit for the year		**357,359**	**281,148**
Cash flow hedges	26	(2,069)	(24,348)
Tax effect on cash flow hedges	26	(1,875)	(1,878)
Currency translation differences		(87,110)	10,632
Items that may be reclassified subsequently to the income statement		**(91,054)**	**(15,594)**
Remeasurement of defined benefit plans	24	12,468	33,936
Tax effect on remeasurement of defined benefit plans		(680)	(8,307)
Items that will never be reclassified to the income statement		**11,788**	**25,629**
Other comprehensive income for the year, net of tax		**(79,266)**	**10,035**
Total comprehensive income for the year		**278,093**	**291,183**
of which attributable to:			
shareholders of the parent company		276,678	290,550
non-controlling interests		1,415	633

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

Consolidated Financial Statements

Consolidated Balance Sheet

Assets

as of August 31,		2018	2017 restated[1]	as of September 1, 2016 restated[1]
in thousands of CHF	Notes			
Current assets				
Cash and cash equivalents		404,183	399,292	456,800
Short-term deposits		1,656	121	50
Trade receivables and other current assets	12	911,904	733,056	913,919
Inventories	13	1,476,667	1,279,330	1,600,944
Income tax receivables		29,685	30,377	12,099
Derivative financial assets	14	502,471	546,636	296,930
Total current assets		**3,326,566**	**2,988,812**	**3,280,742**
Non-current assets				
Property, plant and equipment	15	1,420,885	1,385,773	1,262,227
Equity-accounted investees	17	434	502	627
Intangible assets	18	991,510	926,150	927,289
Employee benefits assets	24	5,558	–	–
Deferred tax assets	19	65,679	121,818	119,250
Other non-current assets		21,410	43,485	4,909
Total non-current assets		**2,505,476**	**2,477,728**	**2,314,302**
Total assets		**5,832,042**	**5,466,540**	**5,595,044**

Liabilities and equity

as of August 31,		2018	2017 restated[1]	as of September 1, 2016 restated[1]
in thousands of CHF	Notes			
Current liabilities				
Bank overdrafts	20	26,267	21,264	25,314
Short-term debt	20	285,048	318,272	731,340
Trade payables and other current liabilities	21	1,121,082	1,178,174	1,123,198
Income tax liabilities		52,518	52,050	44,519
Derivative financial liabilities	14	641,997	288,319	332,651
Provisions	22	26,015	19,917	18,874
Total current liabilities		**2,152,927**	**1,877,996**	**2,275,896**
Non-current liabilities				
Long-term debt	23	1,168,797	1,170,743	1,153,027
Employee benefits liabilities	24	130,826	151,342	176,531
Provisions	22	8,735	30,275	5,475
Deferred tax liabilities	19	70,892	93,633	53,711
Other non-current liabilities		14,354	16,439	4,952
Total non-current liabilities		**1,393,604**	**1,462,432**	**1,393,696**
Total liabilities		**3,546,531**	**3,340,428**	**3,669,592**
Equity				
Share capital	25	110	40,014	102,093
Retained earnings and other reserves		2,269,686	2,071,173	1,808,435
Total equity attributable to the shareholders of the parent company		**2,269,796**	**2,111,187**	**1,910,528**
Non-controlling interests	25	15,715	14,925	14,924
Total equity		**2,285,511**	**2,126,112**	**1,925,452**
Total liabilities and equity		**5,832,042**	**5,466,540**	**5,595,044**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from operating activities

for the fiscal year		2017/18	2016/17 restated[1]
in thousands of CHF	Notes		
Net profit for the year		357,359	281,148
Income tax expenses	10	95,517	57,431
Recognition of negative goodwill on acquisitions	1	–	(19,960)
Depreciation, amortization and impairment	15/18	181,259	149,943
Interest expenses/(interest income)	8/9	93,469	105,193
Loss/(gain) on sale of property, plant and equipment, net	6/7	7,479	(86)
Increase (decrease) of employee benefit obligations		(19,065)	2,906
Equity-settled share-based payments	4	14,464	12,256
Share of profit of equity-accounted investees, net of tax	17	(171)	(158)
Change in working capital:		(35,170)	220,581
Inventories	13	(194,897)	315,345
Derivative financial assets/liabilities	14	395,867	(319,063)
Trade receivables and other current assets	12	(197,163)	206,184
Trade payables and other current liabilities	21	(38,977)	18,115
Provisions less payments		(14,938)	(20,785)
Other non-cash effective items		(9,019)	35,331
Cash generated from operating activities		**671,184**	**823,800**
(Interest paid)		(93,120)	(96,840)
(Income taxes paid)		(62,557)	(42,967)
Net cash from operating activities		**515,507**	**683,993**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from investing activities

for the fiscal year		2017/18	2016/17
in thousands of CHF	Notes		
Purchase of property, plant and equipment	15	(180,821)	(179,561)
Proceeds from sale of property, plant and equipment		4,422	3,844
Purchase of intangible assets	18	(37,111)	(40,876)
Proceeds from sale of intangible assets		3,731	–
Acquisition of subsidiaries/businesses net of cash acquired	1	(126,655)	2,678
Purchase of short-term deposits		(1,588)	(84)
Proceeds from sale of short-term deposits		551	–
Sale/(purchase) of other non-current assets		983	5,822
Dividends received from equity-accounted investees	17	239	138
Interest received	8	5,959	2,322
Net cash flow from investing activities		**(330,290)**	**(205,717)**

Cash flows from financing activities

for the fiscal year		2017/18	2016/17
in thousands of CHF	Notes		
Proceeds from the issue of short-term debt	20	31,362	121,450
Repayment of short-term debt	20	(65,177)	(539,160)
Proceeds from the issue of long-term debt	23	1,200	–
Repayment of long-term debt	23	(8,534)	(5,158)
Dividend payment	25	(69,873)	(22,998)
Capital reduction and repayment	25	(39,904)	(62,079)
Purchase of treasury shares		(22,783)	(17,070)
Dividends paid to non-controlling interests	25	(247)	(635)
Net cash flow from financing activities		**(173,956)**	**(525,650)**
Effect of exchange rate changes on cash and cash equivalents		(11,373)	(6,083)
Net increase (decrease) in cash and cash equivalents		**(112)**	**(53,458)**
Cash and cash equivalents at beginning of year		378,028	431,486
Cash and cash equivalents at end of year		377,916	378,028
Net increase (decrease) in cash and cash equivalents		**(112)**	**(53,458)**
Cash and cash equivalents		404,183	399,292
Bank overdrafts	20	(26,267)	(21,264)
Cash and cash equivalents as defined for the cash flow statement		**377,916**	**378,028**

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 interests	Total equity
in thousands of CHF								
Reported as of August 31, 2016	**102,093**	**(12,950)**	**2,394,678**	**13,914**	**(541,448)**	**1,956,287**	**14,924**	**1,971,211**
Restatement, net of tax[1]	**–**	**–**	**(45,759)**	**–**	**–**	**(45,759)**	**–**	**(45,759)**
Restated as of September 1, 2016[1]	**102,093**	**(12,950)**	**2,348,919**	**13,914**	**(541,448)**	**1,910,528**	**14,924**	**1,925,452**
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[1]	–	–	280,512	–	–	280,512	636	281,148
Total comprehensive income for the year	**–**	**–**	**306,141**	**(26,226)**	**10,635**	**290,550**	**633**	**291,183**
Payout 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
Restated as of August 31, 2017[1]	**40,014**	**(15,105)**	**2,629,403**	**(12,312)**	**(530,813)**	**2,111,187**	**14,925**	**2,126,112**
Currency translation adjustments	–	–	–	–	(87,263)	(87,263)	153	(87,110)
Effect of cash flow hedges (note 26)	–	–	–	(2,069)	–	(2,069)	–	(2,069)
Tax effect on cash flow hedges (note 26)	–	–	–	(1,875)	–	(1,875)	–	(1,875)
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**(3,944)**	**(87,263)**	**(91,207)**	**153**	**(91,054)**
Remeasurement of defined benefit plans (note 24)	–	–	12,420	–	–	12,420	48	12,468
Tax effect on remeasurement of defined benefit plans (note 19)	–	–	(668)	–	–	(668)	(12)	(680)
Items that will never be reclassified to the income statement	**–**	**–**	**11,752**	**–**	**–**	**11,752**	**36**	**11,788**
Other comprehensive income, net of tax	**–**	**–**	**11,752**	**(3,944)**	**(87,263)**	**(79,455)**	**189**	**(79,266)**
Net profit for the year	–	–	356,133	–	–	356,133	1,226	357,359
Total comprehensive income for the year	**–**	**–**	**367,885**	**(3,944)**	**(87,263)**	**276,678**	**1,415**	**278,093**
Payout to shareholders (note 25)	(39,904)	–	(69,873)	–	–	(109,777)	(247)	(110,024)
Movements of non-controlling interests	–	–	–	–	–	–	(378)	(378)
Capital increase (note 25)	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	(22,783)	–	–	–	(22,783)	–	(22,783)
Equity-settled share-based payments (note 4)	–	16,968	(2,477)	–	–	14,491	–	14,491
as of August 31, 2018	**110**	**(20,920)**	**2,924,938**	**(16,256)**	**(618,076)**	**2,269,796**	**15,715**	**2,285,511**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

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, 2018, Barry Callebaut's market capitalization based on issued shares was CHF 9,484.7 million (August 31, 2017: CHF 7,574.6 million). The Group's ultimate parent is Jacobs Holding AG which holds 50.11% of the shares issued (August 31, 2017: 50.11%).

Barry Callebaut AG and its subsidiaries ("The Group") is the world's leading manufacturer of high-quality chocolate and cocoa products, 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 UK 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

The Group has adopted various new standards and amendments with a date of initial application of January 1, 2017. The adoption of these amendments did not have any material impact on the current reporting period.

Consolidated Financial Statements

Restatement and reclassification of prior year comparatives

As part of its ongoing process and system improvement initiatives, the Group undertook a detailed review of its intercompany transactions. Extensive flows of goods between subsidiaries are typical for companies with a fully vertically integrated value chain such as Barry Callebaut. As a result of this in-depth review, some improvements were required to the intercompany profit elimination process along the value chain. In accordance with IAS 8.41f, the Group has corrected for the identified error and adjusted its prior year Consolidated Financial Statements accordingly.

The adjustments include a related cumulative adjustment of the opening balance sheet and equity as of September 1, 2016 for the cumulative amount from prior periods as well as a related adjustment of the Consolidated Income Statement and Consolidated Balance Sheet and overall neutral reclassifications within Cash generated from operating activities for fiscal year 2016/17.

The restatement only affects the Group's Consolidated Financial Statements but not the statutory Financial Statements of the Group's parent company, Barry Callebaut AG. The amounts adjusted represent merely a timing mismatch of profit recognition. They do not have an impact on the Group's Cash generated from operating activities or Free cash flow and have no material impact on the Group's financial position, performance and key figures/ratios. They also do not have an impact on the Group's outlook for 2018/19, nor its mid-term financial guidance for the period 2015/16 to 2018/19.

In addition to this, and unrelated to the restatement, the Group has reclassified, in accordance with IAS 1.41, amounts related to Fair value of hedged firm commitments previously reported under note 12 – "Trade receivables and other current assets" and note 21 – "Trade payables and other current liabilities" to note 14 – "Derivative financial assets and Derivative financial liabilities", respectively. This reclassification was made in order to more appropriately reflect the nature of these amounts.

For comparative purposes and in accordance with the related provisions in IFRS (IAS 8 and IAS 1), all affected line items related to the adjustments and reclassifications mentioned above have been restated for the fiscal year 2016/17 in the Consolidated Balance Sheet (including restated Consolidated opening Balance Sheet as of September 1, 2016), Consolidated Income Statement 2016/17, Consolidated Cash Flow Statement 2016/17, Consolidated Statement of Changes in Equity 2016/17 and in the related accompanying Notes to the Consolidated Financial Statements 2016/17. The following tables summarize the impacts on the Group's consolidated financial statements:

Consolidated Financial Statements

Consolidated Balance Sheet

as of September 1, 2016	As previously reported	Adjustments	As restated
in millions of CHF			
Trade receivables and other current assets	929	(15)	914
Inventories	1,624	(23)	1,601
Derivative financial assets	318	(21)	297
Total current assets	**3,340**	**(59)**	**3,281**
Deferred tax assets	106	13	119
Total non-current assets	**2,301**	**13**	**2,314**
Total assets	**5,641**	**(46)**	**5,595**
Trade payables and other current liabilities	1,145	(22)	1,123
Derivative financial liabilities	310	22	332
Total current liabilities	**2,276**	**–**	**2,276**
Retained earnings and other reserves	1,854	(46)	1,808
Total equity attributable to the shareholders of the parent company	**1,956**	**(46)**	**1,910**
Total equity	**1,971**	**(46)**	**1,925**
Total liabilities and equity	**5,641**	**(46)**	**5,595**

as of August 31, 2017	As previously reported	Adjustments	As restated
in millions of CHF			
Trade receivables and other current assets	755	(22)	733
Inventories	1,318	(39)	1,279
Derivative financial assets	574	(27)	547
Total current assets	**3,076**	**(88)**	**2,989**
Deferred tax assets	102	20	122
Total non-current assets	**2,458**	**20**	**2,478**
Total assets	**5,534**	**(68)**	**5,466**
Trade payables and other current liabilities	1,207	(29)	1,178
Derivative financial liabilities	260	29	288
Total current liabilities	**1,878**	**–**	**1,878**
Retained earnings and other reserves	2,139	(68)	2,071
Total equity attributable to the shareholders of the parent company	**2,179**	**(68)**	**2,111**
Total equity	**2,194**	**(68)**	**2,126**
Total liabilities and equity	**5,534**	**(68)**	**5,466**

Consolidated Financial Statements

Consolidated Income Statement and Consolidated Statement of Comprehensive Income

for the fiscal year ended August 31, 2017	As previously reported	Adjustments	As restated
in millions of CHF			
Cost of goods sold	(5,818)	(28)	(5,846)
Gross profit	**987**	**(28)**	**959**
Operating profit (EBIT)	**488**	**(28)**	**460**
Profit before income taxes	**367**	**(28)**	**339**
Income tax expenses	(64)	6	(57)
Net profit for the year	**303**	**(22)**	**281**
Net profit for the year attributable to shareholders of the parent company	302	(22)	281
Earnings per share			
Basic earnings per share (CHF/share)	55.12	(3.97)	51.15
Diluted earnings per share (CHF/share)	54.83	(3.95)	50.88
Total comprehensive income for the year	**313**	**(22)**	**291**
of which attributable to:			
shareholders of the parent company	312	(22)	291

Consolidated Cash Flow Statement

for the fiscal year ended August 31, 2017	As previously reported	Adjustments	As restated
in millions of CHF			
Profit for the year	303	(22)	281
Income tax expense	(64)	6	(57)
Change in working capital:	193	28	221
Inventories	300	16	316
Derivative financial assets/liabilities	(338)	20	(319)
Trade receivables and other current assets	185	21	206
Trade payables and other current liabilities	47	(29)	18
Cash generated from operating activities	**824**	**–**	**824**
Net cash from operating activities	**684**	**–**	**684**
Net cash flow from investing activities	**(206)**	**–**	**(206)**
Net cash flow from financing activities	**(526)**	**–**	**(526)**

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 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, 2018, 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

Consolidated Financial Statements

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 interests 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

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

Foreign currency transactions

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

Monetary assets and liabilities denominated in foreign currencies are translated into respective functional currencies at the exchange rate prevailing at the 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.

Consolidated Financial Statements

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

	2017/18		2016/17	
	Closing rate	Average rate	Closing rate	Average rate
BRL	0.2311	0.2855	0.3034	0.3080
EUR	1.1305	1.1623	1.1428	1.0864
GBP	1.2617	1.3136	1.2393	1.2514
RUB	0.0142	0.0163	0.0164	0.0165
USD	0.9709	0.9749	0.9583	0.9889
XOF/XAF (unit 1,000)	1.6789	1.7186	1.6918	1.6470

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 the section “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 – “Trade receivables and other current assets”). 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 a 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.

Consolidated Financial Statements

Additionally, the Group applies the fair value option for its third party executory forward purchase and sales 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 note 26 – "Financial risk management").

