BARRY CALLEBAUT

Half-Year Results 2018/19

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

Half-Year Results 2018/19 in brief

- Sales volume up +2.4% on top of a strong prior-year base
- Sales revenue of CHF 3.7 billion, up +6.0% in local currencies (+3.5% in CHF)
- Operating profit (EBIT) up +12.4% in local currencies (+8.9% in CHF)
- Net profit up +18.8% in local currencies (+15.1% in CHF)
- On track to deliver on current mid-term guidance[1]

	EMEA	Americas	Asia Pacific	Global Cocoa
Volume growth vs. prior year in tonnes	+2.0%	+5.8%	+5.7%	(1.7%)
EBIT growth vs. prior year in local currencies	+6.1%	+8.5%	+10.8%	+22.5%

1 On average for the 4-year period 2015/16 to 2018/2019: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events.

Letter to Shareholders

Dear Shareholders,

An acceleration of volume growth in the second quarter, combined with the consistent execution of our 'smart growth' strategy, delivered a strong profit increase for the first six months of this fiscal year.

Accelerating growth momentum

We grew our **sales volume** by +2.4% to 1,046,695 tonnes. Sales volume in the chocolate business was up +3.5%, which is well above the global chocolate confectionery market growth rate of +1.5%[1]. Region Americas (+5.8%) continued its healthy growth in the first six months of this fiscal year. Sales volume growth accelerated in Region Asia Pacific (+5.7%), as well as in Region EMEA (+2.0%), where sales volume picked up strongly in the second quarter. Our **sales revenue** increased by +6.0% in local currencies (+3.5% in CHF) at a higher rate than volume growth to CHF 3,672.7 million, for a large part related to rising raw material prices and a better product mix.

Strong profitability

Operating profit (EBIT) improved by +12.4% in local currencies (+8.9% in CHF), well ahead of volume growth, and amounted to CHF 301.4 million, mainly due to increased gross profit and improved cost management. As a result, EBIT per tonne improved by +9.8% in local currencies (+6.4% in CHF) to CHF 288. **Net profit** for the period was up +18.8% in local currencies (+15.1% in CHF) to CHF 199.1 million. This was due to the strong increase in EBIT and lower income tax expenses, partially offset by higher net finance costs.

Strategic milestones

Expansion: In March 2019 we opened our new office in Beijing as well as the second CHOCOLATE ACADEMY™ Center in China – the 22nd globally. These openings emphasize the strategic importance of the Chinese market, where we have been active for more than a decade. Also in March, we inaugurated the new Global Packaging Center in Halle, Belgium, which services Gourmet customers across the world and considerably strengthens the supply chain in our growing Gourmet business. In February 2019, we announced completion of the acquisition of Inforum, a leading Russian B2B producer of chocolate, compound coatings and fillings. The transaction strengthens our presence in the Russian market, the second largest chocolate confectionery market globally.

Innovation: Ruby chocolate celebrated its first anniversary March 19, 2019, in Tokyo, Japan, where ruby was first introduced to the consumer by Nestlé KITKAT® Japan. Since then ruby, the fourth type of chocolate, has been making waves in consumer markets across the world. It has been introduced by artisans and more than 20 brands and is currently available in over 40 markets in South Asia, Europe, South America, Australia, New Zealand and South Africa. To spur the arrival and expansion of the fourth chocolate category, we initiated rubychocolate.com, a crowdsourced platform where consumers are invited to share their voice and excitement on Ruby chocolate. Early 2019, Unilever launched Magnum Vegan in the US and in Australia, crafted with dairy-free chocolate from us.

Sustainability: In order to track our progress towards our target to become carbon positive by 2025, we submit every year our carbon footprint reduction plans and activities to the Carbon Disclosure Project (CDP). CDP is an independent organization

1 Source: Nielsen chocolate confectionary sales in volume, August 2018 to January 2019 – 25 countries.

Letter to Shareholders

that receives and assesses the carbon reduction plans of over 7,000 companies every year, scoring them on a scale from A, the pioneers, to F. We were awarded an A- on our carbon footprint reduction activities in the CDP 2018 assessment. This puts us in the top 6% of the disclosing companies. In March 2019, we published our action plan under the Cocoa and Forests Initiative. Under this action plan we have already mapped 100% of the farms and warehouses in our direct supply chain at risk of sourcing from protected forest areas. This means that we have mapped all the cocoa farms within 5 kilometers and all cocoa warehouses within 25 kilometers of a protected forest area. By the end of 2019, we will have mapped all the farms in Côte d'Ivoire and Ghana in our direct supply chain, establishing 100% traceability for our direct supply chain in the world's two largest cocoa producing countries.

Cost leadership: We successfully issued a EUR 600 million equivalent Schuldscheindarlehen in February 2019. The transaction further improves our debt and liquidity structure by extending the average maturity and diversifying our sources of financing at attractive interest rates. The transaction contains tranches in EUR and CHF and is the biggest CHF transaction ever placed in the market. A significant portion of the proceeds will finance sustainability projects. Given the success of our debut in the Schuldscheindarlehen market, we are considering the early redemption of our outstanding Senior Note of EUR 250 million, maturing on June 15, 2021.

Outlook

We have good visibility in our portfolio and expect a further acceleration in sales momentum. This makes us confident we can deliver on our mid-term guidance for the period ending with fiscal year 2018/19. Going forward, we remain committed to achieving consistent above-market volume growth and enhanced profitability. This is why we renewed our mid-term guidance[2] for the coming three fiscal years.

April 11, 2019

Patrick De Maeseneire
Chairman of the Board

Antoine de Saint-Affrique
Chief Executive Officer

2 On average for the three-year period 2019/20 to 2021/22: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events.

Letter to Shareholders

"Our 'smart growth' strategy continues to deliver strong profitability and value for our shareholders."

Patrick De Maeseneire, Chairman of the Board

"Further acceleration in sales momentum makes us confident to deliver on our current mid-term guidance."

