Half-Year Results 2014/15

Barry Callebaut

Dear Shareholders

In the first six months of fiscal year 2014/15, we significantly outperformed the currently weak global chocolate confectionery market.[1] After a slow start to the year, our **sales volume growth picked up** in the second quarter. All growth drivers contributed to this achievement, especially outsourcing & partnerships and Gourmet. Business in our main regions, Western Europe and Americas, performed particularly well.

Despite a challenging cocoa market and a negative currency translation impact[2], we **significantly improved our profitability,** benefitting from a favorable product mix with an increased focus on Gourmet and specialty products, better margins, as well as tight cost control.

This convincing top- and bottom-line performance provides firm grounds for our confidence that we are on track to meet our mid-term financial targets.[3]

In the first six months of fiscal year 2014/15, we continued to outpace the global chocolate confectionery market and achieved a significant profit increase.

We can again report encouraging developments on all four of our strategic pillars:

In terms of **Expansion** we further strengthened our presence in North America through an outsourcing agreement with World's Finest Chocolate and the acquisition of their manufacturing assets in Chicago. As part of our continuous footprint optimization and to capitalize on growth opportunities in emerging markets, we expanded our production capacities in Brazil and inaugurated a new chocolate factory in Chile. We also went operational in India and began extending our factory in Łódź, Poland. In total, we extended production capacity in 15 factories in the first six months of fiscal year 2014/15. In order to broaden and deepen our Gourmet business, we inaugurated three new CHOCOLATE ACADEMY™ centers – in Dubai, Cologne and Moscow –, with Tokyo, our 19th, opening in early June.

In **Innovation** our breakthroughs included the launch of a thermo-tolerant chocolate for warmer climates. We reached important milestones in the area of reformulated chocolates, where we were granted a patent for a special manufacturing process for reduced fat milk chocolate. Our optimized cocoa fermentation method using newly developed yeast will enable us to produce chocolates with customer-specified flavor profiles.

1 The global chocolate confectionery market declined by –1.5% in volume. Source: Nielsen, September 2014–February 2015.
2 When translating local results back into Barry Callebaut's reporting currency Swiss franc.
3 As of consolidation of the acquired cocoa business: 6–8% average volume growth per year, and EBIT per tonne restored to pre-acquisition level by 2015/16 (CHF 256 per tonne) – barring any major unforeseen events and subject to currency translation impacts.

To further increase our efficiency and to strengthen our **Cost Leadership,** we intend to bundle transactional activities across Europe in a Shared Service Center (SSC) in Łódź over the next 24 months. Once fully implemented, the SSC would result in a low double-digit million Swiss franc amount of yearly recurring cost savings.

We expect top- and bottom-line growth to continue, fueled by our three key growth drivers and thanks to our focus on margins and costs.

In the recent past, our industry has made significant steps to increase the use of sustainable cocoa, also through the foundation of "CocoaAction" led by the World Cocoa Foundation (WCF). As a founding partner, Barry Callebaut is actively participating in the implementation of "CocoaAction". We have also extended our own **Sustainable Cocoa** activities in order to support our customers in their commitments to switch to sustainable cocoa between now and 2020. For this, we will expand our own sustainability program, the Quality Partner Program (QPP), to Ghana and Indonesia, as well as to Brazil. We will also roll out our direct sourcing program, Biolands, in Ghana.

Looking ahead, we expect sales volume to further accelerate in the second half of the current fiscal year, supported by all growth drivers. By remaining focused on margins and costs, we are confident that we will be able to generate further profitable growth.

April 1, 2015

Andreas Jacobs
Chairman of the Board

Juergen Steinemann
Chief Executive Officer

Key figures Barry Callebaut Group (unaudited)

Barry Callebaut
Half-Year Results 2014/15

Consolidated Income Statement

for the 6-month period ended February 28,		Change (%) in local currencies	Change (%) in CHF	2015	2014
Sales volume	Tonnes		2.0%	893,437	876,297
Sales revenue	CHF m	14.5%	11.6%	3,244.2	2,906.9
Gross profit	CHF m	9.5%	5.8%	446.2	421.6
EBITDA[1]	CHF m	13.4%	9.6%	284.3	259.5
Operating profit (EBIT)	CHF m	13.0%	8.7%	219.2	201.7
Net profit for the period[2]	CHF m	16.3%	10.7%	132.4	119.6
Cash flow[3]	CHF m	5.7%	1.9%	262.6	257.8
EBIT per tonne[4]	CHF	10.8%	6.6%	245.3	230.2

Consolidated Balance Sheet

as of February 28,			2015	2014
Total assets	CHF m	6.4%	5,433.4	5,106.9
Net working capital[5]	CHF m	4.3%	1,566.6	1,501.4
Non-current assets	CHF m	3.4%	2,139.5	2,068.6
Net debt	CHF m	5.4%	1,790.6	1,698.2
Shareholders' equity[6]	CHF m	(0.3)%	1,654.4	1,658.9