The Group is also exposed to increasing sugar prices with regard 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.

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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 "Derivative financial assets" or "Derivative financial 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

The Group enters into sugar futures to hedge the sugar price risk exposure embedded in certain forecasted sugar purchases, and into foreign exchange forwards 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 forwards 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.

Where no firm commitments exist, 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 forwards 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.

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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 transferred consideration, 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.

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:

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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	Other expenses

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 Consolidated Income Statement.

At the acquisition date, any acquired goodwill 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.

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.

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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. The amortization charge is included in the positions "General and administration expenses" and "Cost of goods sold" in the Consolidated Income Statement.

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.

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Financial liabilities

This accounting policy applies to the items that are reported on the 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 UK, 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.

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.

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In the UK, 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.

Long-Term Incentive Plan

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 2018/19 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, 2018, and have not been applied in preparing these Consolidated Financial Statements. The impacts on the Consolidated 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		
Annual Improvements to IFRS Standards 2014-2016 Cycle: – Amendments to IAS 28 Investments in Associates and Joint Ventures	January 1, 2018	Fiscal year 2018/19
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 1, 2018	Fiscal year 2018/19
Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018	Fiscal year 2018/19
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019	Fiscal year 2019/20
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019	Fiscal year 2019/20
Annual Improvements to IFRS Standards 2015-2017 Cycle: – Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Amendments to IAS 12 Income Taxes – Amendments to IAS 23 Borrowing Costs	January 1, 2019	Fiscal year 2019/20
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Fiscal year 2020/21

IFRS 15 Revenue Recognition

The standard replaces IAS 18 Revenue, IAS 11 Construction contracts, introduces enhanced guidance for revenue recognition and defines requirements for disclosures about amount, timing, nature and uncertainty of revenue from contracts with customers. The standard sets out a single, principle-based five-step model to be applied to these contracts. It is effective for accounting periods beginning on or after January 1, 2018.

The Group has reviewed its typical commercial arrangements with customers applying the five-step model. The analysis revealed the following:

An adjustment as of September 1, 2018, in connection with the transition to IFRS 15 of approximately CHF 340 million to inventories and current financial liabilities, and a minor impact on equity is expected. This adjustment is the result of a change in the revenue recognition approach from "transfer of risk and rewards" to "transfer of control".

The Group will use the cumulated effect method for recognition of this adjustment on the opening Consolidated Balance Sheet as of September 1, 2018. Consequently, the adoption of IFRS 15 does not have an impact on the timing of revenue recognition nor the "Cash generated from operating activities" and the Group's "Free cash flow".

Accounting for discounts and rebates as variable price consideration will change under the new standard. A reclassification of approximately CHF 50 million between cost of goods sold and revenue in the fiscal year 2018/19 is expected. This reclassification between gross and net profit in the Consolidated Income Statement is neutral.

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As a result of the review it has been concluded that the Group's current accounting policies are to the largest extent in line with the new standard. Consequently, it is estimated that the application of the recognition and valuation rules required by IFRS 15 will not have any material impact on the financial statements of the Group related to results or cash flows.

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.

The Group will adopt IFRS 16 for the financial year starting September 1, 2019. The detailed assessment of the potential effects of the new standard on the Group's Consolidated Financial Statement is currently ongoing.

IFRIC 23 Uncertainty over Income Tax Treatments

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

The Group will adopt IFRIC 23 for the financial year starting September 1, 2019. 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

Acquisitions in 2017/18

D'Orsogna Dolciaria

On October 4, 2017, Barry Callebaut Decorations Italy S.r.l. ("BC", "the acquirer") closed a transaction with D'Orsogna Real Estate S.r.l. Unipersonale ("the seller"), to acquire 100% of the share capital of D'Orsogna Dolciaria S.r.l.

The consideration transferred was CHF 48.0 million, fully paid in cash. The acquisition related costs in the amount of CHF 0.8 million were expensed and included in other expenses (of which CHF 0.6 million were already expensed in fiscal year 2016/17). The agreements with the seller do not contain arrangements for contingent considerations.

in thousands of CHF	2017/18
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,031
Receivables and other current assets	17,833
Property, plant and equipment	16,779
Intangible assets	3,901
Other non-current assets	1,124
Total assets	**41,668**
Current liabilities	(9,769)
Current tax liability	(2,013)
Deferred tax liability	(946)
Short-term debt	(12,495)
Employee benefit obligations	(195)
Other non-current liabilities	(138)
Long-term debt	(10,633)
Total liabilities	**(36,189)**
Total identifiable net assets	**5,479**
Goodwill	42,536
Total consideration at fair value	**48,015**
thereof:	
Cash paid	48,015
Consideration deferred	–

The goodwill of CHF 42.5 million arising from the acquisition is attributable to the synergies resulting from the integration of the business into the Group's existing business as well as for strengthening BC's range in its value adding specialties and decoration business. This allows the Group to further develop its Food Manufacturers and Gourmet & Specialties business by increasing innovation power, expanding the product offering and by leveraging on the Group's global footprint. The goodwill has been allocated to Region EMEA. The goodwill recognized is expected to be deductible for income tax purposes.

Since October 4, 2017, the acquired business contributed CHF 49.9 million to revenues from sales and services and CHF 1.5 million to net profit. Had it been consolidated from September 1, 2017, it would have contributed revenues from sales and services of CHF 54.0 million and net profit for the fiscal year of CHF 1.5 million to the Consolidated Income Statement.

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Gertrude Hawk Chocolates

Effective December 1, 2017, Barry Callebaut USA LLC which is a subsidiary of the Barry Callebaut Group ("BC", "the acquirer") closed a transaction with Gertrude Hawk Chocolates Inc. ("the seller"), to acquire the assets and liabilities of the business of Gertrude Hawk Ingredients.

The consideration was CHF 89.4 million of which CHF 8.9 million was paid to an escrow account as deferred consideration. One third (CHF 3.0 million) of the escrow amount will be released to the seller within 90 calendar days after August 31, 2018, less amounts claimed by indemnified parties. On June 1, 2019, the remaining escrow amount less amounts claimed by indemnified parties will be released to the seller.

The acquisition related costs in the amount of CHF 1.1 million were expensed and included in other expenses in the Consolidated Income Statement (of which CHF 0.9 million were already expensed in fiscal year 2016/17).

The agreements with the seller do not contain arrangements for contingent considerations.

in thousands of CHF	2017/18
Recognized amounts of identifiable assets acquired and liabilities assumed	
Receivables and other current assets	28,851
Property, plant and equipment	25,752
Intangible assets	4,266
Total assets	**58,869**
Trade payables and other current liabilities	(1,315)
Total liabilities	**(1,315)**
Total identifiable net assets	**57,554**
Goodwill	31,868
Total consideration at fair value	**89,422**
thereof:	
Cash paid	80,571
Consideration deferred	8,851

The goodwill of CHF 31.9 million arising from the acquisition is attributable to the synergies resulting from the integration of the business into the Group's existing business as well as for strengthening BC's range in its value adding specialties and decoration business. This allows the Group to further develop its Food Manufacturers and Gourmet & Specialties business by getting access to the increasing innovation power, expanding the product offering and by leveraging on the Group's global footprint. The goodwill has been principally allocated to Region Americas.

The goodwill recognized is expected to be deductible for income tax purposes.

Since December 1, 2017, the acquired business contributed CHF 73.8 million to revenues from sales and services and CHF 4.8 million to net profit. Had it been consolidated from September 1, 2017, it would have contributed revenues from sales and services of CHF 92.3 million and net profit for the fiscal year of CHF 4.6 million to the Consolidated Income Statement.

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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 5.2 million fully paid in cash with CHF 0.1 million paid in January 2018. The remaining CHF 0.1 million will be paid out 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.

2 Discontinued operations and disposal

The Group did not have any discontinued operations and disposals in 2017/18 and 2016/17.

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.

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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 (including 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. Approximately 40% of the revenues of Global Cocoa are generated with the other segments of the Group.

The regional chocolate businesses 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.

Financial information by reportable segments

2017/18 in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenues from external customers	3,072,528	1,700,610	370,026	1,805,246	6,948,411	–	–	6,948,411
Revenues from transactions with other operating segments of the Group	122,179	510	–	1,238,599	1,361,288	–	(1,361,288)	–
Revenue from sales and services	**3,194,707**	**1,701,120**	**370,026**	**3,043,845**	**8,309,699**	**–**	**(1,361,288)**	**6,948,411**
Operating profit (EBIT)[1]	**351,954**	**173,399**	**46,587**	**84,816**	**656,756**	**(102,732)**	**–**	**554,024**
Depreciation and amortization	**(62,303)**	**(40,242)**	**(10,450)**	**(57,899)**	**(170,894)**	**(3,354)**	**–**	**(174,248)**
Impairment losses	**(1,129)**	**(140)**	**–**	**(5,730)**	**(6,999)**	**(12)**	**–**	**(7,011)**
Interest income						**6,368**		**6,368**
Interest expenses						**(89,638)**		**(89,638)**
Total assets	**1,601,595**	**1,102,065**	**228,408**	**2,508,271**	**5,440,339**	**2,371,381**	**(1,979,679)**	**5,832,042**
Additions to property, plant, equipment and intangible assets	(136,202)	(116,892)	(13,207)	(76,575)	(342,876)	(2,279)	–	(345,155)

2016/17 restated[2] 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)[1,3]	**316,236**	**160,402**	**38,685**	**64,876**	**580,199**	**(92,035)**	**(27,940)**	**460,224**
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**	**(1,987,382)**	**5,466,540**
Additions to property, plant, equipment and intangible assets	(81,411)	(59,911)	(10,962)	(57,061)	(209,345)	(11,092)	–	(220,438)

1 Operating profit (EBIT) as used by Group is defined as profit before finance income, finance costs, share of equity-accounted investees and taxes.
2 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.
3 EMEA segment includes full allocation of negative goodwill on acquisition of CHF 20.0 million (refer to note 1) and acquisition related costs of CHF 1.9 million (refer to note 7). The amount net of these items is CHF 298.1 million.

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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 operating profit (EBIT) is consequently allocated to the regions.

Segment revenue, segment results (operating profit) 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.

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 reported based on geographic location of customers and non-current assets excluding investments in equity-accounted investees and deferred tax assets.

	2017/18	2016/17	2017/18	2016/17
in thousands of CHF	Revenues		Non-current assets	
US	1,204,923	1,187,929	392,804	320,139
Germany	490,277	497,792	87,222	89,660
France	465,099	466,760	75,258	78,571
Belgium	450,367	423,335	448,086	431,074
UK	441,932	432,900	43,252	43,024
Brazil	376,338	390,634	82,365	90,494
Mexico	354,035	346,628	18,670	29,321
Italy	304,187	312,552	88,227	29,451
Rest of Europe	1,558,950	1,597,640	518,202	528,247
Rest of Americas	527,287	333,531	142,820	137,033
Asia Pacific	775,017	815,455	532,963	534,908
Total	**6,948,411**	**6,805,156**	**2,429,869**	**2,311,923**

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	2017/18	2016/17
Cocoa Products	1,805,246	1,888,282
Food Manufacturers	3,979,929	3,829,446
Gourmet & Specialties	1,163,236	1,087,428
Revenues from external customers	**6,948,411**	**6,805,156**

In fiscal year 2017/18, the biggest single customer contributed CHF 755.4 million or 10.9 % of total revenues reported across various regions (2016/17: CHF 759.7 million or 11.2%). No other single customer contributed more than 10% of total consolidated revenues.

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4 Personnel expenses

in thousands of CHF	2017/18	2016/17
Wages and salaries	(499,406)	(450,946)
Compulsory social security contributions	(97,703)	(87,461)
Equity-settled share-based payments (note 24)	(14,491)	(12,256)
Expenses related to defined benefit pension plans (note 24)	(12,856)	(12,335)
Expenses related to other long-term benefit plans (note 24)	(2,804)	(1,184)
Contributions to defined contribution plans (note 24)	(2,889)	(2,584)
Increase in liability for long service leave	(61)	(108)
Total personnel expenses	**(630,210)**	**(566,874)**
Amounts capitalized as assets	24,156	19,308
Total personnel expenses recognized in Consolidated Income Statement	**(606,054)**	**(547,566)**

5 Research and Development expenses

in thousands of CHF	2017/18	2016/17
Total Research and Development expenses	**(28,635)**	**(22,412)**

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	2017/18	2016/17
Gain on disposal of property, plant and equipment	–	1,048
Group training centers, museums, outlets and rental income	5,999	2,973
Sale of shells of cocoa beans, waste and sundry sales	7,822	8,893
Litigations, claims and insurance	3,344	446
Release of unused provisions and accruals (note 22)	389	628
Recognition of negative goodwill on acquisitions (note 1)	–	19,960
Other	2,041	1,649
Total other income	**19,595**	**35,597**

In the fiscal year 2017/18, the gain on disposal of property, plant and equipment in the amount of CHF 0.6 million was netted against the loss on disposal of property, plant and equipment presented in note 7 – “Other expenses”. No change was made to comparative disclosures.

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7 Other expenses

in thousands of CHF	2017/18	2016/17
Restructuring costs	(65)	(1,624)
Litigations and claims, including government claims	(6,356)	(7,873)
Loss on sale of property, plant and equipment	(7,479)	(962)
Impairment of property, plant and equipment (note 15)	(5,655)	(988)
Impairment of other intangibles (note 18)	(1,356)	(857)
Impairment of financial instruments (note 26)	(4,018)	(926)
Acquisition related costs (note 1)	(425)	(1,885)
Other	(6,302)	(4,132)
Total other expenses	**(31,655)**	**(19,248)**

Other expenses include costs related to sustainability programs of CHF 2.8 million (2016/17: CHF 0.4 million), loss on sale of waste, and asset dismantling costs.

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.

8 Finance income

in thousands of CHF	2017/18	2016/17
Interest income	6,368	5,182
Total finance income	**6,368**	**5,182**

9 Finance costs

in thousands of CHF	2017/18	2016/17
Interest expenses	(89,638)	(105,026)
Amortized structuring fees	(2,610)	(4,960)
Charges on undrawn portion of committed credit facilities	(2,737)	(2,802)
Net interest costs related to defined benefit plans (note 24)	(4,852)	(5,349)
Total interest expenses	**(99,837)**	**(118,137)**
Bank charges and other financial expenses	(5,091)	(4,699)
Foreign exchange losses, net	(1,120)	(2,565)
Loss on derivative financial instruments	(1,640)	(1,583)
Total finance costs	**(107,687)**	**(126,985)**

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 and extended by one year by execution of the extension option in June 2018, 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 of the remaining capitalized fees (for an amount of EUR 1.4 million) under the EUR 600 million Revolving Credit Facility as a result of the amendment and extension in June 2017.

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

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10 Income tax expense

in thousands of CHF	2017/18	2016/17 restated[1]
Current income tax expenses	(64,696)	(31,961)
Deferred income tax expenses	(30,821)	(25,470)
Total income tax expenses	**(95,517)**	**(57,431)**

Reconciliation of income taxes

in thousands of CHF	2017/18	2016/17 restated[1]
Profit before income taxes	**452,876**	**338,579**
Expected income tax expenses at weighted average applicable tax rate	(93,972)	(61,006)
Non-tax deductible expenses	(5,682)	(3,280)
Tax-deductible items not qualifying as an expense under IFRS	6,570	15,521
Tax-exempt income	12,968	14,793
Income recognized for tax declarations purposes only	(3,863)	(1,498)
Prior-period-related items	5,271	(149)
Changes in tax rates	(9,427)	(215)
Losses carried forward not yet recognized as deferred tax assets	(9,493)	(31,348)
Tax relief on losses carried forward formerly not recognized as deferred tax assets	2,111	9,751
Total income taxes	**(95,517)**	**(57,431)**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

For the reconciliation above the weighted average tax rate was 20.7% in 2017/18 (2016/17: 18.0%).