Antoine de Saint-Affrique, CEO

Key Figures (unaudited)

Consolidated Income Statement

for the 6-month period ended February 28,		Change (%) in local currencies	Change (%) in CHF	2019	2018
Sales volume	Tonnes		2.4%	1,046,695	1,022,565
Sales revenue	CHF m	6.0%	3.5%	3,672.7	3,549.9
Gross profit	CHF m	8.5%	5.7%	584.8	553.0
EBITDA[1]	CHF m	10.7%	7.6%	386.7	359.4
Operating profit (EBIT)	CHF m	12.4%	8.9%	301.4	276.8
EBIT per tonne[2]	CHF	9.8%	6.4%	287.9	270.7
Net profit for the period[3]	CHF m	18.8%	15.1%	199.1	173.0
Adjusted net profit for the period[4]	CHF m	12.3%	8.7%	199.1	183.1
Free cash flow[5]	CHF m	n/a	n/a	(140.6)	39.0
Adjusted Free cash flow[6]	CHF m	n/a	n/a	(31.4)	102.8

Consolidated Balance Sheet

as of February 28,		Change (%) reported	Change (%) Pro-forma (IFRS 15)	2019	2018[7]	2018 Pro-forma (IFRS 15)[8]
Total assets	CHF m	11.7%	5.8%	6,820.4	6,105.9	6,444.3
Net working capital[9]	CHF m	62.0%	23.6%	1,762.1	1,087.7	1,426.1
Non-current assets	CHF m	2.9%	2.9%	2,639.9	2,566.5	2,566.5
Net debt[10]	CHF m	46.4%	14.4%	1,769.6	1,208.4	1,546.8
Adjusted Net debt[11]	CHF m	12.7%	12.7%	837.7	743.3	743.3
Shareholders' equity[12]	CHF m	10.9%	10.9%	2,383.9	2,150.0	2,150.0

Shares

for the 6-month period ended February 28,		Change (%)	2019	2018
Share price (end of period)	CHF	(7.9%)	1,719.0	1,867.0
EBIT per share[13]	CHF	9.0%	55.0	50.4
Basic earnings per share[14]	CHF	15.6%	36.4	31.5
Cash earnings per share[15]	CHF	n/a	(25.6)	7.1
Adjusted Cash earnings per share[16]	CHF	n/a	(5.7)	18.7

Other

as of February 28,	2019	2018
Employees	11,684	11,262

1 EBIT + depreciation of property, plant and equipment + amortization of intangibles.
2 EBIT / sales volume.
3 Including non-controlling interests.
4 Net profit for the period adjusted for the one-off tax expense impact of CHF 10.1m for the US and Belgian tax reforms in the prior-year period.
5 Net cash flow from operating activities – Net cash flow from investing activities (adjusted for acquisitions / disposals of subsidiaries).
6 Free cash flow adjusted for the cash flow impact of cocoa bean inventories regarded by the Group as readily marketable inventories.
7 Restated, see page 17, Summary of Accounting Policies – Restatement and reclassification of prior-year comparatives.
8 Prior-year period comparative balance sheet adjusted to reflect the estimated impact of IFRS 15 had it been adopted at the time (for current year impact see Accounting Policies, page 18, IFRS 15 – 3. Transfer of Control).
9 Includes current assets, liabilities and provisions related to commercial activities. Net working capital increase compared to the prior-year period is partly due to the introduction of IFRS 15 – see page 18, Summary of Accounting Policies for further details.
10 Net debt increase compared to the prior-year period is partly due to the introduction of IFRS 15 – see page 18, Summary of Accounting Policies for further details.
11 Net debt adjusted for Cocoa beans regarded by the Group as readily marketable inventories (Feb 2019: CHF 931.9 million, Feb 2018: CHF 465.0 million, and CHF 803.5 million if pro-forma adjusted for IFRS 15).
12 Total equity attributable to the shareholders of the parent company.
13 EBIT / basic shares outstanding.
14 Based on the net profit attributable to the shareholders of the parent company / basic shares outstanding.
15 Free cash flow / basic shares outstanding.
16 Adjusted Free cash flow / basic shares outstanding.

Key Figures (unaudited)

By Region

for the 6-month period ended February 28,		Change (%) in local currencies	Change (%) in CHF	2019	2018
EMEA					
Sales volume	Tonnes		2.0%	480,721	471,120
Sales revenue	CHF m	1.3%	(2.3%)	1,542.0	1,577.8
EBITDA	CHF m	6.3%	2.2%	208.9	204.5
Operating profit (EBIT)	CHF m	6.1%	1.9%	178.3	175.0
Americas					
Sales volume	Tonnes		5.8%	281,204	265,904
Sales revenue	CHF m	9.6%	10.1%	908.5	825.5
EBITDA	CHF m	9.6%	8.4%	111.8	103.2
Operating profit (EBIT)	CHF m	8.5%	7.0%	90.4	84.5
Asia Pacific					
Sales volume	Tonnes		5.7%	57,192	54,121
Sales revenue	CHF m	7.2%	7.7%	204.1	189.5
EBITDA	CHF m	9.0%	9.4%	31.8	29.1
Operating profit (EBIT)	CHF m	10.8%	11.2%	26.9	24.2
Global Cocoa					
Sales volume	Tonnes		(1.7%)	227,578	231,420
Sales revenue	CHF m	10.5%	6.4%	1,018.1	957.1
EBITDA	CHF m	13.5%	11.0%	81.7	73.7
Operating profit (EBIT)	CHF m	22.5%	19.4%	54.6	45.7

By Product Group

for the 6-month period ended February 28,		Change (%) in local currencies	Change (%) in CHF	2019	2018
Sales volume					
Cocoa Products	Tonnes		(1.7%)	227,578	231,420
Food Manufacturers Products	Tonnes		3.4%	688,602	665,763
Gourmet & Specialties Products	Tonnes		4.1%	130,515	125,382
Sales revenue					
Cocoa Products	CHF m	10.5%	6.4%	1,018.1	957.1
Food Manufacturers Products	CHF m	4.8%	3.0%	2,046.7	1,987.4
Gourmet & Specialties Products	CHF m	2.9%	0.4%	607.9	605.4

Financial review

Strong profitability and accelerating growth momentum

Half-year results for fiscal year 2018/19[1]

Consolidated Income Statement

Accelerating volume growth, supportive market and improved product mix translated into strong profitability

Sales volume reached 1,046,695 tonnes in the first half of fiscal year 2018/19. Volume growth gained momentum in the second quarter growing at +3.1%, leading to a total increase of +2.4% for the six-month period. Sales volume in the chocolate business grew by +3.5%, which was partly offset by an anticipated decline of –1.7% in Global Cocoa. The increase in the chocolate business was on top of a strong prior-year base and well above the underlying global chocolate confectionery market, which was growing by +1.5% according to Nielsen[2].