Shares

for the 6-month period ended February 28,			2015	2014
Share price (end of period)	CHF	(9.9)%	988.5	1,097.0
EBIT per share[7]	CHF	8.7%	39.94	36.76
Basic earnings per share[8]	CHF	10.8%	24.11	21.76
Cash earnings per share[9]	CHF	1.9%	47.85	46.98

Other

as of February 28,	2015	2014
Employees	9,381	9,055

1 EBIT + depreciation of property, plant and equipment + amortization of intangibles.
2 Incl. non-controlling interest.
3 Operating cash flow before working capital changes.
4 EBIT/sales volume.
5 Includes current assets, liabilities and provisions related to commercial activities.
6 Total equity attributable to the shareholders of the parent company.
7 EBIT/basic shares outstanding.
8 Based on the net profit attributable to the shareholders of the parent company/basic shares outstanding.
9 Operating cash flow before working capital changes/basic shares outstanding.

BY REGION

for the 6-month period ended February 28,				2015	2014
		Change (%)			
		in local currencies	in CHF		
Europe					
Sales volume	Tonnes		2.1%	386,730	378,645
Sales revenue	CHF m	12.1%	4.9%	1,370.9	1,307.0
EBITDA	CHF m	21.9%	15.7%	178.3	154.1
Operating profit (EBIT)	CHF m	21.9%	15.8%	157.2	135.7
Americas					
Sales volume	Tonnes		1.9%	221,568	217,517
Sales revenue	CHF m	15.2%	20.0%	730.6	608.8
EBITDA	CHF m	10.5%	13.2%	79.2	70.0
Operating profit (EBIT)	CHF m	9.5%	12.4%	67.3	59.9
Asia Pacific					
Sales volume	Tonnes		5.8%	36,326	34,324
Sales revenue	CHF m	13.1%	11.6%	146.5	131.3
EBITDA	CHF m	9.9%	7.2%	19.8	18.5
Operating profit (EBIT)	CHF m	7.1%	4.0%	15.7	15.1
Global Cocoa					
Sales volume	Tonnes		1.2%	248,813	245,811
Sales revenue	CHF m	18.0%	15.9%	996.2	859.8
EBITDA	CHF m	(17.1)%	(19.4)%	47.3	58.7
Operating profit (EBIT)	CHF m	(36.4)%	(39.6)%	20.6	34.1

BY PRODUCT GROUP

for the 6-month period ended February 28,				2015	2014
		Change (%)			
		in local currencies	in CHF		
Sales volume					
Cocoa Products	Tonnes		1.2%	248,813	245,811
Food Manufacturers Products	Tonnes		1.6%	549,600	540,867
Gourmet & Specialties Products	Tonnes		6.0%	95,024	89,619
Sales revenue					
Cocoa Products	CHF m	18.0%	15.9%	996.2	859.8
Food Manufacturers Products	CHF m	13.1%	10.1%	1,761.3	1,600.0
Gourmet & Specialties Products	CHF m	12.9%	8.9%	486.7	447.1

Financial review of the half-year results for fiscal year 2014/15

Consolidated Income Statement[1]

Explanatory comments to the Consolidated Income Statement

The Group has early adopted IFRS 9 (Financial Instruments) in the first half of the fiscal year under review with a date of initial application of September 1, 2014. The main impacts of the new standard were on the classification and measurement of financial assets, the impairment of financial assets and hedge accouting. In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods. The change primarily affected the amounts recognized for inventories, derivative financial assets, derivative financial liabilities and receivables on the balance sheet and did not have a major impact on the income statement. The changes and their impacts are described in detail in the Notes to the condensed Consolidated Interim Financial Statements.

The decision of the Swiss National Bank to discontinue the minimum exchange rate of CHF 1.20 per Euro impacted the Group's reported figures as its reporting currency is the Swiss franc. Thus, the recent appreciation of the Swiss franc, particularly against the Euro, led to currency translation effects on the Group's income statement. However, the Group generates approx. 99% of its sales revenue outside of Switzerland and therefore has limited operational exposure to the Swiss franc.

Sales volume reached 893,437 tonnes, representing an increase of 2.0% which was mainly supported by higher volumes in the Group's main regions and by both the outsourcing & partnerships and the Gourmet business. Growth stems from all Regions and Product Groups, with the largest absolute contribution coming from Region Western Europe and Product Group Food Manufacturers.

1 Comparables refer to the prior-year period unless otherwise stated.

Sales revenue improved by 11.6% to CHF 3,244.2 million (+14.5% in local currencies), outpacing volume growth due to higher prices for cocoa products that are generally passed on to customers and due to increased sales of higher value products.

Gross profit amounted to CHF 446.2 million and showed a plus of 5.8% compared to CHF 421.6 million in the prior year period (+9.5% in local currencies). The increase exceeds volume growth as a result of the Group's continuous focus on margins and product mix.

Marketing and sales expenses grew by 5.9% to CHF 64.6 million as the Group further invested in promoting its global Gourmet brands, in expanding the distribution and sales networks, in particular in emerging markets, as well as in broadening its range of specialty products in the Food Manufacturers business.