The weighted average tax rate has, year-on-year, slightly increased mainly due to changes in the country mix of profit before taxes and overall increased profitability. The income tax expense of CHF 95.5 million includes a one-time, non-cash expense of CHF 12.9 million resulting from the tax reforms in Belgium and in the US, mostly related to the revaluation of the deferred tax assets and liabilities to the newly enacted tax rates at the date of enactment. The one-time tax charge consists of a deferred tax expense of CHF 9.7 million for Belgium, a deferred tax expense of CHF 2.7 million for USA and a current tax liability of CHF 0.5 million arising from the move to a territorial system in the US. Excluding the one-off negative impact from the tax reforms in Belgium and in the US, the Group's effective tax rate on an adjusted basis is 18.2% (2016/17: 17.0 %).

The tax relief on losses carried forward previously not recognized as deferred tax assets of CHF 2.1 million (2016/17: CHF 9.8 million) consists of CHF 1.7 million tax relief of utilization on tax losses carried forward previously not recognized (2016/17: CHF 4.7 million) and CHF 0.4 million of tax losses recognized for the first time in 2017/18 (2016/17: CHF 5.1 million).

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11 Earnings per share

in CHF	2017/18	2016/17 restated[1]
Basic earnings per share from continuing operations (CHF/share)	64.93	51.15
Diluted earnings per share (CHF/share)	64.55	50.88

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	2017/18	2016/17 restated[1]
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	356,133	280,512
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	**356,133**	**280,512**

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

	2017/18	2016/17
Number of shares issued	5,488,858	5,488,858
Weighted average number of treasury shares held	(3,970)	(4,548)
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,484,888	5,484,310
Dilution potential of equity-settled share-based payments	32,052	28,510
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	**5,516,940**	**5,512,820**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

12 Trade receivables and other current assets

as of August 31,	2018	2017 restated[1]
in thousands of CHF		
Trade receivables	475,246	408,808
Accrued income	33,124	17,279
Loans and other receivables	47,804	35,326
Other current financial assets	10,410	22,138
Receivables representing financial assets	**566,585**	**483,551**
Prepayments	96,250	81,114
Other current non-financial assets	1,268	952
Other taxes and receivables from government	247,802	167,440
Other receivables	**345,320**	**249,505**
Total trade receivables and other current assets	**911,904**	**733,056**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

Trade receivables have increased in comparison to prior year reflecting a decrease in receivables sold under the asset-backed securitization program. There has also been an increase to prior year in “Other taxes and receivables from government” due mainly to the timing of receipts.

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, 2018, is CHF 354.4 million (2017: CHF 395.4 million). This amount is derecognized from the balance sheet.

The amount is the combination of the gross value of the receivables sold CHF 376.9 million (CHF 420.4 million as of August 31, 2017) and the discount applicable CHF 22.5 million (CHF 25.0 million as of August 31, 2017).

Net amounts payable to the program amounted to CHF 66.4 million as at August 31, 2018 (2017: CHF 48.7 million), consisting of the balance of receivables collected before the next rollover date of CHF 88.9 million (2017: CHF 73.7 million), less the discount on receivables sold of CHF 22.5 million (2017: CHF 25.0 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 111.5 million (and CHF 111.7 million nominal amount) as at August 31, 2018 (2017: fair value CHF 94.3 million, nominal amount CHF 94.4 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 4.7 million in fiscal year 2017/18 (2016/17: CHF 3.6 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."

13 Inventories

as of August 31,	2018	2017 restated[1]
in thousands of CHF		
Cocoa beans stocks	458,322	390,940
Semi-finished and finished products	802,070	723,942
Other raw materials and packaging materials	216,275	164,448
Total inventories	**1,476,667**	**1,279,330**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

As at August 31, 2018, the value of cocoa and chocolate inventories designated in a hedging relationship amounted to CHF 691.0 million (2017 restated: CHF 627.5 million), on which a fair value hedge adjustment of CHF –4.3 million was recorded (2017: CHF –57.7 million). For further detail about the hedged inventories refer to note 26 – "Effect of hedge accounting on the financial position and performance".

In 2017/18, materials used of CHF 4,821.0 million (2016/17 restated: CHF 5,000.7 million) were recognized as an expense during the year and included in "cost of goods sold".

The increase of total inventories as of August 31, 2018, compared to the prior year is mainly attributable to higher inventory volumes.

In fiscal year 2017/18, inventory write-downs of CHF 33.5 million were recognized as expenses (2016/17: CHF 8.4 million).

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14 Derivative financial instruments and hedging activities

as of August 31,	2018		2017 restated[1]	
in thousands of CHF	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Cash flow hedges				
Interest rate risk				
Swaps	21	1,769	46	5,294
Cocoa price risk				
Forward and futures contracts	265	1,174	411	157
Sugar price risk				
Futures contracts	134	8,449	254	444
Fuel oil price risk				
Swaps	–	–	240	545
Foreign exchange risk				
Forward and futures contracts	–	–	21	60
Fair value hedges				
Cocoa price risk				
Forward and futures contracts	72,212	46,908	41,867	7,640
Foreign exchange risk				
Forward and futures contracts	5,135	8,726	2,968	1,520
Other – no hedge accounting				
Raw materials				
Futures contracts and other derivatives	201,101	289,531	133,673	36,168
Forward contract at fair value using fair value option	44,037	110,217	24,096	101,364
Fair value adjustment on risk component for cocoa and chocolate sales and purchase contracts	104,004	113,216	249,870	76,822
Foreign exchange risk				
Fair value of hedged firm commitments	37,985	19,718	21,467	28,514
Forward and futures contracts	37,578	42,289	71,723	29,790
Total derivative financial assets	**502,471**	–	**546,636**	–
Total derivative financial liabilities	–	**641,997**	–	**288,319**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

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, 2018, and their impacts refer to note 26 – "Financial risk management".

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15 Property, plant and equipment

2017/18	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, 2017	**562,752**	**1,762,896**	**146,226**	**148,312**	**2,620,187**
Business combinations	14,421	9,809	16,297	2,004	42,531
Additions[1]	17,919	87,911	9,492	67,620	182,942
Disposals	(5,654)	(11,230)	(6,897)	(220)	(24,001)
Currency translation adjustments	(18,038)	(24,148)	(3,513)	(4,615)	(50,315)
Reclassifications from under construction	17,688	50,118	4,958	(72,764)	–
Other reclassifications[2]	–	300	(5,082)	(40)	(4,822)
as of August 31, 2018	**589,088**	**1,875,655**	**161,481**	**140,298**	**2,766,523**
Accumulated depreciation and impairment losses					
as of September 1, 2017	**216,731**	**922,041**	**95,615**	**28**	**1,234,415**
Depreciation charge	20,359	92,586	13,668	–	126,613
Impairment losses (note 7)	1,657	3,581	417	–	5,655
Disposals	(1,874)	(4,173)	(6,053)	–	(12,100)
Currency translation adjustments	3,258	(11,748)	(1,453)	–	(9,944)
Other reclassifications[2]	–	2,342	(1,342)	–	1,000
as of August 31, 2018	**240,131**	**1,004,628**	**100,851**	**28**	**1,345,638**
Net as of August 31, 2018	**348,957**	**871,027**	**60,630**	**140,270**	**1,420,885**

1 Cash outflow amounts to CHF 180.8 million. CHF 2.1 million related to purchase of property, plant and equipment have not yet been settled with the supplier.
2 Reclassified to "Intangible assets".

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 combinations	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)	0
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**

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

Impairment losses of CHF 5.7 million were recognized in property, plant and equipment in fiscal year 2017/18 (2016/17: CHF 1.0 million). These relate to idle assets associated with the Group's Global Cocoa segment.

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Repair and maintenance expenses for the fiscal year 2017/18 amounted to CHF 69.3 million (2016/17: CHF 63.6 million).

As at August 31, 2018, plant and equipment held under finance leases amounted to CHF 5.7 million (2017: CHF 3.3 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, 2018, other assets amounting to CHF 0.1 million (2017: CHF 0 million) are pledged as security for financial liabilities.

16 Obligations under finance leases

as of August 31,	2018	2017	2018	2017
in thousands of CHF	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases				
within one year	665	114	617	106
in the second to fifth year inclusive	1,073	–	1,029	–
Total amount payable under finance leases	**1,738**	**114**	**1,646**	**106**
less: future finance charges	(92)	(8)	–	–
Present value of lease obligations	**1,646**	**106**	**1,646**	**106**
Amount due for settlement next 12 months (note 20)			617	106
Amount due for settlement after 12 months			1,029	–

The Group entered into finance leasing arrangements for various assets. The weighted average term of finance leases entered into is 28.4 years (2016/17: 48.5 years).

A finance lease obligation for a building with a term of 60 years was fully paid in advance previously and is included in other current assets.

The average effective interest rate was 4.6% (2016/17: 6.0%). 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,	2018	2017
in thousands of CHF	Net carrying amount of property, plant and equipment under finance lease	
Land and buildings	2,408	3,268
Plant and machinery	3,191	–
Furniture, equipment and motor vehicles	55	–
Total assets under financial lease	**5,654**	**3,268**

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17 Equity-accounted investees

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

in thousands of CHF	2017/18	2016/17
as of September 1,	**502**	**627**
Disposal of associates and joint ventures	–	(145)
Share of (loss)/profit	171	158
Dividends received	(239)	(138)
as of August 31,	**434**	**502**

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

as of August 31,	2018	2017
Ownership in %		
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,	2018	2017
in thousands of CHF		
Total assets	1,439	2,393
Total liabilities	570	1,214
Net assets as of August 31,	**869**	**1,179**
Group's share of net assets of equity-accounted investees	**434**	**502**

in thousands of CHF	2017/18	2016/17
Total revenue	9,128	7,826
Total profit for the year	341	342
Total comprehensive income	341	342
Group's share of (losses)/profits of equity-accounted investees	**171**	**158**

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18 Intangible assets

2017/18	Goodwill	Brand names and licenses	Internally generated intangible assets	Other	Total
in thousands of CHF					
At cost					
as of September 1, 2017	**760,813**	**73,500**	**407,836**	**37,216**	**1,279,366**
Business combination	74,404	7,060	–	1,107	82,571
Additions	–	132	33,353	3,626	37,111
Disposals	–	(1,563)	(6,595)	(484)	(8,642)
Currency translation adjustments	(4,243)	(429)	(4,983)	(3,063)	(12,718)
Other reclassifications[1]	–	–	3,307	1,516	4,822
as of August 31, 2018	**830,974**	**78,700**	**432,917**	**39,917**	**1,382,509**
Accumulated amortization and impairment losses					
as of September 1, 2017	**–**	**56,322**	**272,027**	**24,867**	**353,216**
Amortization charge	–	2,883	40,191	4,561	47,635
Disposals	–	(1,247)	(3,561)	(104)	(4,911)
Impairment losses (note 7)	–	–	1,331	25	1,356
Currency translation adjustments	–	(213)	(4,507)	(578)	(5,298)
Other reclassifications[1]	–	–	(1,035)	37	(1,000)
as of August 31, 2018	**–**	**57,745**	**304,446**	**28,808**	**390,998**
Net as of August 31, 2018	**830,974**	**20,955**	**128,471**	**11,110**	**991,510**

1 Reclassified from “Property, plant and equipment”.

2016/17	Goodwill	Brand names and licenses	Internally generated intangible assets	Other	Total
in thousands of CHF					
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)	–
Other Reclassifications[1]	–	(1,753)	–	–	(1,753)
as of August 31, 2017	**760,813**	**73,500**	**407,836**	**37,216**	**1,279,367**
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)	–
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”.

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Additions to internally generated intangible assets amounted to CHF 33.4 million in fiscal year 2017/18 (2016/17: CHF 36.2 million). Additions mainly included costs related to various projects of internally generated software, amounting to CHF 27.0 million in fiscal year 2017/18 (2016/17: CHF 29.1 million). Costs related to the development of recipes and innovations of CHF 5.8 million were also capitalized under internally generated intangible assets (2016/17: CHF 6.5 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.

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 831.0 million (2016/17: CHF 760.8 million). The allocation to the segments is as follows:

as of August 31,	2018	2017
in million CHF		
Global Cocoa	458.4	456.6
EMEA	283.5	243.8
Americas	84.5	55.8
Asia Pacific	4.6	4.6
Total	**831.0**	**760.8**

Goodwill acquired in a business combination is allocated to the respective segment that is expected to benefit from the synergies of the business 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 five fiscal years, is updated annually in the third 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 fifth 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

	2018		2017	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Global Cocoa	8.3%	1.2%	6.3%	1.5%
EMEA	6.7%	0.9%	5.7%	1.3%
Americas	7.3%	0.6%	6.6%	0.6%
Asia Pacific	6.6%	3.5%	6.7%	1.5%

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The annual impairment tests did not result in a need to recognize impairment losses in fiscal year 2017/18.

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 restated[1]
in thousands of CHF							
as of September 1, 2016	**9,295**	**(45,255)**	**(16,424)**	**(645)**	**39,123**	**79,448**	**65,542**
Charged to the income statement	(3,919)	(1,387)	(13,353)	(1,514)	(14,308)	9,011	(25,470)
Charged to equity	–	–	(1)	–	(10,184)	–	(10,185)
Effect of acquisitions	–	(4,865)	–	729	1,636	–	(2,500)
Currency translation effects	(324)	(372)	1,213	91	38	153	799
as of August 31, 2017	**5,052**	**(51,879)**	**(28,565)**	**(1,339)**	**16,305**	**88,611**	**28,185**
Charged to the income statement	(9,261)	(1,639)	41,594	440	(7,977)	(53,978)	(30,821)
Charged to equity	–	–	(326)	–	(2,243)	–	(2,569)
Effect of acquisitions	(178)	(768)	–	–	–	–	(946)
Currency translation effects	375	1,003	(681)	(749)	423	566	938
as of August 31, 2018	**(4,012)**	**(53,283)**	**12,022**	**(1,648)**	**6,509**	**35,199**	**(5,213)**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

For fiscal year 2017/18, deferred tax expenses recognized in equity amounted to CHF 2.6 million (2016/17: deferred tax income of CHF 10.2 million) and these relate to remeasurement of defined benefit plans of CHF 0.7 million (2016/17: deferred tax income of CHF 8.3 million) and to cash flow hedging reserves CHF 1.9 million (2016/17: deferred tax income of CHF 1.9 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,	2018			2017 restated[1]		
in thousands of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Inventories	8,107	(12,119)	(4,012)	10,864	(5,812)	5,052
Property, plant & equipment/intangible assets	15,689	(68,972)	(53,283)	29,419	(81,298)	(51,879)
Other assets	21,381	(9,360)	12,022	20,849	(49,414)	(28,565)
Provisions	781	(2,429)	(1,648)	46	(1,385)	(1,339)
Other liabilities	26,312	(19,803)	6,509	40,204	(23,898)	16,305
Tax losses carried forward	35,199	–	35,199	88,611	–	88,611
Tax assets/(liabilities)	**107,469**	**(112,682)**	**(5,213)**	**189,993**	**(161,808)**	**28,185**
Set off within same tax jurisdiction	(41,790)	41,790	–	(68,174)	68,174	–
Reflected in the balance sheet	**65,679**	**(70,892)**	**(5,213)**	**121,818**	**(93,633)**	**28,185**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

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,	2018	2017
in thousands of CHF		
Expiry:		
Within 1 year	14,043	581
After 1 up to 2 years	2,468	10,786
After 2 up to 3 years	2,937	6,146
After 3 up to 10 years	28,609	56,846
After 10 years	4,220	4,165
Unlimited	393,219	364,123
Total unrecognized tax losses carried forward	**445,496**	**442,647**

Tax losses carried forward utilized during the year 2017/18 were CHF 153.5 million (2016/17: CHF 188.1 million). The related tax relief amounted to CHF 34.8 million, of which CHF 33.1 million were already recognized as a deferred tax asset in the previous year (2016/17: CHF 19.3 million of which CHF 14.6 million were already recognized as a deferred tax asset in the previous year) and CHF 1.7 million that were previously not recognized (2017: CHF 4.7 million).

As at August 31, 2018, the Group had unutilized tax losses carried forward of approximately CHF 586.5 million (2017: approximately CHF 706.5 million) available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 141.3 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 35.2 million (2016/17: CHF 263.9 million recognized resulting in a deferred tax asset of CHF 88.6 million). The net decrease of CHF 53.4 million in the deferred tax asset on recognized tax losses carried forward consists of CHF 0.4 million tax relief on the first-time recognition of prior year tax losses carried forward, CHF 1.3 million recognition of current year tax losses carried forward and CHF 33.0 million utilization of tax losses already recognized as a deferred tax asset in prior year, CHF 22.7 million negative impact of tax rate changes and CHF 0.6 million positive impact relating to currency translation adjustments.