Sales revenue grew by +6.0% in local currencies (+3.5% in CHF) to CHF 3,672.7 million. This increase is partly due to the first time adoption of IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"), which led to a grossing up of "Sales revenue" and "Cost of goods sold" by CHF 79.1 million. Excluding this effect, sales revenue still grew ahead of volume growth, by +4.0% in local currencies (+1.2% in CHF). This increase is mainly the result of an improved product mix.

Gross profit reached CHF 584.8 million, an increase of +8.5% in local currencies (+5.7% in CHF). The increase above volume growth was driven by a supportive market environment and an improved product mix. All regions and product groups contributed to this growth.

Marketing and sales expenses amounted to CHF 73.6 million, which corresponded to a decrease of –3.2%. This decrease was due to the different phasing of promotional initiatives compared to prior year. The costs include the promotion of global Gourmet brands and related distribution and sales networks worldwide, as well as the sales network for specialty products to Food Manufacturers.

General and administration expenses increased by +3.5 % to CHF 209.9 million. This increase was attributed to the Group's overall business growth, investments in continuous improvement initiatives and the impact of recent acquisitions.

Other income amounted to CHF 10.4 million compared to CHF 11.8 million in the prior year. This included operating, but non-sales-related income, such as sales of waste products, third-party income from the CHOCOLATE ACADEMY™ Centers and the Group's Training Center, and reimbursements related to insurance and supplier claims.

1 Comparables refer to the same prior-year period unless otherwise stated.
2 Source: Nielsen chocolate confectionery sales in volume Aug 2018 to Jan 2019 – 25 countries.

Financial review

Other expenses increased from CHF 9.3 million to CHF 10.3 million. This position included impairment charges, losses on disposal of assets, and claims and litigation costs not covered by insurance.

Operating profit (EBIT) improved by +12.4% in local currencies (+8.9% in CHF) to CHF 301.4 million mainly due to the increased gross profit and improved cost management. As a result, EBIT per tonne improved by +9.8% in local currencies (+6.4% in CHF) to CHF 288.

Finance income increased from CHF 2.9 million to CHF 5.8 million mainly due to higher interest income.

Finance costs increased from CHF 52.2 million to CHF 60.5 million mainly due to the higher average net debt to finance the increased net working capital. This was partly the result of the adoption of IFRS 15 that required the recognition of cocoa beans on balance sheet at an earlier stage in the value chain.

Income tax expenses decreased to CHF 47.5 million, compared to CHF 54.6 million in the prior-year period. The prior-year base was impacted by a one-time non-cash expense of CHF 10.1 million related to tax reforms in Belgium and the US enacted in late 2017. On the other hand, income tax expenses increased due to the growth of profit before tax. The Group’s reported effective tax rate decreased to 19.3%, compared to 24.0% in the comparable period (adjusted for the above-mentioned one-time effect, the effective tax rate of prior year was 19.5%).

Net profit for the period was up +18.8% in local currencies (+15.1% in CHF) to CHF 199.1 million. This was due to the strong increase in EBIT and lower income tax expenses, partly offset by higher net finance costs. Adjusted for the aforementioned one-time effect on income tax expense in prior year, net profit for the period was up +12.3% in local currencies (+8.7% in CHF).

Consolidated Balance Sheet and financing structure

Higher net working capital and net debt due to catering for anticipated growth and the adoption of IFRS 15

Net working capital increased from CHF 1,087.7 million in the prior year to CHF 1,762.1 million (CHF 1,074.4 million as of August 31, 2018). This was partly the result of the first time adoption of IFRS 15, which required the recognition of cocoa beans at an earlier stage of the value chain in inventories. This led to an adjustment of CHF 336.1 million in the opening balance sheet as of September 1, 2018 and consequently had no cash flow effect. The remaining increase of net working capital is largely due to higher inventories of CHF 273.7 million compared to prior year (CHF 256.1 million compared to August 2018). This increase in inventories was partly due to the earlier arrival of the main crop in West Africa, which led to increased cocoa bean inventories, regarded by the Group as readily marketable inventories (RMI)[3]. Together with the build-up of required additional inventories, this will allow the Group to fuel its anticipated volume growth in the second half of the fiscal year and to prepare for potential Brexit scenarios. The comparative net working capital in prior year was also lower as it still included the payable for last year’s dividend in the amount of CHF 109.8 million.

3 Readily marketable inventories (RMI) amounted to CHF 931.9 million as of Feb 28, 2019 compared to prior year CHF 803.5 million and CHF 794.4 million as of Aug 31, 2018 (both comparatives pro-forma adjusted for IFRS 15).

Financial review

Net debt amounted to CHF 1,769.6 million compared to CHF 1,208.4 million in the prior year and to CHF 1,074.3 million as of August 31, 2018. The increase in net debt related to the higher financing needs for the working capital as explained above and was partly due to the impact of the first time adoption of IFRS 15. In addition, the Group paid the dividend amounting to CHF 131.5 million earlier than prior year when the payable of CHF 109.8 million was still included in net working capital.

Taking into consideration the cocoa beans in inventory regarded by the Group as readily marketable inventories (RMI), **Adjusted net debt** amounted to CHF 837.7 million (February 28, 2018: CHF 743.3 million; August 31, 2018: CHF 616.0 million).

On February 13, 2019 the Group issued a Schuldscheindarlehen in the equivalent of EUR 600 million (CHF 681.9 million), of which EUR 467 million was issued in EUR and the equivalent of EUR 133 million in CHF. At issuance, the weighted average tenor and interest rate were 7.7 years at 1.53% for EUR tranches and 8.1 years at 1.25% for CHF tranches.

Total assets increased from CHF 6,105.9 million in the prior-year period to CHF 6,820.4 million. This increase mainly came from the higher net working capital as explained above.

Total equity attributable to the shareholders of the parent company increased to CHF 2,383.9 million compared to CHF 2,150.0 million in the prior-year period and CHF 2,269.8 million on August 31, 2018. The increase versus both comparable periods mainly corresponds to the excess of net profit for the period over the dividend payout to shareholders recorded during the period and to currency translation adjustments.

Consolidated Cash Flow Statement

Free cash flow affected by increased working capital to cater for expected growth

Net cash flow from operating activities amounted to CHF –21.2 million compared to an inflow of CHF 115.3 million in the prior-year period. The decrease was the result of a higher net cash outflow for inventories due to the earlier arrival of the main crop in West Africa, and to prepare the Group for the anticipated volume growth in the remainder of this fiscal year and Brexit scenarios.