General and administration expenses amounted to CHF 165.9 million, representing a slight increase of 2.0% that was driven by the Group's overall business growth and investments in structures and processes, partly offset by positive translation effects.

Other income of CHF 9.4 million was recorded, a plus of 3.3% compared to the prior year period. This position includes operating but non-sales related income, such as sales of waste products, insurance refunds and third-party income from the Group's Training Center.

Other expenses augmented from CHF 5.4 million in the prior year period to CHF 5.9 million (+9.3%). This amount is mainly related to severance payments and litigation costs.

Operating profit (EBIT) reached CHF 219.2 million, representing an increase of 8.7% (+13.0% in local currencies) that originated from the higher gross profit as well as tight cost control. Regions Western Europe and Americas contributed strongly to this result, supported by the positive impact of margin increases and an improved product mix across all Regions. However, this increase was partly offset by the effect of the weak combined cocoa ratio.

Finance income increased from CHF 1.6 million to CHF 4.1 million on account of a positive foreign currency exchange result.

Finance costs rose from CHF 58.2 million to CHF 62.9 million, resulting from higher average net debt levels, translating into higher interest expenses. This was due to increased financing needs for net working capital as a result of higher prices for cocoa products and the general growth of the business.

Share of result of equity-accounted investees, net of tax amounted to CHF 0.1 million compared to CHF 0.0 million in the year before.

Income taxes amounted to CHF 28.1 million compared to CHF 25.5 million in the prior year period. The Group's effective tax rate was at 17.5%, almost unchanged compared to 17.6% in the prior year period.

Net profit for the period improved by 10.7% from CHF 119.6 million to CHF 132.4 million (+16.3% in local currencies).

Consolidated Balance Sheet and financing structure[1]

Net working capital augmented by 4.3% from CHF 1,501.4 million in the prior year period to CHF 1,566.6 million. The higher volumes of inventories resulting from the growth of the business as well as cocoa price driven higher values of inventories and derivatives contributed to this increase in working capital.

Net debt reached CHF 1,790.6 million, an increase of 5.4% from CHF 1,698.2 million in the prior year period, which was mainly driven by higher financing needs related to working capital and capital expenditures.

Total assets grew by 6.4% from CHF 5,106.9 million in the prior year period to CHF 5,433.4 million as a result of higher prices for cocoa products that led to a higher working capital and to a significantly increased fair value of derivative financial assets. The increase is also partly due to investments in property, plant and equipment.

Shareholders' equity remained almost flat at CHF 1,654.4 million compared to CHF 1,658.9 million in the prior year period as the increase due to net profit was offset by the dividend payment and cumulative foreign currency translation effects. Compared to August 31, 2014, shareholder's equity decreased by 7.6% as the net profit for the period was more than offset by the dividend to the shareholders and higher cumulative foreign currency translation effects.

1 Comparables refer to the prior-year period unless otherwise stated.

Consolidated Cash Flow Statement[1]

Operating cash flow before working capital changes rose by 1.9% to CHF 262.6 million owing to higher operating result.

Net cash flow from operating activities amounted to an inflow of CHF 9.6 million compared to an outflow of CHF 106.0 million in the prior year period since the working capital increase was significantly smaller than the related increase in the comparable period.

Net cash flow from investing activities came in at CHF –152.4 million, an increase of 51.9% compared to CHF –100.3 million in the prior year period as a result of higher investments in property, plant and equipment and deposits.

Net cash inflow from financing activities of CHF 131.2 million was recorded compared to CHF 205.4 million in the prior year period. The decrease is mainly related to a lower amount of new financing of working capital as compared to the prior year period.

1 Comparables refer to the prior-year period unless otherwise stated.

Consolidated Income Statement (unaudited)

for the 6-month period ended February 28,	2015	2014
in million CHF		
Revenue from sales and services	**3,244.2**	**2,906.9**
Cost of goods sold	(2,798.0)	(2,485.3)
Gross profit	**446.2**	**421.6**
Marketing and sales expenses	(64.6)	(61.0)
General and administration expenses	(165.9)	(162.6)
Other income	9.4	9.1
Other expenses	(5.9)	(5.4)
Operating profit (EBIT)	**219.2**	**201.7**
Finance income	4.1	1.6
Finance costs	(62.9)	(58.2)
Share of result of equity-accounted investees, net of tax	0.1	–
Profit before income taxes	**160.5**	**145.1**
Income tax expenses	(28.1)	(25.5)
Net profit for the period	**132.4**	**119.6**
of which attributable to:		
– shareholders of the parent company	132.3	119.4
– non-controlling interest	0.1	0.2
Earnings per share		
Basic earnings per share (CHF/share)	24.11	21.76
Diluted earnings per share (CHF/share)	24.00	21.65