20 Bank overdrafts and short-term debt

as of August 31,	2018	2017	2018	2017
in thousands of CHF	Carrying amounts		Fair values	
Bank overdrafts	**26,267**	**21,264**	**26,267**	**21,264**
Commercial paper	171,837	182,851	171,837	182,851
Short-term debt	108,810	131,504	108,810	131,504
Short-term portion of long-term debt (note 23)	3,784	3,801	3,784	3,801
Interest-bearing loans from employees	–	10	–	10
Finance lease obligations (note 16)	617	106	617	106
Short-term debt	**285,048**	**318,272**	**285,048**	**318,272**
Bank overdrafts and short-term debt	**311,315**	**339,536**	**311,315**	**339,536**

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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,	2018			2017		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	172,058	(0.22%)	6.00%	184,515	(0.22%)	3.15%
CHF	337	(0.78%)	(0.78%)	1,977	1.50%	1.50%
INR	3,674	9.00%	10.00%	6,741	8.00%	9.00%
IDR	2,457	6.50%	10.50%	88	7.00%	9.00%
XOF	52,000	4.25%	5.50%	82,270	4.50%	7.00%
XAF	4,546	6.00%	7.00%	2,204	4.50%	7.00%
TRL	5,050	14.75%	30.00%	7,735	15.00%	15.00%
CLP	35,783	3.48%	4.10%	36,303	3.49%	4.47%
BRL	30,744	7.50%	13.00%	12,078	10.20%	15.90%
Other	4,666	1.04%	8.00%	5,625	(0.05%)	4.63%
Total	**311,315**			**339,536**		

21 Trade payables and other current liabilities

as of August 31,	2018	2017 restated[1]
in thousands of CHF		
Trade payables	657,738	680,538
Amounts due to related parties	107	135
Accrued expenses	123,866	105,694
Other payables	158,175	241,670
Payables representing financial liabilities	**939,886**	**1,028,037**
Accrued wages and social security	119,224	105,779
Other taxes and payables to governmental authorities	61,585	42,228
Deferred income	388	2,131
Other liabilities	**181,196**	**150,138**
Total trade payables and other current liabilities	**1,121,082**	**1,178,174**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

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

in thousands of CHF	Restructuring	Litigation & claims	Other	Total
as of September 1, 2017	**1,441**	**4,480**	**44,271**	**50,192**
Business combination	–	42	–	42
Additions	65	2,972	3,399	6,436
Use of provisions	(1,040)	(801)	(19,145)	(20,985)
Release of unused provisions	–	(250)	(139)	(389)
Currency translation adjustments	9	(433)	(122)	(546)
as of August 31, 2018	**475**	**6,010**	**28,265**	**34,750**
of which:				
Current	**475**	**4,440**	**21,100**	**26,015**
Non-current	**–**	**1,570**	**7,165**	**8,735**

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Restructuring
As at August 31, 2018, the restructuring provisions were mainly related to the 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. This includes claims related to transactions such as acquisitions and disposals as well as claim from customers for product liability and recalls. 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 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, 2018.

Group companies are involved in various legal actions and claims including labor and tax claims as they arise in the ordinary course of the business. 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. As at August 31, 2018, the total provision for onerous contracts amounted to CHF 24.8 million (2017: CHF 34.5 million). It is expected that most of these costs will have been incurred within two years after the reporting date.

23 Long-term debt

as of August 31,	2018	2017	2018	2017
in thousands of CHF	Carrying amounts		Fair values	
Senior Notes	1,164,047	1,164,637	1,270,356	1,320,996
Loans	7,819	9,121	7,819	9,121
Less current portion (note 20)	(3,784)	(3,801)	(3,784)	(3,801)
Other	715	786	716	786
Total long-term debt	**1,168,797**	**1,170,743**	**1,275,107**	**1,327,102**

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% (2016/17: 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. The coupon currently amounts to 5.5% (2016/17: 5.5%)

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%. The coupon currently amounts to 2.375% (2016/17: 2.375%).

On June 22, 2017, the Group amended and extended its EUR 600 million Revolving Credit Facility dated June 15, 2011, into a EUR 750 million Revolving Credit Facility

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with maturity in 2022. On June 22, 2018, the Group extended the maturity of its EUR 750 million Revolving Credit Facility to 2023. Per August 31, 2018 and 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,	2018	2017
in thousands of CHF		
2018/19	–	3,499
2019/20	3,107	3,429
2020/21	281,388	283,347
2021/22	338	78
2022/23 (and thereafter for 2017)	381,370	880,390
2023/24 (and thereafter for 2018)	502,594	–
Total long-term debt	**1,168,797**	**1,170,743**

The weighted average maturity of the long-term debt (i.e. without any portion falling due in less than 12 months) decreased from 5.9 years to 4.9 years.

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

as of August 31,	2018			2017		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	786,155	0.80%	7.00%	791,448	0.80%	5.63%
USD	379,176	5.50%	5.50%	372,581	5.50%	5.50%
JPY	3,277	1.67%	1.67%	6,525	1.67%	1.67%
Other	189	6.00%	7.00%	189	10.00%	10.00%
Total long-term debt	**1,168,797**			**1,170,743**		

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Changes in liabilities from financing activities:

in thousands of CHF	Short-term debt	Long-term debt	Retained earnings[1]	Share capital	Treasury shares	Non-controlling interests	Total
as of September 1, 2017	**318,272**	**1,170,743**	**2,629,403**	**40,014**	**(15,105)**	**14,925**	**4,158,251**
Changes of cash flows from financing activities:	**(33,815)**	**(7,334)**	**(69,873)**	**(39,904)**	**(22,783)**	**(247)**	**(173,957)**
Proceeds from the issue of short-term debt	31,362	–	–	–	–	–	31,362
Repayment of short-term debt	(65,177)	–	–	–	–	–	(65,177)
Proceeds from the issue of long-term debt	–	1,200	–	–	–	–	1,200
Repayment of long-term debt	–	(8,534)	–	–	–	–	(8,534)
Dividend payment	–	–	(69,873)	–	–	–	(69,873)
Capital reduction	–	–	–	(39,904)	–	–	(39,904)
Purchase of treasury shares	–	–	–	–	(22,783)	–	(22,783)
Dividends paid to non-controlling interests	–	–	–	–	–	(247)	(247)
Other changes related to liabilities:	**591**	**5,389**	**–**	**–**	**–**	**–**	**5,981**
Amortized structuring fee	–	2,610	–	–	–	–	2,610
Amortized commitment fees	–	779	–	–	–	–	779
Interest expense	73,928	–	–	–	–	–	73,928
Interest paid	(72,493)	–	–	–	–	–	(72,493)
Foreign exchange movements	(5,404)	6,560	–	–	–	–	1,157
Reclassification	4,560	(4,560)	–	–	–	–	–
Other changes related to equity:	**–**	**–**	**365,408**	**–**	**16,968**	**1,038**	**383,414**
as of August 31, 2018	**285,048**	**1,168,798**	**2,924,938**	**110**	**(20,920)**	**15,715**	**4,373,689**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

24 Employee benefits

The amounts recognized in the Consolidated Balance Sheet of significant geographical locations are determined as follows:

as of August 31,	2018			2017			2018	2017
in thousands of CHF	Defined benefit pension plans						Other long-term benefit plans	
	Funded	Unfunded	Total	Funded	Unfunded	Total	Total	Total
Switzerland								
Present value of obligations	96,585	–	96,585	91,140	–	91,140	–	–
Fair value of plan assets	(73,181)	–	(73,181)	(68,681)	–	(68,681)	–	–
Excess of liabilities (assets) of obligations – Switzerland	**23,404**	**–**	**23,404**	**22,459**	**–**	**22,459**	**–**	**–**
Belgium								
Present value of obligations	77,838	–	77,838	76,688	–	76,688	9,926	8,077
Fair value of plan assets	(38,851)	–	(38,851)	(40,096)	–	(40,096)	–	–
Excess of liabilities (assets) of obligations – Belgium	**38,987**	**–**	**38,987**	**36,592**	**–**	**36,592**	**9,926**	**8,077**
US								
Present value of obligations	79,383	–	79,383	88,109	–	88,109	135	158
Fair value of plan assets	(50,682)	–	(50,682)	(48,977)	–	(48,977)	–	–
Excess of liabilities (assets) of obligations – US	**28,701**	**–**	**28,701**	**39,132**	**–**	**39,132**	**135**	**158**
UK								
Present value of obligations	69,632	–	69,632	71,956	–	71,956	–	–
Fair value of plan assets	(75,190)	–	(75,190)	(60,662)	–	(60,662)	–	–
Excess of liabilities (assets) of obligations – UK	**(5,558)**	**–**	**(5,558)**	**11,293**	**–**	**11,293**	**–**	**–**
Rest of the world								
Present value of obligations	13,578	14,554	28,132	19,024	14,781	33,805	5,837	7,925
Fair value of plan assets	(4,296)	–	(4,296)	(8,099)	–	(8,099)	–	–
Excess of liabilities (assets) of obligations – Rest of the world	**9,282**	**14,554**	**23,836**	**10,924**	**14,781**	**25,705**	**5,837**	**7,925**
Total								
Present value of obligations	337,016	14,554	351,570	346,916	14,781	361,697	15,898	16,160
Fair value of plan assets	(242,200)	–	(242,200)	(226,515)	–	(226,515)	–	–
Excess of liabilities (assets) of obligations – Total	**94,816**	**14,554**	**109,370**	**120,401**	**14,781**	**135,182**	**15,898**	**16,160**
Net balances recognized in the Consolidated Balance Sheet								
Net employee benefit assets	**–**	**–**	**(5,558)**	**–**	**–**	**–**	**–**	**–**
Net employee benefit obligations	**–**	**–**	**114,928**	**–**	**–**	**135,182**	**15,898**	**16,160**

The largest defined benefit pension plans (funded) are located in Switzerland, Belgium, the US and the UK. Together, they represent 96 % (2016/17: 95 %) of the Group's total gross defined benefit pension obligations and 98 % (2016/17: 96 %) of the Group's total plan assets.

The other long-term benefit plans include other post-retirement employee benefit plans (including medical plans) and other long-term employee benefit plans (including jubilee plans and other long-service award plans).

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

	2017/18	2016/17	2017/18	2016/17
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Present value of defined benefit obligation as of September 1,	**361,697**	**366,448**	**16,160**	**12,316**
Currency translations	(128)	(336)	–	–
Current service cost	13,993	14,285	1,063	629
Past service cost	(769)	(334)	–	(1)
Remeasurement through P&L	–	–	1,740	575
Interest expense	7,384	6,399	612	494
Losses/(gains) on curtailment	(5,008)	(1,613)	–	(19)
Total recognized in income statement	**15,472**	**18,402**	**3,415**	**1,678**
Actuarial losses/(gains)	(8,795)	(28,088)	(1,257)	2,121
thereof:				
arising from changes in demographic assumptions	(1,243)	(3,505)	(2)	–
arising from changes in financial assumptions	(9,682)	(24,329)	(1,122)	1,934
arising from experience adjustments	2,130	(254)	(133)	187
Total recognized in other comprehensive income	**(8,795)**	**(28,088)**	**(1,257)**	**2,121**
Business combination (note 1)	195	9,112	–	216
Reclassifications	567	–	(567)	–
Exchange differences on foreign plans	1,383	(484)	(1,242)	353
Contribution by employees	4,867	4,297	–	–
Benefits received	6,145	13,298	(591)	(376)
Benefits paid	(29,960)	(21,288)	(20)	(148)
Total other	**(16,804)**	**4,935**	**(2,420)**	**45**
Present value of defined benefit obligation as of August 31,	**351,570**	**361,697**	**15,898**	**16,160**
thereof:				
funded obligations	337,016	346,916	–	–
unfunded obligations	14,554	14,781	15,898	16,160

The Group expects to pay CHF 19.5 million in employer contributions to defined pension plans in the fiscal year 2018/19 (2017/18: CHF 32.3 million).

The gain on curtailment is predominantly linked to the settlement of a funded defined benefit pension plan in the Netherlands during the fiscal year 2017/18. The equivalent loss on curtailment linked to the settlement of underlying plan assets is disclosed in the movement table for the fair value of plan assets.

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

	2017/18	2016/17
in thousands of CHF	Defined benefit pension plans	
Opening fair value of plan assets as of September 1,	**226,515**	**202,233**
Currency translations	61	(234)
Interest income	3,144	1,545
Gains/(losses) on curtailment	(4,640)	–
Total recognized in income statement	**(1,435)**	**1,311**
Return on plan assets excl. interest income	2,416	7,969
Total recognized in other comprehensive income	**2,416**	**7,969**
Business combination (note 1)	–	4,210
Contributions by employer	31,732	14,429
Exchange differences on foreign plans	662	(1,229)
Contributions by employees	4,867	4,297
Benefits received	6,011	13,298
Benefits paid	(28,568)	(20,002)
Total other	**14,704**	**15,003**
Fair value of plan assets as of August 31,	**242,200**	**226,515**

The plan assets consist of the following categories of securities:

as of August 31,	2018	2017
in thousands of CHF	Defined benefit pension plans	
Equities	76,027	80,866
Bonds	130,351	51,791
Insurance portfolio	9,430	85,574
Cash and other assets	26,392	8,284
Total fair value of plan assets	**242,200**	**226,515**

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

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

	2017/18	2016/17	2017/18	2016/17
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Current service costs	13,993	14,285	1,063	629
Net interest expense	4,240	4,855	612	494
Net currency translations	(189)	(102)	–	–
Past service cost	(769)	(334)	–	(1)
Losses/(gains) on curtailments and settlements	(368)	(1,613)	–	(19)
Remeasurement	–	–	1,740	575
Total defined benefit expenses	**16,907**	**17,091**	**3,415**	**1,678**

in thousands of CHF	2017/18	2016/17
Total defined contribution expenses	**(2,889)**	**(2,584)**

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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	2017/18	2016/17
Cost of goods sold	(2,035)	(3,126)
Marketing and sales expenses	(1,189)	(1,554)
General and administration expenses	(11,928)	(7,978)
Research and Development expenses	(507)	(473)
Other expenses	–	(388)
Personnel expenses	**(15,659)**	**(13,519)**
Interest costs	(4,852)	(5,349)
Foreign exchange gains/(losses)	189	99
Finance costs	**(4,663)**	**(5,250)**
Total defined benefit expenses recognized in income statement	**(20,322)**	**(18,769)**

Actuarial assumptions

Weighted average actuarial assumptions used are as follows:

	2017/18	2016/17	2017/18	2016/17
	Defined benefit pension plans		Other long-term benefit plans	
Discount rate	2.4%	2.1%	4.2%	2.7%
Expected rate of pension increase	0.2%	0.1%	0.0%	0.0%
Expected rate of salary increase	0.8%	0.6%	1.7%	1.0%

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

	Mortality table	2018	2017	2018	2017
		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	20	22	22
Belgium	MR/FR	21	18	25	22
UK	S2NMA/S2NFA	22	22	24	24
US	MP2017/ MP2016	21	21	23	23

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 of August 31,	2018	2017	2018	2017
in thousands of CHF	Increase		Decrease	
Discount rate (1% movement)	(62,162)	(47,258)	62,162	47,258
Expected rate of pension (1% movement)	20,797	10,370	(20,797)	(10,370)
Expected rate of salary (1% movement)	23,252	21,003	(23,252)	(21,003)
Expected rate of future mortality (1% movement)	(6,883)	(4,792)	6,883	4,792

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Share-based payments

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

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 currently valid LTIP is in place since fiscal year 2016/17 and remained unchanged in fiscal year 2017/18. The grant of share units under the LTIP is based on a target LTI amount determined individually for each plan participant. 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 Foods 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 fiscal year 2016/17 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.

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 Foods and Unilever. 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 for cause 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. 3,772 share awards were granted in fiscal year 2017/18 with an average fair value of CHF 1,400 (in fiscal year 2016/17, 3,987 share awards were granted with an average fair value of CHF 1,157).