Net cash flow from investing activities was CHF –153.6 million compared to CHF –206.1 million in the prior year. This included the Group's investments in property, plant and equipment and intangibles amounting to CHF –127.2 million (prior year CHF –105.9 million) and cash paid for acquisitions of CHF –34.2 million (prior year CHF –129.8 million). The lower investing cash outflow was mainly due to lower cash out for acquisitions, partly offset by higher capital expenditures.

As a result, **Free cash flow** for the six-month period amounted to CHF –140.6 million compared to CHF 39.0 million in the prior year. Adjusted for the cash flow effect of cocoa beans considered as readily marketable inventories (RMI), adjusted free cash flow amounted to CHF –31.4 million compared to CHF 102.8 million the prior year.

Net cash from financing activities amounted to CHF 114.9 million compared to CHF –6.4 million in the prior year. This included the proceeds from the issuance of a Schuldscheindarlehen in the amount of CHF 681.9 million as mentioned above and the repayment of short term debt in the amount of CHF 480.3 million. The net cash inflow from debt issuance and repayments in the amount of CHF 269.1 million was mainly used for the payment of the dividend in the amount of CHF –131.5 million and the financing of the higher net working capital.

Consolidated Interim Financial Statements

Consolidated Income Statement (unaudited)

for the 6-month period ended February 28,	2019	2018
in thousands of CHF		
Revenue from sales and services	**3,672,720**	**3,549,948**
Cost of goods sold	(3,087,961)	(2,996,903)
Gross profit	**584,759**	**553,045**
Marketing and sales expenses	(73,570)	(75,991)
General and administration expenses	(209,934)	(202,816)
Other income	10,414	11,848
Other expenses	(10,306)	(9,266)
Operating profit (EBIT)[1]	**301,363**	**276,820**
Finance income	5,771	2,926
Finance costs	(60,507)	(52,152)
Share of result of equity-accounted investees, net of tax	–	7
Profit before income taxes	**246,627**	**227,601**
Income tax expenses	(47,548)	(54,569)
Net profit for the period	**199,079**	**173,032**
of which attributable to:		
shareholders of the parent company	199,571	173,004
non-controlling interests	(492)	28
Earnings per share		
Basic earnings per share (CHF/share)	36.41	31.49
Diluted earnings per share (CHF/share)	36.20	31.31

1 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 Interim Financial Statements

Consolidated Statement of Comprehensive Income (unaudited)

for the 6-month period ended February 28,	2019	2018
in thousands of CHF		
Net profit for the period	**199,079**	**173,032**
Currency translation adjustments	69,447	(29,663)
Cash flow hedges	4,616	7,005
Tax effect on cash flow hedges	3,039	(3,105)
Items that may be reclassified subsequently to the income statement	**77,102**	**(25,763)**
Remeasurement of defined benefit plans	(13,903)	(2,105)
Tax effect on remeasurement of defined benefit plans	2,204	2,035
Items that will never be reclassified to the income statement	**(11,699)**	**(70)**
Other comprehensive income / (loss) for the period, net of tax	**65,403**	**(25,833)**
Total comprehensive income for the period	**264,482**	**147,199**
of which attributable to:		
shareholders of the parent company	264,695	147,216
non-controlling interest	(213)	(17)

Consolidated Interim Financial Statements

Consolidated Balance Sheet (unaudited)

Assets

as of	Feb 28, 2019	Aug 31, 2018	Feb 28, 2018 restated[1]
in thousands of CHF			
Current assets			
Cash and cash equivalents	563,025	404,183	350,173
Short-term deposits	1,494	1,656	1,458
Trade receivables and other current assets	1,095,213	911,904	1,006,840
Inventories	2,068,847	1,476,667	1,459,089
Income tax receivables	40,049	29,685	26,053
Derivative financial assets	411,803	502,471	695,788
Total current assets	**4,180,431**	**3,326,566**	**3,539,401**
Non-current assets			
Property, plant and equipment	1,506,732	1,420,885	1,431,058
Intangible assets	1,030,942	991,510	1,000,290
Employee benefits assets	6,566	5,558	–
Deferred tax assets	70,764	65,679	106,472
Other non-current assets	24,936	21,844	28,671
Total non-current assets	**2,639,940**	**2,505,476**	**2,566,491**
Total assets	**6,820,371**	**5,832,042**	**6,105,892**

Liabilities and equity

as of	Feb 28, 2019	Aug 31, 2018	Feb 28, 2018 restated[1]
in thousands of CHF			
Current liabilities			
Bank overdrafts	236,683	26,267	69,408
Short-term debt	233,912	285,048	314,940
Trade payables and other current liabilities	1,228,746	1,121,082	1,346,330
Income tax liabilities	74,696	52,518	43,264
Derivative financial liabilities	518,039	641,997	683,298
Provisions	30,836	26,015	23,463
Total current liabilities	**2,322,912**	**2,152,927**	**2,480,703**
Non-current liabilities			
Long-term debt	1,863,496	1,168,797	1,175,808
Employee benefit obligations	139,291	130,826	139,109
Provisions	9,197	8,735	30,745
Deferred tax liabilities	66,625	70,892	94,570
Other non-current liabilities	19,442	14,354	20,035
Total non-current liabilities	**2,098,051**	**1,393,604**	**1,460,267**
Total liabilities	**4,420,963**	**3,546,531**	**3,940,970**
Equity			
Share capital	110	110	110
Retained earnings and other reserves	2,383,796	2,269,686	2,149,904
Total equity attributable to the shareholders of the parent company	**2,383,906**	**2,269,796**	**2,150,014**
Non-controlling interest	15,502	15,715	14,908
Total equity	**2,399,408**	**2,285,511**	**2,164,922**
Total liabilities and equity	**6,820,371**	**5,832,042**	**6,105,892**

1 See page 17, Summary of Accounting Policies – Restatement and reclassification of prior-year comparatives.

Consolidated Interim Financial Statements

Consolidated Statement of Cash Flows (unaudited)