Consolidated Statement of Comprehensive Income (unaudited)

for the 6-month period ended February 28,	2015	2014
in million CHF		
Net profit for the period	**132.4**	**119.6**
Currency translation adjustments	(163.0)	(53.1)
thereof recycled into profit or loss related to divestiture	–	–
Cash flow hedges	9.3	(11.1)
Tax effect on cash flow hedges	(1.4)	2.1
Items that may be reclassified subsequently to the income statement	**(155.1)**	**(62.1)**
Remeasurement of defined benefit plans	(27.8)	–
Tax effect on remeasurement of defined benefit plans	0.9	–
Items that will never be reclassified to the income statement	**(26.9)**	**–**
Other comprehensive (loss)/income for the period, net of tax	**(182.0)**	**(62.1)**
Total comprehensive income for the period	**(49.6)**	**57.5**
of which attributable to:		
– shareholders of the parent company	(49.6)	57.5
– non-controlling interest	–	–

Consolidated Balance Sheet (unaudited)

Assets

as of	Feb 28, 2015	Aug 31, 2014	Feb 28, 2014
in million CHF			
Current assets			
Cash and cash equivalents	70.3	85.5	86.5
Short-term deposits	22.5	2.2	1.8
Trade receivables and other current assets	857.4	793.8	871.2
Inventories	1,821.9	1,762.1	1,773.1
Current tax assets	11.4	12.3	6.6
Derivative financial assets	510.4	336.0	299.1
Total current assets	**3,293.9**	**2,991.9**	**3,038.3**
Non-current assets			
Property, plant and equipment	1,171.1	1,178.5	1,088.2
Equity-accounted investees	0.9	1.1	1.4
Intangible assets	865.5	893.8	871.6
Deferred tax assets	92.2	95.0	94.7
Other non-current assets	9.8	7.2	12.7
Total non-current assets	**2,139.5**	**2,175.6**	**2,068.6**
Total assets	**5,433.4**	**5,167.5**	**5,106.9**

Liabilities and equity

as of	Feb 28, 2015	Aug 31, 2014	Feb 28, 2014
in million CHF			
Current liabilities			
Bank overdrafts	20.4	17.6	37.2
Short-term debt	482.1	457.5	363.0
Trade payables and other current liabilities	1,044.9	891.3	956.0
Current tax liabilities	49.2	34.0	44.2
Derivative financial liabilities	546.9	322.9	445.4
Provisions	5.8	8.6	12.1
Total current liabilities	**2,149.3**	**1,731.9**	**1,857.9**
Non-current liabilities			
Long-term debt	1,380.9	1,416.1	1,386.3
Employee benefit obligations	166.8	147.0	129.5
Provisions	6.3	7.7	4.4
Deferred tax liabilities	56.3	59.7	57.4
Other non-current liabilities	6.4	9.4	8.8
Total non-current liabilities	**1,616.7**	**1,639.9**	**1,586.4**
Total liabilities	**3,766.0**	**3,371.8**	**3,444.3**
Equity			
Share capital	102.1	102.1	102.1
Retained earnings and other reserves	1,552.3	1,688.6	1,556.8
Total equity attributable to the shareholders of the parent company	**1,654.4**	**1,790.7**	**1,658.9**
Non-controlling interest	13.0	5.0	3.7
Total equity	**1,667.4**	**1,795.7**	**1,662.6**
Total liabilities and equity	**5,433.4**	**5,167.5**	**5,106.9**

Condensed Consolidated Statement of Cash Flows (unaudited)

for the 6-month period ended February 28, in million CHF	2015	2014
Profit before income taxes	160.5	145.1
Non-cash items of income and expenses	102.1	112.7
Operating cash flow before working capital changes	**262.6**	**257.8**
(Increase)/decrease in working capital	(210.8)	(317.1)
(Interest paid)	(31.9)	(24.8)
(Income taxes paid)	(10.3)	(21.9)
Net cash flow from operating activities	**9.6**	**(106.0)**
Purchase of property, plant and equipment	(110.8)	(90.5)
Proceeds from sale of property, plant and equipment	0.7	–
Purchase of intangible assets	(17.6)	(19.9)
Acquisition of subsidiaries/businesses net of cash acquired	0.3	(2.1)
Other investing cash flows	(25.0)	12.2
Net cash flow from investing activities	**(152.4)**	**(100.3)**
Net cash flow from financing activities	**131.2**	**205.4**
Effect of exchange rate changes on cash and cash equivalents	(6.4)	(1.1)
Net increase (decrease) in cash and cash equivalents	**(18.0)**	**(2.0)**
Cash and cash equivalents at beginning of period	67.9	51.3
Cash and cash equivalents at end of period	49.9	49.3
Net increase/(decrease) in cash and cash equivalents	**(18.0)**	**(2.0)**
Cash and cash equivalents	70.3	86.5
Bank overdrafts	(20.4)	(37.2)
Cash and cash equivalents as defined for the cash flow statement	**49.9**	**49.3**

Consolidated Statement of Changes in Equity (unaudited)