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 external 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 –0.8% to 1.3%. 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 16.9% to 49.8%). 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 3.2%. 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 1,377.

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 2017/18, 2,262 PSU were granted to members of the Executive Committee with an average fair value of CHF 1,276 (in fiscal year 2016/17: 2,563 share awards with an average fair value of CHF 1,150). To the other plan participants, 1,282 share awards with an average fair value of CHF 1,663 per share were granted in fiscal year 2017/18 (in fiscal year 2016/17: 1,398 share awards with an average fair value of CHF 1,381). 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 2017/18 amounted to 1,830 with an average fair value of CHF 1,900 per share (2016/17: 2,010 share awards with an average fair value of CHF 1,163 per share).

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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 2017/18, the amount thus recognized (before taxes) was CHF 14.5 million with a corresponding increase in equity (2016/17: CHF 12.3 million). Of the amount recognized in 2017/18, CHF 11.3 million related to the Long-Term Incentive Plan (2016/17: CHF 9.9 million) and CHF 3.2 million to the BoD plan (2016/17: CHF 2.3 million).

25 Equity

Share

as of August 31,	2018	2017	2016
in thousands of CHF			
Share capital is represented by 5,488,858 (2017: 5,488,858; 2016: 5,488,858) authorized and issued shares of each CHF 0.02 fully paid in (in 2017: 7.29; in 2016: 18.60)	110	40,014	102,093

Share capital and dividends
The issued share capital is divided into 5,488,858 registered shares with a nominal value of CHF 0.02 (2017: CHF 7.29). 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 13, 2017, the shareholders approved the proposed distribution of dividends in the amount of CHF 20.00 per share, effected through a dividend payment out of voluntary retained earnings (CHF 12.73 per share) in the amount of CHF 69,873,160 and through capital reduction through par value repayment (CHF 7.27 per share) in the amount of CHF 39,903,998. The respective payments to the shareholders took place on March 2, 2018.

In fiscal year 2016/17, the payout of CHF 15.50 per share was effected by a dividend payment of CHF 22,998,315 from reserves from capital contributions and through capital reduction in the amount of CHF 62,078,984. The respective payments took place on March 2, 2017.

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, 2018, amounted to CHF 20.9 million (2017: CHF 15.1 million).

The fair value of the treasury shares as at August 31, 2018, amounted to CHF 20.2 million (2017: CHF 15.9 million). As at August 31, 2018, the number of outstanding shares amounted to 5,477,197 (2017: 5,477,355) and the number of treasury shares to 11,661 (2017: 11,503). During this fiscal year, 12,930 shares have been purchased, 12,772 transferred to employees under the employee stock ownership program and 0 sold (2016/17: 13,090 purchased; 12,815 transferred and 0 sold).

Retained earnings
As at August 31, 2018, retained earnings contain legal reserves of CHF 20.9 million (2017: CHF 23.1 million), which are not distributable to the shareholders pursuant to Swiss law.

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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	2017/18	2016/17
as of September 1,	**14,925**	**14,924**
Non-controlling share of profit/(loss)	1,226	636
Dividend paid to non-controlling shareholders	(247)	(635)
Change in non-controlling interests	(378)	3
Non-controlling share of other comprehensive income	189	(3)
as of August 31,	**15,715**	**14,925**

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 & 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.

26.1 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 & Tax.

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 the two areas related to cocoa raw materials and non-cocoa 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 for each of the two areas. 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, 2018, the Group had a total VaR for raw materials of CHF 10.4 million (2017: CHF 9.7 million) well within the Group limit. The average VaR over the fiscal year 2017/18 was CHF 11.0 million (2016/17: CHF 9.2 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.

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The fair value of the Group's open sales and purchase commitments and inventory are fluctuating in line with price movements in the respective commodity markets and are therefore hedged. 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 equivalents, 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.

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

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Rotterdam Platt's European prices. The commodities behind both the hedged price component and the prices used in the hedging swaps 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".

26.2 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 Financial Planning & Analysis, the Head of Group Treasury & Tax, 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 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 short exposures of 2 million as per August 31, 2018, and long 39 million as per August 31, 2017).

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Net foreign currency exposures

as of August 31,	2018				2017			
Net exposure in thousands of EUR/GBP/USD/CHF	EUR	GBP	USD	CHF	EUR	GBP	USD	CHF
EUR	–	(21,510)	(1,154)	27,655	–	(368)	(2,312)	(8,784)
CHF	14,830	504	(9,116)	–	1,970	(80)	8,076	–
USD	(1,645)	5	–	(1,101)	(2,187)	37	–	(867)
CAD	(91)	–	(453)	18	(665)	–	(789)	–
BRL	(85)	–	750	(118)	(13)	–	716	(118)
RUB	(12)	118	(382)	–	(15)	9	(644)	–
JPY	(756)	(13)	(238)	–	(31)	(13)	(212)	–
MXN	–	–	2,522	(544)	(43)	–	3,701	–
IDR	(103)	–	(85)	–	(18)	–	(66)	–
INR	(138)	–	(2,106)	–	(303)	–	(2,137)	–
TRL	(72)	14	(49)	(7)	(1,049)	2	77	(6)
SEK	3,896	(3)	(4)	(36)	–	–	–	–
Total	**15,824**	**(20,885)**	**(10,315)**	**25,867**	**(2,354)**	**(413)**	**6,410**	**(9,775)**

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, 2018, the Group had a VaR of CHF 0.3 million (2017: CHF 0.2 million).

Value at Risk per main exposure currencies

as of August 31,	2018	2017
Value at Risk on net exposures in thousands of CHF Total for the Group and per main exposure currencies		
Total Group	**250**	**172**
EUR	94	95
GBP	217	5
USD	97	61
CHF	160	62
Others	36	31
Diversification effect	59%	32%

26.3 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.

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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 regular 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. The the Head of Group Treasury & Tax 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,	2018	2017
in thousands of CHF		
Fixed interest-bearing items		
Carrying amount of financial liabilities	1,172,229	1,175,296
Reclassification due to interest rate derivative	169,578	171,416
Net fixed interest position	**1,341,807**	**1,346,711**
Floating interest-bearing items		
Carrying amount of financial assets	(405,838)	(399,412)
Carrying amount of financial liabilities	307,883	334,983
Reclassification due to interest rate derivative	(169,578)	(171,416)
Net floating interest position	**(267,534)**	**(235,845)**

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.

as of August 31,	2018				2017			
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	2,006	(201)	–	–	1,769	(177)	–	–
Interest rate swaps	–	–	6,035	(618)	–	–	7,308	(755)
Total interest rate sensitivity	**2,006**	**(201)**	**6,035**	**(618)**	**1,769**	**(177)**	**7,308**	**(755)**

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26.4 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, 2018, 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, 2018		Assets	Liabilities		
Cash flow hedges					
Interest rate risk					
Swaps	339.2	0.0	1.8	Derivative financial assets Derivative financial liabilities	5.0
Cocoa price risk					
Futures contracts	(16.6)	0.3	1.2	Derivative financial assets Derivative financial liabilities	(2.0)
Sugar price risk					
Futures contracts	57.5	0.1	8.5	Derivative financial assets Derivative financial liabilities	(8.9)
Fuel oil price risk					
Swaps	–	–	–	Derivative financial assets Derivative financial liabilities	–
Foreign exchange risk					
Forward and futures contracts	(10.6)	–	–	Derivative financial assets Derivative financial liabilities	2.4
Fair value hedges					
Cocoa price risk					
Futures contracts	394.5	72.2	46.9	Derivative financial assets Derivative financial liabilities	48.9
Foreign exchange risk					
Forward and futures contracts	16.5	5.1	8.7	Derivative financial assets Derivative financial liabilities	(0.4)
Receivables	323.4	323.4	–	Trade receivables and other current assets	3.1
Payables	384.7	–	384.7	Trade payables and other current liabilities	(4.0)
Debts	1.8	–	1.8	Short-term debt	0.0
Cash instruments	36.6	36.6	–	Cash and cash equivalents	0.7

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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, 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)	–	0.1	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)
Receivables	401.8	401.8	–	Trade receivables and other current assets	(3.4)
Payables	301.9	–	301.9	Trade payables and other current liabilities	2.4
Debts	0.3	–	0.3	Short-term debt	0.0
Cash instruments	12.1	12.1	–	Cash and cash equivalents	0.0

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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, 2018, 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, 2018	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	(5.0)	(8.1)
Cocoa price risk									
Forecasted cocoa sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.0	(1.1)
Sugar price risk									
Forecasted sugar purchases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.9	(8.9)
Fuel oil price risk									
Forecasted fuel oil expenditures	n/a	n/a	n/a	n/a	n/a	n/a	n/a	–	–
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	(2.4)	1.8
Fair value hedges									
Cocoa price risk									
Cocoa and chocolate stocks	691.0		(4.3)		–		Inventories	(11.9)	n/a
Risk component of cocoa and chocolate purchase and sales contracts	104.0	113.2	104.0	113.2	–	–	Derivative financial assets Derivative financial liabilities	(38.4)	n/a
Foreign exchange risk									
Firm purchase and sales commitments denominated in foreign currency	38.0	19.7	38.0	19.7	–	–	Derivative financial assets Derivative financial liabilities	0.6	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, 2017 restated[1]	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	627.5	–	(57.7)	–	–	–	Inventories	(42.5)	n/a
Risk component of cocoa and chocolate purchase and sales contracts	249.9	76.8	249.9	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	–	–	Derivative financial assets Derivative financial liabilities	16.5	n/a

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

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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, 2018					
in CHF million					
Interest rate risk	5.0	–	n/a	0.1	Finance costs
Cocoa price risk	(2.0)	–	n/a	0.9	Cost of goods sold
Sugar price risk	(9.8)	–	n/a	(3.1)	Cost of goods sold
Fuel oil price risk	0.5	–	n/a	0.1	Cost of goods sold
Foreign exchange risk	2.4	–	n/a	2.8	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, 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

This table includes the changes in the fair value of the hedging instruments recognized in other comprehensive income throughout the entire fiscal year 2017/18 (including hedge accounting relationships ended before August 31, 2018).

The table in section "26.4/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, 2018.

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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, 2018		
Cocoa price risk	(1.4)	Cost of goods sold
Foreign exchange risk	(2.2)	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, 2017		
Cocoa price risk	(1.5)	Cost of goods sold
Foreign exchange risk	(0.1)	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, 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)**
Gains/(losses) taken into equity	(1,952)	(9,819)	482	2,413	5,015	(3,862)
Transfer to initial carrying amount of the hedged item	–	932	–	31	–	963
Transfer to the Consolidated Income Statement for the period	931	(3,124)	133	2,760	65	765
thereof:						
due to hedged cash flows that are no longer expected to occur/ineffectiveness	–	–	–	–	–	–
due to hedged item affected the Consolidated Income Statement	931	(3,124)	133	2,760	65	765
Income taxes	51	893	(24)	(229)	(2,566)	(1,875)
Currency translation adjustment	7	10	4	(1)	47	66
as of August 31, 2018	**(1,101)**	**(8,871)**	**0**	**1,837**	**(8,122)**	**(16,256)**

26.5 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, 2018, to hedge its interest rate risk:

as of August 31, 2018	Period of maturity			
	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	197.8	141.3	–	339.2
Average interest rate	1.85%	0.18%	–	n/a

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

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As of August 31, 2018, 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:

as of August 31, 2018	Period of maturity			
	September – December current year	January – May next year	After May next year	Total
Nominal amount (in tonnes, net long/(short))	11,805	94,823	121,819	228,447
Average price (in CHF per tonne)	1,839	1,972	1,904	n/a

as of August 31, 2017	Period of maturity			
	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

As of August 31, 2018, the Group held the following sugar futures to hedge the sugar price risk exposure on its forecasted sugar purchases:

as of August 31, 2018	Period of maturity				
	September – October current year	November current year – May next year	After May next year	Total	Hedge rates (in USD cents per pound)
Nominal amount (in thousands of pounds, long)	254,688	173,264	–	427,952	10.91-15.40

as of August 31, 2017	Period of maturity				
	September – October current year	November current year – May next year	After May next year	Total	Hedge rates (in USD cents per pound)
Nominal amount (in thousands of pounds, long)	170,128	180,432	30,016	380,576	12.77-19.75

As of August 31, 2018, the Group held the following fuel oil swaps to hedge the fuel oil price risk exposure on its forecasted freight expenditures:

as of August 31, 2018	Period of maturity				
	September current year – June next year	July – December next year	After next year	Total	Hedge rates (in USD per tonne)
Nominal amount (in tonnes, long)	–	–	–	–	–

as of August 31, 2017	Period of maturity				
	September current year – June next year	July – December next year	After next year	Total	Hedge rates (in USD per tonne)
Nominal amount (in tonnes, long)	12,173	–	–	12,173	387.75

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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, 2018, to hedge its foreign exchange risk:

as of August 31, 2018	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))	247.1	(419.5)	(1.6)	(174.0)
Average foreign exchange rate (EUR/GBP)	0.890	0.898	0.909	n/a
USD exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(113.8)	185.4	(0.1)	71.6
Average foreign exchange rate (EUR/USD)	1.186	1.227	1.180	n/a
GBP exposure hedging in entities whose functional currency is USD				
Nominal amount (CHF million, long/(short))	107.5	(37.6)	1.9	71.8
Average foreign exchange rate (USD/GBP)	0.747	0.742	0.731	n/a
USD exposure hedging in entities whose functional currency is BRL				
Nominal amount (CHF million, long/(short))	(67.9)	–	–	(67.9)
Average foreign exchange rate (BRL/USD)	0.250	–	–	n/a

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)	220.3
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	–	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

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26.6 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, 2018, the largest customer represents 10% (2017: 9%) whereas the ten biggest customers represent 33% (2017: 33%) 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 986.7 million as of August 31, 2018 (2017: CHF 1,429.1 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 p.a. (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 12.4 million in 2017/18 (2016/17: CHF 5.0 million).

The fair value measurement of purchase and sales contracts and non-centrally-cleared derivative instruments recognized as derivative asset has been adjusted to reflect the credit risk of the counterparty. The credit valuation adjustment (CVA) has been calculated by applying the annualized Credit Default Swap rates (CDS) of the counterparty (where not available, the country specific CDS of the country of domicile and a 4% premium). The expense has been recognized in the Consolidated Income Statement as "Cost of goods sold".

The fair value measurement of purchase and sales contracts and non-centrally-cleared derivative instruments recognized as derivative liability has been adjusted to reflect the credit risk of the Group. The debit valuation adjustment (DVA) has been calculated by applying the annualized CDS rate of the Group.

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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	2018	2017
Total trade receivables measured at amortized cost	377,046	321,154
of which:		
insured receivables	278,576	230,108
uninsured receivables with an individual balance over CHF 1 million	7,594	34,675
uninsured receivables with an individual balance below CHF 1 million	90,876	56,371
Less lifetime expected credit losses for trade receivables	(13,256)	(6,632)
Total trade receivables measured at amortized cost	**363,790**	**314,521**
of which:		
not overdue	280,829	244,307
lifetime expected credit losses for trade receivables not overdue	(1,818)	(1,935)
expected credit loss rate	0.65%	0.79%
past due less than 90 days	69,222	71,454
lifetime expected credit losses for trade receivables past due less than 90 days	(1,139)	(2,556)
expected credit loss rate	1.65%	3.58%
past due more than 90 days	26,996	5,392
lifetime expected credit losses for trade receivables past due more than 90 days	(10,299)	(2,141)
expected credit loss rate	38.15%	39.71%
Total trade receivables measured at amortized cost	**363,790**	**314,521**

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.