Cash flows from operating activities

for the 6-month period ended February 28,	2019	2018 restated[1]
in thousands of CHF		
Net profit for the period	199,079	173,032
Income tax expenses	47,548	54,569
Depreciation, amortization and impairment	85,613	82,553
Interest expenses/(interest income)	49,371	41,495
Loss/(gain) on sale of property, plant and equipment, net	129	(5)
Increase/(decrease) of employee benefit obligations	(8,040)	(4,155)
Change in working capital:	(347,627)	(148,401)
Inventories	(183,289)	(170,428)
Derivative financial assets/liabilities	(20,415)	241,773
Trade receivables and other current assets	(166,313)	(282,213)
Trade payables and other current liabilities	22,390	62,467
Provisions less payments	4,640	(2,250)
Other non-cash-effective items	18,199	(10,838)
Cash generated from operating activities	**48,912**	**186,001**
(Interest paid)	(36,335)	(27,305)
(Income taxes paid)	(33,803)	(43,351)
Net cash from operating activities	**(21,226)**	**115,345**

Cash flows from investing activities

for the 6-month period ended February 28,	2019	2018
in thousands of CHF		
Purchase of property, plant and equipment	(101,170)	(92,646)
Proceeds from sale of property, plant and equipment	553	3,377
Purchase of intangible assets	(26,020)	(13,269)
Acquisition of subsidiaries/businesses net of cash acquired	(34,214)	(129,808)
Purchase of short-term deposits	(1,483)	(68)
Proceeds from sale of short-term deposits	24	80
Sale/(purchase) of other non-current assets	3,253	16,284
Interest received	5,419	9,918
Net cash flow from investing activities	**(153,638)**	**(206,132)**

1 See page 17, Summary of Accounting Policies – Restatement and reclassification of prior-year comparatives.

Consolidated Interim Financial Statements

Cash flows from financing activities

for the 6-month period ended February 28,	2019	2018
in thousands of CHF		
Proceeds from the issue of short-term debt	67,635	–
Repayment of short-term debt	(480,317)	(2,191)
Proceeds from the issue of long-term debt	681,879	1,610
Repayment of long-term debt	(87)	–
Dividend payment	(131,461)	–
Purchase of treasury shares	(22,781)	(5,866)
Effect of changes in non-controlling interests	–	43
Net cash flow from financing activities	**114,868**	**(6,404)**
Effect of exchange rate changes on cash and cash equivalents	8,422	(72)
Net increase (decrease) in cash and cash equivalents	**(51,574)**	**(97,263)**
Cash and cash equivalents at the beginning of the period	377,916	378,028
Cash and cash equivalents at the end of the period	326,342	280,765
Net increase (decrease) in cash and cash equivalents	**(51,574)**	**(97,263)**
Cash and cash equivalents	563,025	350,173
Bank overdrafts	(236,683)	(69,408)
Cash and cash equivalents as defined for the cash flow statement	**326,342**	**280,765**

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Consolidated Statement of Changes in Equity (unaudited)

Attributable to the shareholders of the parent company	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustment	Total	Non-controlling interests	Total equity
in thousands of CHF								
Restated as of September 1, 2017[1]	**40,014**	**(15,105)**	**2,629,403**	**(12,312)**	**(530,813)**	**2,111,187**	**14,925**	**2,126,112**
Currency translation adjustments	–	–	–	–	(29,618)	(29,618)	(45)	(29,663)
Effect of cash flow hedges	–	–	–	7,005	–	7,005	–	7,005
Tax effect on cash flow hedges	–	–	–	(3,105)	–	(3,105)	–	(3,105)
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**3,900**	**(29,618)**	**(25,718)**	**(45)**	**(25,763)**
Remeasurement of defined benefit plans	–	–	(2,105)	–	–	(2,105)	–	(2,105)
Tax effect on remeasurement of defined benefit plans	–	–	2,035	–	–	2,035	–	2,035
Items that will never be reclassified to the income statement	**–**	**–**	**(70)**	**–**	**–**	**(70)**	**–**	**(70)**
Other comprehensive income, net of tax	**–**	**–**	**(70)**	**3,900**	**(29,618)**	**(25,788)**	**(45)**	**(25,833)**
Net profit for the period	–	–	173,004	–	–	173,004	28	173,032
Total comprehensive income for the period	**–**	**–**	**172,934**	**3,900**	**(29,618)**	**147,216**	**(17)**	**147,199**
Dividend to shareholders	(39,904)	–	(69,873)	–	–	(109,777)	–	(109,777)
Movements of non-controlling interest	–	–	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	(5,866)	–	–	–	(5,866)	–	(5,866)
Equity-settled share-based payments	–	17,008	(9,754)	–	–	7,254	–	7,254
Restated as of February 28, 2018[1]	**110**	**(3,963)**	**2,722,710**	**(8,412)**	**(560,431)**	**2,150,014**	**14,908**	**2,164,922**
as of August 31, 2018	**110**	**(20,920)**	**2,924,938**	**(16,256)**	**(618,076)**	**2,269,796**	**15,715**	**2,285,511**
Impact of change in accounting policy (IFRS 15), net of tax[2]	–	–	(4,121)	–	–	(4,121)	–	(4,121)
as of September 1, 2018	**110**	**(20,920)**	**2,920,817**	**(16,256)**	**(618,076)**	**2,265,675**	**15,715**	**2,281,390**
Currency translation adjustments	–	–	–	–	69,168	69,168	279	69,447
Effect of cash flow hedges	–	–	–	4,616	–	4,616	–	4,616
Tax effect on cash flow hedges	–	–	–	3,039	–	3,039	–	3,039
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**7,655**	**69,168**	**76,823**	**279**	**77,102**
Remeasurement of defined benefit plans	–	–	(13,903)	–	–	(13,903)	–	(13,903)
Tax effect on remeasurement of defined benefit plans	–	–	2,204	–	–	2,204	–	2,204
Items that will never be reclassified to the income statement	**–**	**–**	**(11,699)**	**–**	**–**	**(11,699)**	**–**	**(11,699)**
Other comprehensive income, net of tax	**–**	**–**	**(11,699)**	**7,655**	**69,168**	**65,124**	**279**	**65,403**
Net profit for the period	–	–	199,571	–	–	199,571	(492)	199,079
Total comprehensive income for the period	**–**	**–**	**187,872**	**7,655**	**69,168**	**264,695**	**(213)**	**264,482**
Dividend to shareholders	–	–	(131,461)	–	–	(131,461)	–	(131,461)
Movements of non-controlling interest	–	–	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	(22,781)	–	–	–	(22,781)	–	(22,781)
Equity-settled share-based payments	–	24,195	(16,417)	–	–	7,778	–	7,778
as of February 28, 2019	**110**	**(19,506)**	**2,960,811**	**(8,601)**	**(548,908)**	**2,383,906**	**15,502**	**2,399,408**

1 See page 17, Summary of Accounting Policies – Restatement and reclassification of prior-year comparatives.
2 See page 18, Summary of Accounting Policies – New accounting policies with effect from September 1, 2018.