Attributable to the shareholders of the parent company in million CHF	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustments	Total	Non-controlling interest	Total equity
as of September 1, 2013	**102.1**	**(3.3)**	**1,981.7**	**1.8**	**(399.8)**	**1,682.5**	**3.7**	**1,686.2**
Currency translation adjustments					(52.9)	(52.9)	(0.2)	(53.1)
Effect of cash flow hedges				(11.1)		(11.1)		(11.1)
Tax effect on cash flow hedges				2.1		2.1		2.1
Items that may be reclassified subsequently to the income statement				**(9.0)**	**(52.9)**	**(61.9)**	**(0.2)**	**(62.1)**
Other comprehensive income, net of tax				**(9.0)**	**(52.9)**	**(61.9)**	**(0.2)**	**(62.1)**
Net profit for the period			119.4			119.4	0.2	119.6
Total comprehensive income for the period			**119.4**	**(9.0)**	**(52.9)**	**57.5**	**–**	**57.5**
Dividend to shareholders			(79.6)			(79.6)		(79.6)
Movements of non-controlling interest						–	–	–
Purchase of treasury shares		(7.1)				(7.1)		(7.1)
Equity-settled share-based payments		10.4	(4.8)			5.6		5.6
as of February 28, 2014	**102.1**	**–**	**2,016.7**	**(7.2)**	**(452.7)**	**1,658.9**	**3.7**	**1,662.6**
as of August 31, 2014	**102.1**	**(11.4)**	**2,145.1**	**(7.0)**	**(438.1)**	**1,790.7**	**5.0**	**1,795.7**
Impact of change in accounting policy, net of tax[1]			(2.2)			(2.2)		(2.2)
as of September 1, 2014	**102.1**	**(11.4)**	**2,142.9**	**(7.0)**	**(438.1)**	**1,788.5**	**5.0**	**1,793.5**
Currency translation adjustments					(162.9)	(162.9)	(0.1)	(163.0)
Effect of cash flow hedges				9.3		9.3		9.3
Tax effect on cash flow hedges				(1.4)		(1.4)		(1.4)
Items that may be reclassified subsequently to the income statement				**7.9**	**(162.9)**	**(155.0)**	**(0.1)**	**(155.1)**
Remeasurement of defined benefit plans			(27.8)			(27.8)		(27.8)
Tax effect on remeasurement of defined benefit plans			0.9			0.9		0.9
Items that will never be reclassified to the income statement			**(26.9)**			**(26.9)**		**(26.9)**
Other comprehensive income, net of tax			**(26.9)**	**7.9**	**(162.9)**	**(181.9)**	**(0.1)**	**(182.0)**
Net profit for the period			132.3			132.3	0.1	132.4
Total comprehensive income for the period			**105.4**	**7.9**	**(162.9)**	**(49.6)**	**–**	**(49.6)**
Dividend to shareholders			(85.1)			(85.1)		(85.1)
Movements of non-controlling interest						–	8.0	8.0
Purchase of treasury shares		(6.4)				(6.4)		(6.4)
Equity-settled share-based payments		16.2	(9.2)			7.0		7.0
as of February 28, 2015	**102.1**	**(1.6)**	**2,154.0**	**0.9**	**(601.0)**	**1,654.4**	**13.0**	**1,667.4**

1 Due to the adoption of IFRS 9, certain financial assets were revalued on September 1, 2014 (date of initial application), the difference being reported in retained earnings without any restatement to prior period figures.

Notes to the condensed Consolidated Interim Financial Statements (unaudited)

General information

Barry Callebaut AG ("the Company") is incorporated under Swiss law. The address of the registered office is Pfingstweidstrasse 60, Zurich. The Company is listed on the SIX Swiss Exchange.

These condensed unaudited Consolidated Interim Financial Statements were approved for issue by the Board of Directors on March 30, 2015.

Basis of presentation and accounting policies

The condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies applied in these condensed Consolidated Interim Financial Statements correspond to those pertaining to the most recent annual Consolidated Financial Statements for the fiscal year 2013/14, except for those mentioned below, in the section Changes in accounting policies.

Changes in accounting policies

IFRS 9 – Financial Instruments and related amendments to IFRS 7 regarding transition

The Group has early adopted IFRS 9 with a date of initial application of September 1, 2014. The main impacts of the new standard were on the classification and measurement of financial assets, the impairment of financial assets and hedge accounting.

Classification and measurement of financial assets

As a result of the early adoption of IFRS 9, the Group has classified its financial assets as measured at either amortized cost or fair value through profit or loss, depending on its business model for managing those financial assets and the assets' contractual cash flow characteristics. The previous classification as "at fair value through profit or loss", "loans and receivables" and "financial liabilities at amortized costs" has been discontinued from September 1, 2014. In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods but has classified the financial assets held at September 1, 2014 retrospectively according to the business model and based on facts and circumstances under which the assets were held at that date.

The receivables that are managed under the asset backed securitization program were classified as financial assets measured at fair value through profit or loss as of September 1, 2014 with a one-off fair value adjustment of CHF –0.1 million on transition being recognized against retained earnings.

Impairment of financial assets
On September 1, 2014, the Group adjusted the impairment of its financial assets from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. Until August 31, 2014, the Group estimated the incurred losses arising from the failure or inability of customers to make payments when due. These estimates were assessed on an individual basis, taking into account the aging of customers' balances, specific credit circumstances and the Group's historical default experience. Under the new approach, it is no longer necessary for a loss event to occur before an impairment loss is recognized. Impairment is made on the expected credit losses, which are the present value of the cash shortfalls over the expected life of the financial assets.