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Movements in allowance for impairment losses of financial assets

The movements in allowance for impairment losses of financial assets as follows:

in thousands of CHF	Cash and cash equivalents	Deposits	Trade receivables	Other receivables	Other financial assets	Total
as of September 1, 2017	**169**	**2**	**6,632**	**1,542**	**31**	**8,377**
Changes to expected credit losses on financial assets already recognized at the beginning of the fiscal year	5	–	131	15	–	151
Changes to expected credit losses on new financial assets originated during the fiscal year	147	2	9,788	4,017	1	13,954
Write-offs	(5)	(0)	(879)	(554)	(21)	(1,459)
Unused amounts reversed	(92)	(2)	(1,599)	(14)	(0)	(1,708)
Currency translation adjustment	(20)	(0)	(817)	(143)	0	(980)
as of August 31, 2018	**205**	**2**	**13,256**	**4,862**	**11**	**18,335**

in thousands of CHF	Cash and cash equivalents	Deposits	Trade receivables	Other receivables	Other financial assets	Total
as of September 1, 2016	**45**	**0**	**13,553**	**633**	**–**	**14,231**
Changes to expected credit losses on financial assets already recognized at the beginning of the fiscal year	11	0	1,297	458	–	1,767
Changes to expected credit losses on new financial assets originated during the fiscal year	145	2	3,129	964	30	4,271
Write-offs	(0)	–	(10,831)	(9)	–	(10,840)
Unused amounts reversed	(31)	(0)	(510)	(499)	–	(1,040)
Currency translation adjustment	(1)	(0)	(7)	(6)	2	(12)
as of August 31, 2017	**169**	**2**	**6,632**	**1,542**	**31**	**8,377**

26.7 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 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.

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Contractual maturities

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

as of August 31, 2018	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	(26,267)	–	–	(26,267)
Short-term debt	(285,048)	–	–	(285,048)
Trade payables[1]	(657,738)	–	–	(657,738)
Long-term debt	(52,543)	(838,238)	(520,816)	(1,411,597)
Other current liabilities[2]	(282,148)	–	–	(282,148)
Derivatives				
Interest rate derivatives	(887)	(123)	–	(1,011)
Currency derivatives				
Inflow	3,458,493	6,458	–	3,464,951
Outflow	(3,443,209)	(6,459)	–	(3,449,669)
Commodity derivatives (gross settled)				
Inflow	1,254,483	43,243	–	1,297,726
Outflow	(536,345)	–	–	(536,345)
Commodity derivatives (net settled)				
Inflow	271,401	2,311	–	273,712
Outflow	(345,792)	(270)	–	(346,062)
Total net	**(645,601)**	**(793,078)**	**(520,816)**	**(1,959,496)**

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)**

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

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26.8 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, 2018	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	–	404,183	–	–	404,183	404,183
Short-term deposits	–	1,656	–	–	1,656	1,656
Trade receivables	111,456	363,790	–	–	475,246	475,246
Derivative financial assets	502,471	–	–	–	502,471	502,471
Other current assets[1]	–	91,338	–	–	91,338	91,338
Other non-current assets[2]	–	3,887	–	–	3,887	3,887
Total assets	**613,927**	**864,854**	**–**	**–**	**1,478,781**	**1,478,781**
Bank overdrafts	–	–	–	26,267	26,267	26,267
Short-term debt	–	–	–	285,048	285,048	285,048
Trade payables	–	–	–	657,738	657,738	657,738
Derivative financial liabilities	–	–	641,997	–	641,997	641,997
Long-term debt	–	–	–	1,168,797	1,168,797	1,275,107
Other current liabilities[3]	–	–	–	282,148	282,148	282,148
Total liabilities	**–**	**–**	**641,997**	**2,419,998**	**3,061,995**	**3,168,304**

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, other payables and amounts due to related parties.

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as of August 31, 2017 restated[1]	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	546,636	–	–	–	546,636	546,636
Other current assets[2]	–	74,743	–	–	74,743	74,743
Other non-current assets[3]	–	12,674	–	–	12,674	12,674
Total assets	**640,923**	**801,351**	**–**	**–**	**1,442,273**	**1,442,273**
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	–	–	288,319	–	288,319	288,319
Long-term debt	–	–	–	1,170,743	1,170,743	1,327,102
Other current liabilities[4]	–	–	–	347,364	347,364	347,364
Total liabilities	**–**	**–**	**288,319**	**2,538,316**	**2,826,635**	**2,982,994**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.
2 Other current assets contain accrued income, loans and other receivables and other current financial assets.
3 Other non-current assets contain long-term deposits and financial assets related to long-term partnership agreements.
4 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, 2018	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	111,456	**111,456**
Derivative financial assets	273,712	228,760	–	**502,471**
Derivative financial liabilities	346,584	295,413	–	**641,997**

as of August 31, 2017 restated[1]	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	94,287	**94,287**
Derivative financial assets	174,133	372,503	–	**546,636**
Derivative financial liabilities	37,389	250,930	–	**288,319**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

From the value of derivative financial assets and derivative financial liabilities as at August 31, 2018, CHF 44.0 million and CHF 110.2 million, respectively, relate to the fair values of executory contracts measured at fair value applying the fair value option (2017 restated: CHF 24.1 million and CHF 101.4 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 2017/18 and 2016/17.

26.9 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 in a range of 35% to 40% of the net profit in the form of a dividend. The target payout ratio and the form of the payout recommended by the Board is reviewed on an annual basis and is 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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26.10 Offsetting financial assets and financial liabilities

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

				Related amounts not set off in the balance sheet		
as of August 31, 2018	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	Financial instruments	Cash collateral received or deposited	Net amount
in thousands of CHF						
Derivative financial assets	502,471	–	502,471	**(210,497)**	**10,813**	**302,787**
Derivative financial liabilities	641,997	–	641,997	**210,497**	**(44,464)**	**808,030**

				Related amounts not set off in the balance sheet		
as of August 31, 2017 restated[1]	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	Financial instruments	Cash collateral received or deposited	Net amount
in thousands of CHF						
Derivative financial assets	691,672	(145,036)	546,636	**(2,249)**	**(20,549)**	**523,838**
Derivative financial liabilities	433,355	(145,036)	288,319	**(2,249)**	**(761)**	**285,309**

1 See page 48, Summary of Accounting Policies – Restatement and reclassification of prior year comparatives.

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,	2018	2017
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.11%
Renata Jacobs	8.48%	8.48%
Massachusetts Mutual Life Insurance Company[1]	3.64%	3.65%

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	2017/18	2016/17
Other operating expenses charged by related parties		**(1,000)**	**(1,550)**
Jacobs Holding AG	Management services	(1,000)	(1,500)
Other		–	(50)
Other payables to related parties		**105**	**135**
Jacobs Holding AG		105	135

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	2017/18	2016/17
Short-term employee benefits	17.4	13.2
Post-employment benefits	2.0	1.6
Share-based payments	10.3	8.8
Total	**29.7**	**23.6**

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 & guarantees

Capital commitments

as of August 31,	2018	2017
in thousands of CHF		
Property, plant & equipment	5,283	5,113
Intangible assets	509	91
Total capital commitments	**5,792**	**5,204**

Guarantees in favor of third parties

Group companies have issued guarantee commitments for the fiscal year 2017/18 in the amount of CHF 2.5 million (2016/17: CHF 4.5 million). These are mainly related to customs authorities and third-party suppliers.

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 3.1 years (2016/17: 2.5 years).

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

as of August 31,	2018	2017
in thousands of CHF		
In the first year	26,229	17,410
In the second to the fifth year	67,023	47,216
After five years	59,864	37,615
Total future operating lease commitments	**153,116**	**102,240**

in thousands of CHF	2017/18	2016/17
Lease expenditure charged to the statement of income	**27,318**	**16,482**

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29 Group entities

The principal subsidiaries of Barry Callebaut as of August 31, 2018, 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
	Cabosse Naturals NV	Halle	100	EUR	61,500
Brazil	Barry Callebaut Brasil SA	São Paulo	100	BRL	451,600,810
Cameroon	Société Industrielle Camerounaise des Cacaos SA	Douala	81	XAF	1,959,531,000
	SEC Cacaos SA	Douala	100	XAF	10,000,000
Canada	Barry Callebaut Canada Inc.	St.-Hyacinthe	100	CAD	2,000,000
	D'Orsogna Sweet Ingredients Ltd.	Ontario	100	CAD	1,000,000
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	292,299,040
	D'Orsogna Sweet Ingredients Private Limited	Maharashtra	100	INR	93,546,460
Indonesia	P.T. Barry Callebaut Comextra Indonesia	Makassar	60	USD	31,460,000
	P.T. Papandayan Cocoa Industries	Bandung	100	USD	40,000,000
	P.T. Barry Callebaut Indonesia	Bandung	100	USD	1,800,000
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
	D'Orsogna Dolciaria S.r.l.	San Vito Chietino	100	EUR	5,000,000
	Barry Callebaut Decorations Italy S.r.l.	Rome	100	EUR	10,000
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	USD	10,000,000
Mexico	Barry Callebaut Mexico, S. de R.L. de CV	Escobedo N.L.	100	MXN	121,980,200
	Barry Callebaut Cocoa Mexico SA de CV	Monterrey	100	MXN	1,404,967
Morocco	Barry Callebaut Maroc SARLAU	Casablanca	100	MAD	–
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	864,510,182
	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	558,130,320
South Africa	Barry Callebaut South Africa (pty) ltd.	Johannesburg	100	ZAR	–
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	344,553
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	100,001,001
	Barry Callebaut USA LLC	St. Albans, VT	100	USD	100,190,211
	Barry Callebaut USA Service Company	Wilmington, DL	100	USD	1,000

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

30 Subsequent events

Approval of the Financial Statements

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 5, 2018, and are subject to approval by the Annual General Meeting of Shareholders on December 12, 2018.

Acquisition of manufacturing assets of Burton's Biscuit Company

On September 19, 2018, Barry Callebaut announced its intention to enter into a long-term supply agreement and to acquire the chocolate manufacturing assets of Burton's Biscuit Company. Burton's Biscuit Company is based in Moreton, UK, and is the second biggest biscuit manufacturer of the UK. Burton's Biscuit Company was founded in 2000, following the merger of the Horizon Biscuit Company Ltd. and Burton's Gold Medal Biscuits and is headquartered in St. Albans, UK.

Barry Callebaut intends to continue producing chocolate and compound at the Moreton site and transfer employees currently engaged in the manufacturing of chocolate at the Moreton facility to Barry Callebaut upon completion of the transaction.

The transaction is still subject to closing conditions and regulatory approval by the competent authorities. Completion of the transaction is expected by the end of the calendar year 2018, after finalizing all legal and social processes. The establishment and allocation of the purchase price to the net identifiable assets and goodwill can only be assessed at that point in time.

Acquisition of Inforum

On October 4, 2018, Barry Callebaut announced its intention to acquire Inforum Prom Ltd, a leading Russian business-to-business producer of chocolate, coatings and fillings, serving many of the well-known consumer chocolate brands in Russia.

Inforum was founded in 1989 and started its business selling cocoa products. The company operates a production site in Kasimov, Ryazan Oblast, and employs more than 300 people, who will transfer to Barry Callebaut upon completion of the transaction. This strategic acquisition will strengthen Barry Callebaut's presence and production capacity in the high-growth Russian market, allow it to expand its market position, to leverage its value-adding Gourmet & Specialties business and to further increase market penetration in CIS countries and export markets.

The transaction is still subject to closing conditions and regulatory approval by the competent authorities. Closing of the transaction is expected to occur by the end of the calendar year 2018. The establishment and allocation of the purchase price to the 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 2018 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 41 to 120) give a true and fair view of the consolidated financial position of the Group as at 31 August 2018, 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

Existence and Valuation of Inventory

Derivative Financial Instruments and Hedge Accounting

Valuation of Goodwill

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.

KPMG

Existence and Valuation of Inventory

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 1,476.7 million as of 31 August 2018.

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, which are relevant when determining the amounts recorded, including the elimination of unrealized profits on inventory.

Due to an error in the way intercompany profits on inventory and related derivative financial instruments were determined and eliminated, the Group corrected prior year numbers by way of restatement.

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;

— Evaluating the adequacy of the intercompany profit elimination on inventory and related derivative financial instruments by assessing the methodology applied based on our knowledge and understanding of the Group;

— Challenging and comparing the assumptions and estimates used in determining intercompany profit elimination with transactional data and reported profit margins;

— Testing the model and recalculating the amounts used in determining the amounts to be eliminated from inventory and related derivative financial instruments, including prior year numbers;

— Assessing the presentation and disclosures of the restatement in the financial statements.

For further information on Inventory refer to the following:

— Summary of Accounting Policies, Restatement and reclassification of prior year comparatives (pages 48 to 50)

— Summary of Accounting Policies, Inventories (page 56)

— Notes to the Consolidated Financial Statements – 13 Inventories (page 73)

Derivative Financial Instruments and Hedge Accounting

Key Audit Matter

The Group reports net derivative financial assets at fair value of CHF 502.5 million and net derivative financial liabilities at fair value of CHF 642.0 million as of 31 August 2018.

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.

Due to an error in the way intercompany profits on inventory and related derivative financial instruments were determined and eliminated, the Group corrected prior year numbers by way of restatement.

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 our audit procedures in connection with eliminating intercompany profits on inventory and related derivative financial instruments, we refer to the Key Audit Matter "Existence and Valuation of Inventory".

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

— Summary of Accounting Policies, Restatement and reclassification of prior year comparatives (pages 48 to 50)

— Summary of Accounting Policies, Derivative financial instruments and hedging activities (pages 52 to 55)

— Notes to the Consolidated Financial Statements – 14 Derivative financial instruments and hedging activities (page 74)

— Notes to the Consolidated Financial Statements – 26 Financial risk management (pages 93 to 115)

Valuation of Goodwill

Key Audit Matter	Our response
The Group reports goodwill totalling CHF 831.0 million as of 31 August 2018, 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 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 56)

— Notes to the Consolidated Financial Statements – 18 Intangible assets (pages 78 to 80)

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, 5 November 2018

Financial Statements of Barry Callebaut AG

Income Statement

for the fiscal year	2017/18	2016/17
in thousands of CHF		
Income		
Dividend income	50,000	5,700
License income	64,641	64,037
Management fees	40,074	37,258
Other financial income	4,166	1,236
Other operating income	9	20,327
Total income	**158,890**	**128,558**
Expenses		
Financial expenses	(10,500)	(14,401)
Personnel expenses	(65,801)	(59,359)
Other operating expenses	(37,688)	(46,422)
Depreciation of property, plant and equipment	(531)	(562)
Amortization of intangible assets	(668)	(807)
Total expenses	**(115,188)**	**(121,552)**
Profit before taxes	**43,702**	**7,006**
Direct taxes	–	(869)
Net profit for the year	**43,702**	**6,137**

Available earnings

in thousands of CHF	2017/18	2016/17
Available earnings as of September 1	**1,537,619**	**1,531,438**
Dividends to shareholders (gross)	(69,873)	–
Dividends on treasury shares	40	44
Net profit	43,702	6,137
Available earnings as of August 31	**1,511,488**	**1,537,619**

Financial Statements of Barry Callebaut AG

Balance Sheet

Assets

as of August 31, in thousands of CHF	2018	2017
Current assets		
Cash and cash equivalents	161	290
Other short-term receivables from Group companies	89,115	55,068
Short-term interest-bearing loans to Group companies	38	182
Prepaid expenses and accrued income	1,353	2,603
Total current assets	**90,667**	**58,143**
Non-current assets		
Investments in Group companies	2,256,326	2,256,255
Property, plant and equipment	1,674	1,233
Intangible assets		
Trademarks	431	583
Patents/R&D Development projects	1,814	1,320
Other	169	283
Total non-current assets	**2,260,414**	**2,259,673**
Total assets	**2,351,081**	**2,317,816**

Liabilities and shareholders' equity

as of August 31, in thousands of CHF	2018	2017
Short-term liabilities		
Bank overdrafts	7	1,981
Trade accounts payable		
to third parties	2,836	996
to Group companies	12,594	2,165
to shareholders	137	153
Short-term interest-bearing loans from Group companies	755,851	664,378
Short-term provisions	40,437	31,768
Accrued expenses and deferred income	22,902	28,208
Total short-term liabilities	**834,764**	**729,649**
Total liabilities	**834,764**	**729,649**
Shareholders' equity		
Share capital [1]	110	40,014
Legal capital reserves		
Reserves from capital contributions	39	39
Legal retained earnings		
General legal retained earnings	25,600	25,600
Voluntary retained earnings		
Available earnings		
Profit brought forward	1,467,786	1,531,482
Net profit for the year	43,702	6,137
Treasury shares	(20,920)	(15,105)
Total shareholders' equity	**1,516,317**	**1,588,167**
Total liabilities and shareholders' equity	**2,351,081**	**2,317,816**

1 The share capital as of August 31, 2018, consists of 5,488,858 fully paid-in shares at a nominal value of CHF 0.02 (prior year: 5,488,858 shares with a nominal value of CHF 7.29).