Consolidated Interim Financial Statements

Summary of Accounting Policies

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 April 10, 2019.

Basis of presentation and accounting policies

The condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial positions and performance since the last annual financial statement.

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

Except as described below, 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 2017/18.

Restatement and reclassification of prior-year comparatives

The Group undertook a review of its intercompany transactions and related intercompany profit elimination in accordance with the approach taken for restatement of the prior year in financial statements for fiscal year 2017/18. For the comparative six-month period ended February 28, 2018, this resulted in a restatement of the Consolidated Interim Balance Sheet due to the carrying forward of the restatement made in the restated Consolidated Balance Sheet made as of September 1, 2017 and overall neutral reclassifications within Cash generated from operating activities. The effect on Consolidated Interim Income Statement for the six-month period ended February 28, 2018 was assessed to be immaterial, and therefore no restatement was made.

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 in the Consolidated Balance Sheet as "Trade receivables and other current assets" in the amount of CHF 9.3 million to "Derivative financial assets" and "Trade payables and other current liabilities" in the amount of CHF 9.2 million to "Derivative financial liabilities". 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 comparative period 2017/18 in the Consolidated Interim Balance Sheet, Consolidated Interim Cash Flow Statement 2017/18 and in the related accompanying Notes to the Consolidated Interim Financial Statements 2017/18.

The following tables summarize the impacts on the Group's consolidated financial statements:

Consolidated Interim Financial Statements

Consolidated Interim Balance Sheet

as of February 28, 2018	As previously reported	Adjustments	As restated
in millions of CHF			
Trade receivables and other current assets	1,016	(9)	1,007
Inventories	1,500	(41)	1,459
Derivative financial assets	746	(50)	696
Total current assets	**3,640**	**(100)**	**3,539**
Deferred tax assets	87	20	106
Total non-current assets	**2,547**	**20**	**2,566**
Total assets	**6,187**	**(81)**	**6,106**
Trade payables and other current liabilities	1,356	(9)	1,346
Derivative financial liabilities	687	(4)	683
Total current liabilities	**2,494**	**(13)**	**2,481**
Retained earnings and other reserves	2,217	(68)	2,150
Total equity attributable to the shareholders of the parent company	**2,218**	**(68)**	**2,150**
Total equity	**2,232**	**(68)**	**2,165**
Total liabilities and equity	**6,187**	**(81)**	**6,106**

Consolidated Interim Cash Flow Statement

for the 6-month period ended February 28, 2018	As previously reported	Adjustments	As restated
in millions of CHF			
Profit for the period	173	–	173
Income tax expense	55	–	55
Change in working capital:	(148)	–	(148)
Inventories	(173)	2	(170)
Derivative financial assets/liabilities	251	(9)	242
Trade receivables and other current assets	(270)	(12)	(282)
Trade payables and other current liabilities	43	19	62
Cash generated from operating activities	**186**	**–**	**186**
Net cash from operating activities	**115**	**–**	**115**
Net cash flow from investing activities	**(206)**	**–**	**(206)**
Net cash flow from financing activities	**(6)**	**–**	**(6)**

New accounting policies with effect from September 1, 2018

IFRS 15 – Revenue from Contracts with Customers

The Group has initially adopted the standard from September 1, 2018, using the cumulative effect method, recognizing the transitional adjustment as adjustment to the opening balance of retained earnings of the reporting period 2018/19, which includes the date of the initial applications. Accordingly, comparatives for the reporting period 2017/18 have not been restated.

The standard has been applied retrospectively only to contracts that are not completed contracts at the date of the initial application.

The Group applies the practical expedient to recognize the incremental costs of obtaining a contract as an expense when incurred as the amortization period of the asset that the Group otherwise would have recognized is less than one year.

Consolidated Interim Financial Statements

Impact on the Consolidated Financial Statements

The Group has reviewed its typical commercial arrangements with customers applying the five-step model and has concluded that the transition to IFRS 15 has these main effects:

1. Agent vs Principal

Under the accounting guidance of IFRS 15 the Group has reassessed accounting for certain raw materials sales transactions, in which under the prior standard the Group was considered "agent" and recognized the respective revenue on net basis.

The Group concluded that under IFRS 15 it has control of the goods sold prior to the transfer to the customer and the revenue for these goods is to be recognized gross.

The reassessment of these transactions has a positive effect of CHF 89.3 million on the *Revenue from goods and services* and a negative effect of the same amount on "Cost of goods sold" of the interim Consolidated Income Statement.

2. Variable considerations and considerations paid to customers

Under the prior standard the Group had treated some variable considerations (such as certain types of rebates, discounts, free products and other incentives offered to customers) and considerations payable to customers as cost.

Under the accounting guidance of IFRS 15 variable considerations are treated as a revenue deduction. Considerations payable to customers are to be accounted as a revenue deduction unless they represent payment for distinct goods or services, which does not exceed fair value of these goods or services.

The adoption of IFRS 15 resulted in a negative effect of CHF 10.2 million on *Revenue from goods and services* and a positive effect of the same amount on "Cost of goods sold" of the interim Consolidated Income Statement.

3. Transfer of control

As a result of the change in the revenue recognition principle from "transfer of risks and rewards" to "transfer of control" a one-off transition adjustment to the opening balances of the Consolidated Balance Sheet as of September 1, 2018 affecting inventories, trade payables and short-term debt has been made. These adjustments related to structured solutions that the Group had entered into for the management of working capital of exchange traded commodities (namely cocoa beans). Under the assessment of IFRS 15, the inventories are now recognized in the Group's consolidated balance sheet as the Group has either obtained control over the inventories from the supplier or has not yet passed control to the customer.

A minor effect on equity and deferred tax asset results from the elimination of intercompany profits included in the carrying amount of these inventories, and related deferred taxes.

The following table presents the effects of IFRS 15 transition on the Group's Interim Consolidated Income Statement. Line items, which were not affected by the standard adoption, have not been included.