In accordance with the transitional provisions of IFRS 9, the Group has not restated prior periods but it has reassessed the impairment allowances under the new approach as of September 1, 2014 retrospectively. Accordingly, the impairment allowance on financial assets increased by CHF 2.1 million on September 1, 2014. This one-off impact was recognized against retained earnings on September 1, 2014.

Hedge accounting – cocoa price risk
Prior to the application of IFRS 9, the Group applied fair value hedge accounting to hedge its exposure to changes in fair value of recognized cocoa inventory, which was designated as hedged item and the short future contracts were designated as hedging instruments.

Certain entities in the Group also applied cash flow hedge ("CFH") accounting whereby the cocoa bean futures were designated as hedging instruments to the underlying forecasted sales or purchase contracts to hedge the variability in cash flow that was attributable to the risk of cocoa bean price movements.

After adoption of IFRS 9, starting from September 1, 2014, the Group replaced its previous hedge accounting models with respect to cocoa price risk to a new fair value hedge accounting model. The new model under IFRS 9 facilitates better alignment of hedge accounting with risk management as it makes it possible to apply hedge accounting for specific risk components of non-financial items, such as cocoa ingredients and chocolate inventories and contracts.

Under the new model, the Group applies the net cash settlement exemption and consequently the fair value option for its executory forward purchase and sale contracts (available under IFRS 9 as an alternative to the off-balance sheet treatment). These exemptions are applied for those cocoa contracts where the measurement eliminates or significantly reduces an accounting mismatch that would otherwise occur on own use contracts. Contracts accounted for as derivatives and cocoa bean futures are designated as hedging instruments under the new fair value hedge accounting model. This designation is done in order to hedge the cocoa price risk components embedded in the chocolate stocks and sales contracts as well as in the cocoa ingredients stocks, purchase and sales contracts (being the hedged items).

The new hedge accounting model primarily affected the amounts recognized for inventories and derivative financial assets and liabilities on the balance sheet (as more inventories and contracts have become eligible for hedge accounting) and did not have a major impact on the income statement.

The following summarizes the classification and measurement changes for the Group's financial assets and financial liabilities on initial application of IFRS 9 (September 1, 2014):

	Original measurement category and carrying amount under IAS 39				New measurement category and carrying amount under IFRS 9		
in million CHF	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortized cost	Remeasurements upon application of IFRS 9 (September 1, 2014)[1]	Fair value through profit or loss	Amortized cost	Retained earnings effect on September 1, 2014
Cash equivalents		85.5				85.5	
Short-term deposits		2.2				2.2	
Trade receivables		455.5		(2.2)	64.1	389.2	(2.2)
Derivative financial assets	336.0				336.0		
Other assets		89.9				89.9	
Total assets	**336.0**	**633.1**		**(2.2)**	**400.1**	**566.8**	**(2.2)**
Bank overdrafts			17.6			17.6	
Short-term debt			457.5			457.5	
Trade payables			605.9			605.9	
Derivative financial liabilities	322.9				322.9		
Long-term debt			1,416.1			1,416.1	
Other liabilities			176.2			176.2	
Total liabilities	**322.9**		**2,673.3**		**322.9**	**2,673.3**	

1 The remeasurements included the fair value adjustments on the receivables that are managed under the asset backed securitization program and are considered as held for sale (fair value adjustment on September 1, 2014: CHF –0.1 million). The remeasurements also included the adjustment to the impairment of the financial assets as at September 1, 2014 reflecting the change from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9 (CHF –2.1 million).

The following table compares the closing balances of impairment allowance as at August 31, 2014 with the opening balances of impairment allowances as at September 1, 2014 on initial application of IFRS 9 (excluding the financial assets that were measured at Fair value through profit or loss both before and after the initial application of IFRS 9):

in million CHF	Impairment allowance as at August 31, 2014	Impairment allowance as at September 1, 2014
Cash and cash equivalents	–	–
Short-term deposits	–	–
Trade receivables	(14.5)	(16.6)
Other assets	–	–

The following table compares the closing balances of impairment allowance as at August 31, 2014 with the opening balances of impairment allowances as at September 1, 2014 on initial application of IFRS 9 in case of Trade receivables measured at amortized cost:

in million CHF	August 31, 2014	September 1, 2014
Total trade receivables measured at amortized cost	470.0	405.8
Less impairment provision for trade receivables	(14.5)	(16.6)
Total trade receivables measured at amortized cost	**455.5**	**389.2**
Of which:		
Not overdue	431.6	367.4
Impairment provision for trade receivables not overdue	(0.2)	(2.3)
Past due less than 90 days	13.3	13.3
Impairment provision for trade receivables past due less than 90 days	(0.2)	(0.2)
Past due more than 90 days	25.1	25.1
Impairment provision for trade receivables past due more than 90 days	(14.1)	(14.1)
Total trade receivables measured at amortized cost	**455.5**	**389.2**

The impairment allowances on the overdue trade receivables and other financial assets measured at amortized costs remained the same after the change from the incurred loss model under IAS 39 to the expected credit loss concept under IFRS 9. However, the change to the expected credit loss concept resulted in an adjustment of CHF –2.1 million in case of the trade receivables that are measured at amortized cost and are not overdue. This adjustment was recognized in retained earnings on September 1, 2014.