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					2018	2017
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	100%	100%
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%
Cabosse Naturals N.V., Belgium	Halle	EUR	61,500	Research and Development	99.00%	0%
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.

Barry Callebaut AG controls all entities of the Barry Callebaut Group either directly or indirectly through above listed companies. 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,	Maturity	Interest	2018	2017
in thousands of CHF				
Short-term loan from Group companies	20.09.2017	0.390%	–	661,800
Short-term loan from Group companies	20.09.2018	0.640%	754,500	–
			–	–
Bank overdraft from Group companies	n/a	0.390%	1,351	2,578
Total			**755,851**	**664,378**

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 109,777.16 consists of 5,488,858 registered shares at a par value of CHF 0.02 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, 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**
Purchase	22	1,502	1,990	1,765	12,930
Allocations to management	4	–	–	1,332	(10,762)
Allocations to board members	1	–	–	–	(2,010)
Inventory as of August 31, 2018	–	–	–	–	**11,661**

As at balance sheet date, acquisition costs for directly held treasury shares amounted to CHF 20,920,219 (previous year: CHF 15,104,657).

2.8 Dividend income

In the reporting year, dividend income amounted to CHF 50,000,000 (previous year: CHF 5,700,000). This year's amount is fully related to the dividend distributed by Barry Callebaut Sourcing AG, Switzerland, for the 2016/17 business year.

2.9 Other financial income

Other financial income 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	2017/18	2016/17
in thousands of CHF		
Bank interest and fees	182	249
Interest to Group companies	3,860	4,557
Exchange losses	6,458	9,595
Total	**10,500**	**14,401**

2.13 Other operating expenses

for the fiscal year	2017/18	2016/17
in thousands of CHF		
Fees lawyers and consulting	14,362	12,672
Other expenses third parties	7,568	9,606
Assistance fees related parties	1,000	1,460
Assistance fees Group companies	14,758	22,684
Total	**37,688**	**46,422**

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 847.9 million; 2016/17: CHF 853.6 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 1,511.5 million less 35% withholding tax).
- The Company is also a co-debtor to the Senior Notes of EUR 250 million (CHF 282.6 million; 2016/17: CHF 285.7 million) issued by Barry Callebaut Services N.V., Belgium, on June 15, 2011, to the Senior Notes of USD 400 million (CHF 388.4 million; 2016/17: CHF 383.3 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 508.7 million, 2016/17: CHF 514.2 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 1,511.5 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 1,336.3 million (2016/17: CHF 1,332.6 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 closed by VAT authorities, liabilities among subgroup participants are still possible.

Financial Statements of Barry Callebaut AG

3.4 Significant shareholders

as of August 31,	2018	2017
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.11%
Renata Jacobs	8.48%	8.48%
Massachusetts Mutual Life Insurance Company[1]	3.64%	3.65%

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,		2018	2017
Name	Function		
Patrick De Maeseneire	Chairman	750	250
Jakob Baer	Vice Chairman	1,330	1,080
Fernando Aguirre		460	280
James (Jim) Donald		1,620	1,440
Nicolas Jacobs[1]		93,066	92,886
Elio Leoni Sceti		–	n/a
Timothy Minges		855	656
Juergen Steinemann		15,578	13,979
Wai Ling Liu[2]		n/a	160
Andreas Schmid[2]		n/a	8,218
Total shares held by Board of Directors		**113,659**	**118,949**

1 Excluding the 50.11% participation held by Jacobs Holding AG (see note 3.4).
2 No disclosures for August 31, 2018, as Wai Ling Liu and Andreas Schmid left the Board of Directors at the last Annual General Meeting.

Shareholdings of the Executive Committee

Number of shares as of August 31,		2018	2017
Name	Function		
Antoine de Saint-Affrique	Chief Executive Officer	1,298	476
Peter Boone	CEO & President Americas	82	–
Ben De Schryver	President APAC	–	n/a
Massimo Garavaglia	President EMEA	1,778	900
Carole Le Meur	Chief Human Resources Officer	143	38
Pablo Perversi	Chief Innovation, Sustainability & Quality Officer	82	–
Dirk Poelman	Chief Operations Officer	1,282	1,636
Steven Retzlaff	President Global Cocoa	1,873	1,128
Remco Steenbergen	Chief Financial Officer (as from March 2018)	219	n/a
Victor Balli	Chief Financial Officer (until February 2018)	n/a	1,453
Dave Johnson	CEO & President Americas (until August 2017)	n/a	2,000
Total shares held by Executive Committee		**6,757**	**7,631**

Financial Statements of Barry Callebaut AG

3.6 Shares granted to the Board of Directors and employees

	2017/18 Quantity	2017/18 Value (CHF)	2016/17 Quantity	2016/17 Value (CHF)
Granted to Members of the Board	1,830	3,477,000	2,010	2,337,630
Granted to employees[1] of Barry Callebaut AG and subsidiaries	7,316	10,297,743	7,948	9,494,884

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.

3.8 Proposed appropriation of available earnings

in thousands of CHF	
Balance carried forward as of September 1, 2017	1,537,619
Dividend to shareholders (gross)	(69,873)
Dividend on treasury shares	40
Net income	43,702
Voluntary retained earnings as of August 31, 2018	**1,511,488**
Treasury shares	(20,920)
Available retained earnings as of August 31, 2018	**1,490,568**
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 24.00 per share	(131,733)
Balance carry forward	**1,358,835**

The board of directors proposes to the 2018 Annual General Meeting a dividend of CHF 24.00 per share.

The dividend is expected to be paid on or about January 9, 2019.

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 2018, 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 127 to 134) for the year ended 31 August 2018 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, 5 November 2018

Governance

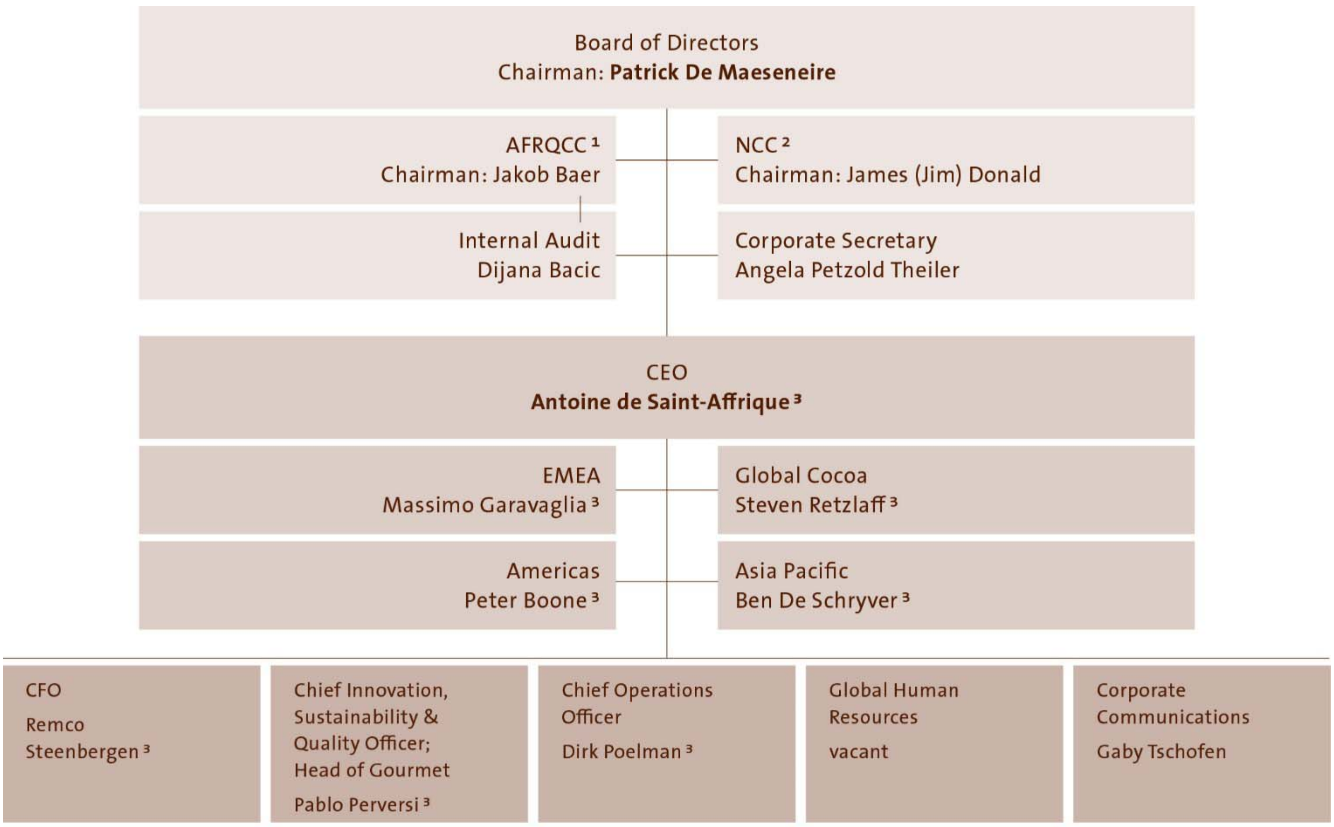
Corporate Governance

The information that follows is provided in accordance with the Directive on Information Relating to Corporate Governance (DCG) issued by the SIX Exchange Regulation division. 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 7, 2018, the Barry Callebaut Group has been organized into different regions: Region EMEA (including 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, 2018, the total number of issued shares in the Company was 5,488,858 and Barry Callebaut's market capitalization based on issued shares was CHF 9,484.7 million (August 31, 2017: CHF 7,574.6 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 the majority shareholder with a participation of 50.11% of the issued share capital (August 31, 2017: 50.11%).

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 0.02 (2017: CHF 7.29). 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 13, 2017, the shareholders approved the proposed distribution of dividends in the amount of CHF 20.00 per share, to be executed through a dividend payment from the earnings available for distribution in the amount of CHF 69,873,160 and through capital reduction in the amount of CHF 39,903,998. The respective payments to the shareholders took place on March 2, 2018.

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, 2018, the Board of Directors consisted of eight 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 reelected for successive terms.

The composition of the Board of Directors of Barry Callebaut AG as of August 31, 2018, was 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	
Elio Leoni Sceti	Italian	2017	Director		Member
Timothy Minges	US	2013	Director	Member	
Juergen Steinemann	German	2014	Director		Member

* Will not stand for reelection at the Annual Meeting of Shareholders of December 12, 2018.

Corporate Governance

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 served on the Board of Ahold Delhaize, one of the largest global food retailers, from 2015 to 2018.

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 2012, of Swiss Re and of Allreal Holding AG, both from 2005 to 2014, of Rieter Holding AG from 2006 to 2016 and of IFBC AG from 2007 to June 2018.

Jakob Baer is Chairman of Stäubli Holding AG, 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.

Since 2011, 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 and Executive Committee and chairs the Nominating and Corporate Governance Committee. Immediately after the closing of the acquisition of Aetna, Inc. by CVS Health, Fernando Aguirre will become a member of the Board of Directors of CVS Health. He also served on the Board of Directors 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.

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.

Corporate Governance

James (Jim) Donald
Director, US national

Jim Donald (1954) has served as President and Chief Executive Officer of Albertsons Companies, one of the largest supermarket chains in North America, since September 2018 after joining the company in May 2018 as President and Chief Operating Officer.

Jim Donald served from October 1996 to October 2002 as Chairman, President & CEO of Pathmark Stores, Inc., a USD 4.6 billion regional supermarket 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 drugstore 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.

Corporate Governance

Nicolas Jacobs
Director, Swiss national

Nicolas Jacobs (1982) has served as a Board member of Barry Callebaut since 2012 and was previously Managing Director for the Company's cocoa and chocolate operations in South America.

Nicolas Jacobs is also the Managing Partner of Consumer Investment Partners (CIP), 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 and later served at Restaurant Brands International (RBI) as Senior Director for Global M&A and Development.

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.

Elio Leoni Sceti
Director, Italian national

Elio Leoni Sceti (1966) joined the Board of Barry Callebaut in December 2017.

Elio Leoni Sceti has over 25 years of experience in the consumer goods and media sectors. He is co-founder and chief crafter of thecraftory.io, the first investment house for mission-driven challenger brands.

Elio Leoni Sceti was formerly CEO of Iglo Birdseye until June 2015, when he oversaw its sale to Nomad Foods. Previously, Elio Leoni Sceti was CEO of EMI Music from 2008 to 2010 and he earlier held senior leadership roles, firstly at Procter & Gamble and then at Reckitt Benckiser, where he served as CMO, global head of Innovation and then head of the European operations.

Elio Leoni Sceti is also Chairman of LSG Holdings and an independent non-executive director of beverage and brewing multinational Anheuser-Busch InBev.

Elio Leoni Sceti is also a Trustee and a Counsellor of One Young World and on the UK Board of Room to Read, a charity promoting education and gender equality.

Elio Leoni Sceti holds a degree in Economics from LUISS in Rome, where he also passed the Dottore Commercialista post-graduate bar exam.

Corporate Governance

Timothy Minges
Director, US national

Timothy Minges (1958) spent his entire career in the food industry, including 32 years at PepsiCo before retiring in 2016. Prior to retirement, Tim 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 and President of PepsiCo Foods Asia Pacific. Prior to PepsiCo, Tim Minges worked as a CPA at Alexander Grant.

Tim Minges sat on a variety of public company boards at PepsiCo, including Calbee Foods Japan, Pepsi-Cola Philippines and Serm Suk Thailand as well as the Board of the North American Coffee Partnership (a PepsiCo joint venture with Starbucks).

Tim is engaged as an early stage investor in a variety of food and beverage startups in America and co-founder and Board member of Taokaenoi USA, a joint venture with Thailand's leading seaweed snack brand. Tim is also a Board member of Master Kong (Tingyi) Beverages, China's largest beverage company.

Tim 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.

Corporate Governance

Juergen Steinemann
Director, German national

Juergen Steinemann (19§58) 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, he 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 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, he 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.

In addition, Juergen Steinemann currently serves on the following Supervisory Boards: METRO AG (Chairman), a leading international specialist in wholesale and food retail trade; Bankiva B.V. (Chairman), a leading player in the European poultry meat market; Big Dutchman AG (Vice Chairman), the market leader in feeding systems and housing equipment for pig and poultry production; and Lonza Group Ltd (member) one of the world's leading suppliers to the Pharma & Biotech and Specialty Ingredient markets.

Juergen Steinemann is an entrepreneur who holds several investments in the food and agri industry. Furthermore, he serves as a Senior Advisor on the Advisory Board of Tower Brook Capital Partners LP.

Corporate Governance

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 2017/18, the Board of Directors met six times. One meeting lasted 13 hours, one meeting lasted six hours, one meeting lasted six and a half hours, one four and a half hours, and two meetings lasted one hour. The two latter meetings took place in the form of conference calls. In fiscal year 2017/18, the Board of Directors held one of its regular meetings in the context of a three-day visit to Brussels/Wieze/Halle, Belgium.

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, and Timothy Minges

The role of the Audit, Finance, Risk, Quality & Compliance Committee (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. The Board of Directors has not delegated any decision-making power to the AFRQCC.

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 overseeing 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 2017/18; furthermore, the Chairman of the AFRQCC 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 Brussels/Wieze/Halle, Belgium.

Nomination & Compensation Committee
James (Jim) Donald (Chairman), Fernando Aguirre, Elio Leoni Sceti, 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-making 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 Brussels/Wieze/Halle, Belgium.