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Consolidated Income Statement Impact

for the 6-month period ended February 28, 2019	IAS 18	Effects of IFRS 15 adoption	IFRS 15
in millions of CHF			
Revenue from sales and services[1,2]	**3,594**	**79**	**3,673**
Cost of goods sold[1,2]	(3,006)	(79)	(3,088)
Gross profit	**588**	**–**	**585**
Operating profit (EBIT)	**301**	**–**	**301**
Profit before income taxes	**247**	**–**	**247**
Net profit for the period	**199**	**–**	**199**

1 Agent vs Principal – for details refer to page 19.
2 Variable considerations and considerations paid to customers – for details refer to page 19.

The following tables present the adjustments recognized for each individual position of the Consolidated Balance Sheet. Balance sheet positions, which were not affected by the standard adoption, have not been included.

Consolidated Balance Sheet Impact

	Aug 31, 2018	Transition adjustment	Sep 1, 2018
in millions of CHF			
Inventories[3]	1,477	336	1,813
Total current assets	**3,327**	**336**	**3,663**
Deferred tax assets[3]	66	1	67
Total non-current assets	**2,505**	**1**	**2,507**
Total assets	**5,832**	**337**	**6,169**
Trade payables and other current liabilities[3]	1,121	7	1,128
Short-term debt[3]	285	335	620
Total current liabilities	**2,153**	**342**	**2,495**
Total liabilities	**3,547**	**342**	**3,889**
Retained earnings and other reserves[3]	2,270	(4)	2,266
Total equity attributable to the shareholders of the parent company	**2,270**	**(4)**	**2,266**
Total equity	**2,286**	**(4)**	**2,282**
Total liabilities and equity	**5,832**	**337**	**6,169**

3 Transfer of control – for details refer to page 19.

Retained Earnings Impact

The IFRS 15 adoption had a minor effect on the Group's Retained earnings. The opening balance adjustment to Inventories included intercompany profit margins of CHF 5.4 million, which had to be eliminated. The deferred tax related to this item amounted to CHF 1.4 million. Both elements had a net negative effect on the Group's Retained Earnings of CHF 4.0 million.

Consolidated Interim Financial Statements

Consolidated Cash Flow Statement Impact

The cumulative effect method applied in the adoption of IFRS 15 resulted in adjustments to the opening Balance Sheet as of September 1, 2018. As there has been no change in timing of revenue recognition, the Group's Interim Consolidated Cash Flow Statement for the six-month period ended February 28, 2019 has not been affected by the transition to IFRS 15.

Revenue recognition – accounting policies applied from September 1, 2018

The details of the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's main goods and services are set out below.

Revenues from sales and services represent the net sales revenue from raw materials, semi-processed and processed goods transferred to third-party customers and for services related to food processing.

Revenue from sales of goods is recognized at the point in time, when control of the goods has been transferred to the customer, which is typically ex-works or upon delivery.

Revenue is measured at the amount of consideration, which the Group expects to receive in exchange for transferring promised goods or services to the customer. The consideration may include fixed and variable price components as well as discounts, rebates, price concessions or other sales incentives. Discounts, rebates, price concessions or other sales incentives are recognized as revenue deduction at the point in time when the related goods have been transferred to customer. Contributions made to customers for commercial services received are expensed.

Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the cost of returns.

Changes in accounting policies

IFRS 16 – Leases

The new standard was issued on January 13, 2016 and will replace IAS 17 – Leases. The Group will adopt IFRS 16 for the financial year starting September 1, 2019.

The new standard removes the classification of leases as either operating leases or finance leases, however it requires that leasing contracts are recognized in the balance sheet with a lease liability and a corresponding right-of-use asset, unless the underlying asset is of low value or the lease term is less than 12 months. This will result in an increase in assets and liabilities, as well as a decrease in operating expenses and an increase in financial expenses.

The operating lease commitments disclosed in Note 28 – "Capital and lease commitments & guarantees" to the Consolidated Financial Statements 2017/18 provide an indication of the impact. The analysis of the impacts on the Group's consolidated financial statements is ongoing.

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 Consolidated Interim Financial Statements.

Consolidated Interim Financial Statements

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 of foreign operations

For consolidation purposes, assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated into Swiss francs using closing rates of exchange. Income and expenses are translated at the average rates of exchange for the period. Foreign currency differences arising from the translation of foreign operations using the above method are recorded as cumulative translation adjustments in other comprehensive income.

Major foreign exchange rates

	Feb 28, 2019		Aug 31, 2018	Feb 28, 2018	
	Closing rate	Average rate	Closing rate	Closing rate	Average rate
BRL	0.2677	0.2591	0.2311	0.2894	0.3009
EUR	1.1371	1.1338	1.1305	1.1498	1.1595
GBP	1.3320	1.2807	1.2617	1.3064	1.3069
RUB	0.0152	0.0149	0.0142	0.0167	0.0168
USD	1.0003	0.9910	0.9709	0.9395	0.9693
XOF/XAF (unit 1,000)	1.6357	1.6431	1.6789	1.7082	1.7090

Consolidated Interim Financial Statements

1 Segment information

Financial information by reportable segments

for the 6-month period ended February 28, 2019							
in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total Segments	Corporate	Group
Revenues from external customers	**1,541,968**	**908,530**	**204,124**	**1,018,098**	**3,672,720**	**–**	**3,672,720**
Operating profit (EBIT)	**178,276**	**90,423**	**26,941**	**54,608**	**350,248**	**(48,885)**	**301,363**

for the 6-month period ended February 28, 2018							
in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total Segments	Corporate	Group
Revenues from external customers	**1,577,827**	**825,521**	**189,451**	**957,149**	**3,549,948**	**–**	**3,549,948**
Operating profit (EBIT)	**174,951**	**84,469**	**24,159**	**45,748**	**329,327**	**(52,507)**	**276,820**

Revenue by geographic regions is stated by customer location.

Segment Information by Product Group

for the 6-month period ended February 28,	2019	2018
in thousands of CHF		
Cocoa Products	1,018,098	957,149
Food Manufacturers	2,046,680	1,987,439
Gourmet & Specialties	607,942	605,360
Revenues from external customers	**3,672,720**	**3,549,948**

Consolidated Interim Financial Statements

2 Acquisitions

Acquisitions in 2018/19

Inforum

On January 31, 2019, Barry Callebaut completed the acquisition of Inforum Prom Ltd, a leading Russian business-to-business producer of chocolate, compounds 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. The transaction was successfully closed and the Group acquired 100% of the outstanding shares.

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 in the Food Manufacturers business, to leverage its value-adding Gourmet & Specialties business, and to further increase market penetration in CIS countries and export markets.