Amendments to IAS 32 – Financial instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

These amendments clarify when an entity currently has a legally enforceable right to set off financial assets and financial liabilities, and also clarifies the circumstances when gross settlement is equivalent to net settlement. It was applied for the first time retrospectively in accordance with the transitional provisions and did not have a material impact on the Group's Consolidated Financial Statements.

Other amendments to IFRS/IAS

A number of other standards have been amended on miscellaneous points. Some of these amendments are effective for this fiscal year, but did not have a material impact on the Group's Financial Statements. Where applicable, disclosures in the Group's Consolidated Financial Statements will be amended at the end of fiscal year 2014/15.

Use of judgment and estimates

The preparation of condensed consolidated interim financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The actual results may differ from these estimates. In the reporting period, apart from the adaptations mentioned above, the Group has not made significant changes to its judgments, estimates or assumptions established in preparation of the last annual report.

Foreign currency translation

For consolidation purposes, assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated to Swiss francs using period-end 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.

Major foreign exchange rates

for the 6-month-period ended February 28,	2015		2014	
	Closing rate	Average rate	Closing rate	Average rate
EUR	1.0694	1.1625	1.2175	1.2286
GBP	1.4713	1.4932	1.4808	1.4697
USD	0.9540	0.9499	0.8872	0.9046

1 Segment information

for the 6-month period ended February 28,	Global Cocoa		Europe		Americas		Asia Pacific		Corporate		Group	
in million CHF	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from external customers	996.2	859.8	1,370.9	1,307.0	730.6	608.8	146.5	131.3	–	–	3,244.2	2,906.9
Operating profit (EBIT)	20.6	34.1	157.2	135.7	67.3	59.9	15.7	15.1	(41.6)	(43.1)	219.2	201.7

Revenue by geographic regions is stated by customer location.

Revenue by Product Group

for the 6-month period ended February 28,	2015	2014
in million CHF		
Cocoa Products	996.2	859.8
Food Manufacturers	1,761.3	1,600.0
Gourmet & Specialties	486.7	447.1

2 Other selected explanatory financial information

Derivative financial assets and liabilities

as of	Feb 28, 2015		Aug 31, 2014	
in million CHF	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Cash flow hedges				
Interest rate risk				
Swaps	–	11.0	–	12.6
Cocoa price risk				
Forward and futures contracts	–	1.0	5.4	3.9
Foreign exchange risk				
Forward and futures contracts	2.2	1.1	0.7	0.4
Fair value hedges				
Cocoa price risk				
Forward and futures contracts	110.6	108.9	–	–
Foreign exchange risk				
Forward and futures contracts	1.2	38.7	13.8	10.7
Other – no hedge accounting				
Raw materials				
Forward and futures contracts and options	178.6	151.7	307.9	259.7
Foreign exchange risk				
Forward and futures contracts	217.8	234.5	8.2	35.6
Total derivative financial assets	**510.4**		**336.0**	
Total derivative financial liabilities		**546.9**		**322.9**

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

Effect of cash flow hedges on equity

in million CHF	Cocoa price risk	Foreign exchange risk	Interest rate risk	Total hedging reserve
as of September 1, 2013	**(3.1)**	**2.4**	**2.5**	**1.8**
Movements in the period:				
Gains/(losses) taken into equity	(3.6)	(2.8)	(6.1)	(12.5)
Transfer to the Consolidated Income Statement for the period	2.7	(0.2)	(1.5)	1.0
Income taxes	(0.2)	0.4	2.6	2.8
Currency translation adjustment	–	(0.1)	–	(0.1)
as of August 31, 2014	**(4.2)**	**(0.3)**	**(2.5)**	**(7.0)**
Movements in the period:				
Gains/(losses) taken into equity	2.5	9.5	0.2	12.2
Transfer to the Consolidated Income Statement for the period	0.5	(2.9)	(0.1)	(2.5)
Income taxes	0.1	(1.5)	–	(1.4)
Currency translation adjustment	–	0.2	(0.6)	(0.4)
as of February 28, 2015	**(1.1)**	**5.0**	**(3.0)**	**0.9**

Cash flow hedges

In the course of the first half of fiscal year 2014/15, the Group entered into interest rate derivatives (exchanging floating into fixed interest rates) according to the guidelines stipulated in the Group's Treasury Policy. In order to avoid volatility in the Consolidated Income Statement, the interest rate derivatives have been put in a cash flow hedge relationship.

The Group entered into certain cocoa bean futures as well as foreign exchange forward and futures contracts, which have been put into a cash flow hedge relationship. The amounts recognized within other comprehensive income for these contracts are expected to impact the Consolidated Income Statement within one year.

Fair value hedges

Fair value hedges include forward and future contracts designated as the hedging instruments for foreign currency risks and cocoa price risk.