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 (until February 28, 2018)
Remco Steenbergen	Chief Financial Officer	Dutch	as of March 1, 2018
Peter Boone	CEO and President Americas	Dutch	2012
Massimo Garavaglia	President EMEA	Italian	2004
Carole Le Meur	Chief Human Resources Officer	French	2016 (until September 9, 2018)
Pablo Perversi	Chief Innovation, Sustainability & Quality Officer; Head of Gourmet	Spanish/Argentinean	2017
Dirk Poelman	Chief Operations Officer	Belgian	2009
Steven Retzlaff	President Global Cocoa	US/Swiss	2008
Ben De Schryver	President Asia Pacific	Belgian	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 United Kingdom. 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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Remco Steenbergen

Chief Financial Officer, Dutch national

Remco Steenbergen (1968) was appointed to the position of Chief Financial Officer and member of the Executive Committee of Barry Callebaut effective March 1, 2018.

Remco Steenbergen started his career with KPMG in the Netherlands in 1986. In 1993, he moved to the United Kingdom as Manager Corporate Finance with KPMG in London. From 1995 to 1998, he worked as Senior Manager in the International Practice of KPMG in Taipei, Taiwan.

Remco Steenbergen joined Royal Philips, a leader in health technology, in 1998 as CFO Television Europe and Global Industry in Bruges, Belgium. In 2002, he was promoted to Vice President, General Manager of Finance Shared Services Europe in Dublin, Ireland. From 2004 to 2009 he served as Senior Vice President, Group Chief Accountant for Philips in Amsterdam, Netherlands. In 2009, Remco Steenbergen transitioned to Boston, USA, as Senior Vice President, Sector Controller Healthcare and became Senior Vice President, CFO Business Imaging Systems in 2011. In 2014, he returned to Europe as Executive Vice President, Group Controller, in Amsterdam, Netherlands, and was subsequently appointed Executive Vice President, CFO HealthTech Businesses, Innovation & Group Functions in 2015.

Remco Steenbergen received a post-doctorate in Accountancy from the Erasmus University in Rotterdam, Netherlands, and holds an MBA from IMD in Lausanne, Switzerland.

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.

Since 2004, he has been an active and contributing member of the Executive Committee of Barry Callebaut AG.

Massimo Garavaglia launched his career with E. Oreggia, a large Italian food products importer, where he served as a sales manager from 1990 to 1992.

In 1992, he joined Callebaut Italia S.p.A. as the Country Manager for Italy. After the merger between Callebaut and Cacao Barry in 1996, he was appointed as Barry Callebaut's Country Manager for Italy until 2003. From 2003 to 2004, he directed the Region consisting of the Mediterranean Countries, Middle East and Eastern Europe. Afterwards, from 2004 to 2006, he took over the position as President Food Manufacturers Division. Then from 2006 to 2009, he assumed responsibility of President Americas. Subsequently from 2009 to 2015, he served as President Western Europe.

Massimo Garavaglia holds a master's degree in Economics from Bocconi University, Milan, Italy.

Corporate Governance

Pablo Perversi

Chief Innovation, Sustainability & Quality Officer; Global Head of Gourmet, Spanish and Argentinean national

Pablo Perversi (1970) was appointed to the position of Chief Innovation, Sustainability & Quality Officer and Head of Gourmet and member of the Executive Committee of Barry Callebaut AG effective September 1, 2018. He has been a member of the Executive Committee of Barry Callebaut AG since 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 was also 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, and 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 Electromechanics from the Catholic Industrial University College 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 and Treasurer of the World Cocoa Foundation and 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

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.

Corporate Governance

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 2017/18, 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 or of the Executive Committee.

External auditors

At the Annual General Meeting of Shareholders of the Company held on December 13, 2017, 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 2017/18, 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 2.8 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 0.8 million for additional services, i.e. for transaction and other advisory (including 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 quarterly 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 fiscal year 2018/19 and contacts are published on page 167.

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/aboutus/media/subscribe-news.

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 2017/18. 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 the 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 to the achievement of business results as well as 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 votes on the total remuneration of the members of the Board of Directors and the Executive Committee. The General Meeting of Shareholders votes on 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/sites/default/files/publications/bc_statuten_e_2015.pdf 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-making 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 according to the standard annual meeting schedule below. One member attended four meetings and apologized for one meeting. All other members attended all meetings.

NCC	Standard agenda items	Sept	Nov	Dec	Apr	July
Compensation	Confirmation of relevant benchmarking peer group			x		
	Benchmarking analysis of ExCo compensation (every 2nd year)					x
	Determination of individual LTI grants of ExCo and all other participants					x
	Determination of performance and vesting level of LTI					x
	Determination of individual ExCo target compensation	x				
	Determination of performance achievement under STI plan and related payouts for CEO and ExCo members		x			
	Determination of performance criteria for STI for ExCo		x			
	Benchmarking analysis of Board compensation (every 2nd year)					x
	Determination of Board compensation for following term					x
Nomination	Review of talent management ExCo: calibration, succession planning, individual development plans					x
	Update on personnel changes in key positions	x	x	x	x	x
	Update on key human resources initiatives (diversity, engagement)	x	x	x	x	x
	Review of structure & composition of the Board (profiles, skills sets) and review of potential candidates to the Board	x	x			
Governance	Preparation and review of compensation report, review of shareholders' feedback post-AGM and considerations for future disclosure	x	x		x	
	AGM preparation: preparation of say-on-pay votes		x			
	NCC self-evaluation			x		
	Annual governance and legislative update			x		
	Review of NCC charter and determination of NCC agenda items for term of office				x	

The NCC conducted a benchmarking analysis of the compensation of the Board of Directors and the Executive Committee as well as a thorough review of the incentive plans. As a result, the performance criteria of the short-term incentive program have been fine-tuned, and the long-term incentive program will be amended in the coming fiscal year. Those changes are described further in this report. 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 motions 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 all 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.

Remuneration Report

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
Elio Leoni Sceti	Italian	2018
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. In the reporting year, a benchmarking analysis was conducted on the basis of Swiss listed companies of similar size and complexity. Based on the results of the benchmark analysis, the decision was made not to change the remuneration system applicable for the Board of Directors.

The remuneration of the Board of Directors 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 in quarterly instalments. 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 2017/18 no such contributions were made with respect to 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 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 paid for this term of office amounts to CHF 1,897,086 and 2,010 shares and is therefore within the limit approved by the shareholders.

At the General Meeting of Shareholders in December 2017, 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 2017 until the General Meeting of Shareholders in December 2018. The remuneration effectively paid for the portion of this term of office included in this Remuneration Report (that is, from January 1, 2018 until August 31, 2018) is within the limit approved by the shareholders. A conclusive assessment for the entire period will be included in the Remuneration Report 2018/19.

During fiscal year 2017/18, no compensation was paid to former members of the Board of Directors. No compensation was paid to parties closely related to members or former members of the Board of Directors.

During fiscal year 2017/18, no loans or credits were granted to members of the Board of Directors, former members of the Board of Directors nor to related parties. As of August 31, 2018, there was no outstanding loan or credit to members of the Board of Directors, to former members nor to related parties.

Remuneration Report

Remuneration of the Board of Directors for fiscal year 2017/18 (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 2017/18
Patrick De Maeseneire Chairman/Delegate	400,000	149,114	549,114	500	860,125	1,409,239
Jakob Baer Vice Chairman Chairman of the AFRQCC[4]	200,000	62,803	262,803	250	430,062	692,865
Fernando Aguirre Member of the NCC[5]	125,000	–	125,000	180	309,645	434,645
James (Jim) Donald Chairman of the NCC	140,000	–	140,000	180	309,645	449,645
Nicolas Jacobs Member of the AFRQCC	125,000	52,573	177,573	180	309,645	487,218
Wai Ling Liu[6] Member of the NCC	41,667	11,093	52,760	60	70,860	123,620
Timothy Minges Member of the AFRQCC	125,000	–	125,000	180	309,645	434,645
Andreas Schmid[6] Member of the AFRQCC	41,667	9,522	51,189	60	70,860	122,049
Juergen Steinemann Member of the NCC	125,000	–	125,000	180	309,645	434,645
Elio Leoni Sceti[7] Member of the NCC	83,333	–	83,333	120	228,000	311,333
Total remuneration Board of Directors	**1,406,667**	**285,105**	**1,691,772**	**1,890**	**3,208,132**	**4,899,904**

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 Audit, Finance, Risk, Quality & Compliance Committee.
5 Nomination & Compensation Committee.
6 Member of the Board until December 13, 2017.
7 Member of the Board since December 13, 2017.

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 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, share-based long-term incentives 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 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 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.

In the previous fiscal year, a benchmarking analysis of the remuneration of the Executive Committee had been conducted, which served as basis for decisions made related to remuneration in the reporting year. The analysis was based on the 2016 Swiss Top Executive Remuneration survey (general industry) conducted by Willis Towers Watson. Financial services and life science companies were excluded from the data. For members of the Executive Committee who are employed under a foreign employment contract, the general industry survey data of the country of employment were used.

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 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 amounts to 100% for all 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: 30% (25% in previous year)
- Group EBIT: 30% (25% in previous year)
- Group cash flow: 30% (40% in previous year)
- Strategic initiatives: 10%

Those performance criteria have been chosen because they reflect the business strategy of profitable growth. The weighting of the criteria has been rebalanced so that top line, bottom line and cash performance are equally weighted (stronger focus on cash flow in previous year).

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

Remuneration Report

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.

The weight between growth, profitability and strategic objectives in the IPF 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 performance 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 with those of the shareholders.

The grant of share units under the LTIP is based on a target LTI amount determined individually for each plan participant. For the CEO, the individual LTI grant value amounts to 102% of annual base salary, for the other members of the Executive Committee, it amounts to 118% of the annual base salary on average in fiscal year 2017/18. 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 Foods 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 fiscal year 2016/17 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% to 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%

Remuneration Report

The LTI plan has been amended for the coming fiscal year 2018/19. In essence, there will be an additional tranche of PSU subject to a four-year cliff vesting based on the achievement of targets above the Mid-Term Plan in terms of volume CAGR (25%), EBIT (25%), cumulative free cash flow (25%) and ROIC (25%). The maximum payout opportunity for this tranche will be 100%. This amendment aligns the compensation of the executives even more closely with the long-term interests of the shareholders as it extends the overall LTI plan period to four years and increases the portion of the LTI award that is subject to future performance conditions.

Further details on the LTI plan redesign will be provided in the Remuneration Report for fiscal year 2018/19.

Other benefits

Other benefits include risk 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 insurance. 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 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.

Special contractual agreements

There is a special contractual agreement with one member of the Executive Committee providing for an annual supplementary fixed cash payment (retention award) starting in fiscal year 2018/19 and ending in fiscal year 2021/22. The accrued value of compensation amount will be fully disclosed in the respective fiscal years under variable compensation.

Remuneration Report

Remuneration of the Executive Committee for fiscal year 2017/18 (audited figures)

in CHF	Compen-sation fixed	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 2017/18
Remuneration Executive Committee[1]	**5,762,851**	**9,364,236**	**1,708,241**	**868,190**	**17,703,518**	**4,812**	**6,555,745**	**24,259,263**
Highest individual remuneration within Executive Committee: **Antoine de Saint-Affrique,** CEO Barry Callebaut Group	**1,600,000**	**2,439,680**	**399,408**	**9,000**	**4,448,088**	**1,245**	**1,633,363**	**6,081,451**

1 Disclosure relates to the Executive Committee including all members during fiscal year 2017/18: Antoine de Saint-Affrique, Victor Balli, Peter Boone, Massimo Garavaglia, Ben De Schryver, Carole Le Meur, Pablo Perversi, Dirk Poelman, Steven Retzlaff, Remco Steenbergen.
2 Based on best estimate of expected payout for fiscal year 2017/18 (accrual principle).
3 Including social security and pension contributions.
4 Number of shares granted in relation to the fiscal year 2017/18; 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 2016/17 (audited figures)

in CHF	Compen-sation fixed	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: 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 Report

Comments on the remuneration tables

The increase in remuneration compared to the previous fiscal year is mainly due to the following factors:

- New composition of the Executive Committee with three new members: Ben De Schryver (President Region Asia Pacific, promoted to Executive Committee), Pablo Perversi (new Chief Innovation, Sustainability & Quality Officer in replacement of Peter Boone who took over the role of President Region Americas in replacement of Dave Johnson) and Remco Steenbergen (new CFO in replacement of Victor Balli) and related overlap for the CFO role related to the transition period for the new and the notice period of the former CFO.
- The individual fixed remuneration, target STI and LTI grant values have remained unchanged versus previous year except for one member.
- The overall payout under the STIP was higher than in the previous year. This is due to the very strong performance in the reporting year at Group and regional level: with a volume of over 2 million tonnes, an operating profit (EBIT) of CHF 554 million, a free cash flow of CHF 312 million and 44% of chocolate sourced sustainably, the Group targets have been clearly exceeded. All regions contributed strongly to the results of the Group. The STI payout amounts to 152% of the target for the CEO and ranges between 134% and 170% of the target for the other members of the Executive Committee.
- Consequently, the ratio of fixed versus variable remuneration amounts to 28% versus 72% for the CEO, and 27% versus 73% for the other members of the Executive Committee in average.

The PSU granted under the LTIP in 2015 vested at the end of the reporting year. Under the plan rules of the 2015 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 17.7% during the plan period compared to an average of the peer group of –0.2%, which translates into a vesting level of 225%.

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 2017 prospectively for fiscal year 2017/18. Accordingly, the fixed remuneration of CHF 5,762,851 effectively paid is within the approved limits. The aggregate remuneration amount for the short-term and long-term incentives for fiscal year 2017/18 will be submitted to shareholders' vote at the upcoming General Meeting of Shareholders in December 2018.

During fiscal year 2017/18, no compensation was paid to former members of the Executive Committee. No compensation was paid to parties closely related to members or former members of the Executive Committee.

During fiscal year 2017/18, no loans or credits were granted to members of the Executive Committee, former members of the Executive Committee nor to related parties. As of August 31, 2018, there were no outstanding loans or credits to members of the Executive Committee, to former members nor to related parties.

Remuneration Report

Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

Number of shares as of August 31,		2018	2017
Name	Function		
Patrick De Maeseneire	Chairman	750	250
Jakob Baer	Vice Chairman	1,330	1,080
Fernando Aguirre		460	280
James (Jim) Donald		1,620	1,440
Nicolas Jacobs[1]		93,066	92,886
Elio Leoni Sceti		–	n/a
Timothy Minges		855	656
Juergen Steinemann		15,578	13,979
Wai Ling Liu[2]		n/a	160
Andreas Schmid[2]		n/a	8,218
Total shares held by Board of Directors		**113,659**	**118,949**

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, 2018, as Wai Ling Liu and Andreas Schmid left the Board of Directors at the last General Meeting of Shareholders.

Shareholdings of the Executive Committee

Number of shares as of August 31,		2018	2017
Name	Function		
Antoine de Saint-Affrique	Chief Executive Officer	1,298	476
Peter Boone	CEO & President Americas	82	–
Ben De Schryver	President APAC	–	n/a
Massimo Garavaglia	President EMEA	1,778	900
Carole Le Meur	Chief Human Resources Officer	143	38
Pablo Perversi	Chief Innovation, Sustainability & Quality Officer	82	–
Dirk Poelman	Chief Operations Officer	1,282	1,636
Steven Retzlaff	President Global Cocoa	1,873	1,128
Remco Steenbergen	Chief Financial Officer (as from March 2018)	219	n/a
Victor Balli	Chief Financial Officer (until February 2018)	n/a	1,453
Dave Johnson	CEO & President Americas (until August 2017)	n/a	2,000
Total shares held by Executive Committee		**6,757**	**7,631**

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 2017/18, the total remuneration expense by Barry Callebaut AG under this agreement amounted to CHF 1 million (excl. VAT). The contract is renewable annually.

Report of the Statutory Auditor

To the General Meeting of Barry Callebaut AG, Zurich

We have audited the accompanying remuneration report dated 5 November 2018 of Barry Callebaut AG for the year ended 31 August 2018. 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 156 to 165 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 2018 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, 5 November 2018

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Financial calendar

December 12, 2018
Annual General Meeting of Shareholders 2017/18, Zurich

January 23, 2019
3-month key sales figures 2018/19

April 11, 2019
Half-year results 2018/19

April 16-17, 2019
Investor Day

July 11, 2019
9-month key sales figures 2018/19

November 6, 2019
Full-year results 2018/19

December 11, 2019
Annual General Meeting of Shareholders 2018/19, 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 2017/18. 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.

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