The preliminary fair value of the purchase consideration amounts to CHF 41.4 million, thereof CHF 28.6 million paid in cash. The remaining CHF 12.8 million will be paid out to the previous shareholders upon the achievement of specified criteria. The contingent consideration is included in other current and non-current liabilities as disclosed in the Note 3 – "Fair value hierarchy of financial instruments measured at fair value". The consideration and the purchase price allocation are preliminary as the transaction closed on January 31, 2019. The total acquisition-related costs amount to CHF 1.5 million. CHF 0.5 million were expensed and included in "Other expenses" for the six month period ended February 28, 2019 and CHF 1.0 million were already expensed in fiscal year 2017/18 included in "General & administration expenses".

in thousands of CHF	Feb 28, 2019
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash acquired	1,066
Current assets (other than cash)	24,321
Property, plant and equipment, intangible assets and other non-current assets	6,638
Current provisions and other current liabilities	(23,006)
Non-current provisions and other non-current liabilities	(121)
Total identifiable net assets	**8,898**
Goodwill	32,506
Total consideration at fair value	**41,404**
thereof:	
Cash paid	28,626
Consideration deferred	12,778

Since the final measurement of the assets and liabilities is still in progress, the above values are determined provisionally.

The goodwill of CHF 32.5 million arising from the acquisition is attributable to strengthening Barry Callebaut's presence in the high-growth Russian market as well as synergies and leverage achieved by the integration of the business into the Group's footprint in this emerging region. The goodwill has been allocated to Region EMEA and is not deductible for income tax purposes.

Since January 31, 2019, the acquired business contributed CHF 5.2 million to revenues from sales and services and CHF 0.2 million to net profit. Had it been consolidated from September 1, 2018, it would have contributed estimated revenues from sales and services of CHF 46.2 million and an estimated net profit for the fiscal year of CHF 2 million to the Consolidated Income Statement.

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Burton's Biscuit Company

On December 8, 2018, the Group acquired 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 in the UK.

Barry Callebaut continues to produce chocolate and compound at the Moreton site and transferred employees currently engaged in the manufacturing of chocolate at the Moreton facility to Barry Callebaut.

The consideration transferred was CHF 6.7 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 0.2 million were already expensed in fiscal year 2017/18 in "General and administration expenses"). The agreements with the seller do not contain arrangements for contingent considerations.

The preliminary purchase price allocation resulted in net identified assets of CHF 6.7 million, consisting of CHF 5.6 million of property, plant and equipment and CHF 1.1 million of inventories.

Since December 8, 2018, the acquired business contributed CHF 7.5 million to revenues from sales and services and a CHF 0.7 million loss to net profit. Had it been consolidated from September 1, 2018, it would have contributed revenues from sales and services of CHF 19.5 million and net profit for the fiscal year of CHF 0.0 million to the Consolidated Income Statement.

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3 Other selected explanatory financial information

Fair value hierarchy of financial instruments measured at fair value

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 assets and liabilities are presented in the table below.

as of February 28, 2019	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	–	563,025	–	–	563,025	563,025
Short-term deposits	–	1,494	–	–	1,494	1,494
Trade receivables	103,719	482,964	–	–	586,683	586,683
Derivative financial assets	411,803	–	–	–	411,803	411,803
Other current assets[1]	–	150,517	–	–	150,517	150,517
Other non-current assets[2]	–	3,715	–	–	3,715	3,715
Total assets	**515,522**	**1,201,716**	**–**	**–**	**1,717,238**	**1,717,238**
Bank overdrafts	–	–	–	236,683	236,683	236,683
Short-term debt	–	–	–	233,912	233,912	233,912
Trade payables	–	–	–	642,215	642,215	642,215
Derivative financial liabilities	–	–	518,039	–	518,039	518,039
Long-term debt	–	–	–	1,863,496	1,863,496	1,984,439
Other current liabilities[3]	–	–	5,970	440,878	446,847	446,847
Other non-current liabilities[4]	–	–	6,808	–	6,809	6,809
Total liabilities	**–**	**–**	**530,817**	**3,417,184**	**3,948,001**	**4,068,944**

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 a contingent consideration liability (note 2 – “Acquisitions”).
4 Other non-current liabilities contain a contingent consideration liability (note 2 – “Acquisitions”).

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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 and other payables.

Consolidated Interim Financial Statements

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.

- 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 levels with regard to financial assets and liabilities which are measured at fair value:

as of February 28, 2019	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	103,719	103,719
Derivative financial assets	205,226	206,578	–	411,803
Derivative financial liabilities	238,061	279,978	–	518,039
Other current liabilities	–	–	5,970	5,970
Other non-current liabilities	–	–	6,808	6,808

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

From the value of derivative financial assets and derivative financial liabilities as of February 28, 2019, CHF 57.6 million and CHF 79.5 million, respectively, relates to the fair value of executory contracts measured at fair value using the fair value option (2018: CHF 150.4 million and CHF 77.9 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.

The value of the other current and non-current liabilities measured at fair value was calculated using a discounted cash flow method based on the estimated highest probable outcome of payments related to the specified criteria in place (note 2 – "Acquisitions").

During the six-month period ended February 28, 2019, there were no transfers between the levels.

Consolidated Interim Financial Statements

Long-term debt

In February 2019, the Group issued a Schuldscheindarlehen in the equivalent of EUR 600 million (CHF 681.9 million), of which EUR 467 million was issued in Euro and the equivalent of EUR 133 million in Swiss francs. The weighted average tenor and interest rate at the issuance date for tranches in Euro is 7.7 years at 1.53% and for tranches in Swiss francs 8.1 years at 1.25%.

Employee benefit obligations

Effective January 2019, the plan regulations in Switzerland were partially modified, resulting in a change in accounting from defined benefit to defined contribution for certain components of the Swiss pension plans. This partial plan settlement resulted in a pre-tax curtailment gain of CHF 6.8 million and a corresponding reduction of the employee benefit liabilities.

Contingencies

Barry Callebaut is not aware of any new significant litigations or other contingent liabilities compared to the situation on August 31, 2018.

Dividends

By resolution of the Annual General Meeting on December 12, 2018, the shareholders approved the proposed payment of CHF 24.00 per share, effected through a dividend payment out of voluntary retained earnings. Payment to the shareholders took place on January 9, 2019. The Company does not intend to pay any interim dividend.

4 Subsequent events

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

Contacts & Financial Calendar

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Financial calendar

April 16, 2019
Investor Day in Wieze, Belgium

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 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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