In case of foreign currency risks, the fair value of hedged firm commitments is outlined in the table "Hedged firm commitments" below. The balance of these items at balance sheet date is presented under trade receivables and other current assets and trade payables and other current liabilities, respectively.

Hedged firm commitments

as of	Feb 28, 2015		Aug 31, 2014	
in million CHF	Assets	Liabilities	Assets	Liabilities
Foreign exchange risk – sales and purchase contracts	34.2	7.1	4.0	2.1
Total fair value of hedged firm commitments	**34.2**	**7.1**	**4.0**	**2.1**

Other – no hedge accounting

This position contains the fair values of derivative financial instruments of the Group's purchasing and sourcing center and the Group's Treasury center, which are not designated for hedge accounting.

Fair Value measurement

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

Carrying amount and fair value of each class of financial asset and liability are presented in the table below.

as of February 28, 2015	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
in million CHF						
Cash equivalents		70.3			70.3	70.3
Short-term deposits		22.5			22.5	22.5
Trade receivables	63.4	385.5			448.9	448.9
Derivative financial assets	510.4				510.4	510.4
Other assets		85.8			85.8	85.8
Total assets	**573.8**	**564.1**			**1,137.9**	**1,137.9**
Bank overdrafts				20.4	20.4	20.4
Short-term debt				482.1	482.1	482.1
Trade payables				653.5	653.5	653.5
Derivative financial liabilities			546.9		546.9	546.9
Long-term debt				1,380.9	1,380.9	1,526.8
Other liabilities				294.6	294.6	294.6
Total liabilities			**546.9**	**2,831.5**	**3,378.4**	**3,524.3**

as of September 1, 2014	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
in million CHF						
Cash equivalents		85.5			85.5	85.5
Short-term deposits		2.2			2.2	2.2
Trade receivables	64.1	389.2			453.3	453.3
Derivative financial assets	336.0				336.0	336.0
Other assets		89.9			89.9	89.9
Total assets	**400.1**	**566.8**			**966.9**	**966.9**
Bank overdrafts				17.6	17.6	17.6
Short-term debt				457.5	457.5	457.5
Trade payables				605.9	605.9	605.9
Derivative financial liabilities			322.9		322.9	322.9
Long-term debt				1,416.1	1,416.1	1,563.1
Other liabilities				176.2	176.2	176.2
Total liabilities			**322.9**	**2,673.3**	**2,996.2**	**3,143.2**

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.

The following table summarizes the use of level with regard to financial assets and liabilities which are measured at fair value:

as of February 28, 2015 in million CHF	Level 1	Level 2	Level 3	Total
Trade receivables	–	63.4	–	63.4
Derivative financial assets	45.3	465.1	–	510.4
Derivative financial liabilities	49.0	497.9	–	546.9
Long-term debt	–	1,526.8	–	1,526.8

as of September 1, 2014 in million CHF	Level 1	Level 2	Level 3	Total
Trade receivables	–	64.1	–	64.1
Derivative financial assets	38.5	297.5	–	336.0
Derivative financial liabilities	40.5	282.4	–	322.9
Long-term debt	–	1,563.1	–	1,563.1

During the six-month period ended February 28, 2015, there were no transfers between the levels.

Significant transactions with related parties

On February 25, 2015, the Group (borrower) and Jacobs Holding AG (lender) have entered into a CHF 150 million Term Loan Agreement with maturity in 2017. The Term Loan Agreement ranks pari passu with the EUR 350 million Senior Note, the EUR 250 million Senior Note, the EUR 600 million Revolving Credit Facility, the USD 400 million Senior Note and the EUR 175 million Term Loan.

Contingencies
Barry Callebaut is not aware of any new significant litigations or other contingent liabilities compared to the situation as of August 31, 2014.

Dividends/Capital reduction and repayment
By resolution of the Annual General Meeting on December 10, 2014, the shareholders approved the proposed payment of CHF 15.50 per share, effected through a dividend payment from reserves from capital contributions. The respective payment to the shareholders took place on March 2, 2015. The Company does not intend to pay any interim dividend.

Impact of the decision of the Swiss National Bank to discontinue the minimum exchange rate of CHF 1.20 per Euro
The Group generates approx. 99% of its sales revenue outside of Switzerland and therefore has limited operational exposure to the Swiss franc. Furthermore, the Group hedges all relevant exposure arising from operational and financing transactions. However, the company's reporting currency is the Swiss franc, thus it is subject to currency translation impacts on the reported figures.

3 Subsequent events

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

Information

Barry Callebaut
Half-Year Results 2014/15

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Financial calendar

July 8, 2015
9-month key sales figures 2014/15

November 4, 2015
Full-year results 2014/15, Zurich

December 9, 2015
Annual General Meeting of Shareholders 2014/15, Zurich

Forward-looking statements

Certain statements in this Letter to Investors report regarding the business of Barry Callebaut 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", and "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 Barry Callebaut's future financial results are discussed in this Letter to Investors as well as in the Annual Report 2013/14. 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 that are accurate today, April 1, 2015. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

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