

Financial Statements of Barry Callebaut AG

Income Statement

for the fiscal year in thousands of CHF	2018/19	2017/18
Income		
Dividend income	101,300	50,000
License income	65,294	64,641
Management fees	44,513	40,074
Other finance income	2,260	4,166
Other operating income	1,113	9
Total income	214,480	158,890
Expenses		
Finance expense	(12,719)	(10,500)
Personnel expense	(68,689)	(65,801)
Other operating expense	(36,550)	(37,688)
Depreciation of property, plant and equipment	(539)	(531)
Amortization of intangible assets	(661)	(668)
Total expenses	(119,158)	(115,188)
Profit before taxes	95,322	43,702
Direct taxes	457	–
Net profit for the year	95,779	43,702

Available earnings

in thousands of CHF	2018/19	2017/18
Available earnings as of September 1,	1,511,488	1,537,619
Dividends to shareholders (gross)	(131,461)	(69,873)
Dividends on treasury shares	–	40
Net profit	95,779	43,702
Available earnings as of August 31,	1,475,805	1,511,488

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Balance Sheet

Assets	2019	2018
as of August 31, in thousands of CHF		
Current assets		
Cash and cash equivalents	307	161
Other short-term receivables		
Other short-term receivables from third parties	357	–
Other short-term receivables from Group companies	36,403	89,115
Short-term interest-bearing receivables from Group companies	–	38
Prepaid expenses and accrued income	702	1,353
Total current assets	37,769	90,667
Non-current assets		
Investments in Group companies	2,257,326	2,256,326
Property, plant and equipment	1,786	1,674
Intangible assets		
Trademarks	261	431
Patents/R&D Development projects	1,419	1,814
Other	764	169
Total non-current assets	2,261,556	2,260,414
Total assets	2,299,325	2,351,081
Liabilities and shareholders' equity		
as of August 31, in thousands of CHF		
Current liabilities		
Bank overdrafts	11	7
Other short-term payables		
to third parties	7,871	2,836
to Group companies	14,907	12,594
to shareholders	89	137
Short-term interest-bearing loans from Group companies	578,596	755,851
Short-term provisions	45,617	40,437
Accrued expenses and deferred income		
to third parties	17,843	22,902
to Group companies	276	–
to shareholders	67	–
Total current liabilities	665,277	834,764
Non-current liabilities		
Long-term interest-bearing loans from Group companies	152,000	–
Total non-current liabilities	152,000	–
Total liabilities	817,277	834,764
Shareholders' equity		
Share capital ¹	110	110
Legal capital reserves		
Reserves from capital contributions	39	39
Legal retained earnings		
General legal retained earnings	25,600	25,600
Voluntary retained earnings		
Available earnings		
Profit brought forward	1,380,026	1,467,786
Net profit for the year	95,779	43,702
Treasury shares	(19,506)	(20,920)
Total shareholders' equity	1,482,048	1,516,317
Total liabilities and shareholders' equity	2,299,325	2,351,081

1 The share capital as of August 31, 2019, consists of 5,488,858 fully paid-in shares at a nominal value of CHF 0.02 (prior year: 5,488,858 shares with a nominal value of CHF 0.02).

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Notes to the Financial Statements

1 Principles

1.1 General aspects

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

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

1.2 Investments

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

1.3 Treasury shares

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

1.4 Share-based payments

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

1.5 Short-term interest-bearing loans

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

1.6 Long-term interest-bearing loans

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

1.7 Revenue recognition for Management fees and Licence income

Management fees and license income are recorded as revenue as at the date of invoicing.

1.8 Foregoing a cash flow statement and additional disclosures in the notes

As Barry Callebaut AG has prepared its Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRS), the Company elected to forego presenting additional information on interest-bearing loans and audit fees in the notes as well as a cash flow statement in accordance with the law.

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2 Information on balance sheet and income statement items

2.1 Prepaid expenses and accrued income

Short-term prepaid expenses and accrued income mainly consist of prepayments for licences, rents and leases.

2.2 Investments

as of August, 31				2019	2018
Name and domicile	Municipality of registration	Share capital	Purpose	Percentage of ownership ¹	
ADIS Holding Inc., Panama	Panama City	CHF 41,624,342	In liquidation	100%	100%
Barry Callebaut Belgium N.V., Belgium	Lebbeke-Wieze	EUR 61,537,705	Production, sales	99.99%	99.99%
Barry Callebaut Cocoa AG, Switzerland	Zurich	EUR 81,515	Sales	100%	100%
Barry Callebaut Decorations B.V., The Netherlands	Zundert	EUR 18,242	Production, sales	100%	100%
Barry Callebaut Management Services AG, Switzerland	Zurich	CHF 100,000	Management services	100%	100%
Barry Callebaut Manufacturing Halle B.V.B.A, Belgium	Halle	EUR 15,488,952	Production	100%	100%
Barry Callebaut Nederland B.V., The Netherlands	Zundert	EUR 21,435,000	Holding	100%	100%
Barry Callebaut Nigeria Ltd., Nigeria	Lagos	NGN 10,000,000	Sales	1%	1%
Barry Callebaut Schweiz AG, Switzerland	Dübendorf	CHF 4,600,000	Production, sales	100%	100%
Barry Callebaut Services N.V., Belgium	Lebbeke-Wieze	EUR 929,286,000	Centralized treasury, management services	99.99%	99.99%
Barry Callebaut Sourcing AG, Switzerland	Zurich	CHF 2,000,000	Sourcing	100%	100%
Cabosse Naturals N.V., Belgium	Halle	EUR 61,500	Research and Development	99%	99%
Cabosse Naturals Switzerland AG, Switzerland	Zurich	CHF 1,000,000	Research and Development	100%	0%
C.J. van Houten & Zoon Holding GmbH, Germany	Norderstedt	EUR 72,092,155	Holding	100%	100%
Tagungs- und Seminarzentrum Schloss Marbach GmbH, Germany	Öhningen	EUR 1,600,000	Conference and training center	100%	100%

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

Barry Callebaut AG controls all entities of the Barry Callebaut Group either directly or indirectly through the above listed companies. All subsidiaries are listed in Note 5.3 – “Group entities” to the Consolidated Financial Statements of Barry Callebaut AG.

2.3 Short-term interest-bearing loans from Group companies

as of August 31, in thousands of CHF	Maturity	Interest	2019	2018
Short-term loan from Group companies	20.09.2018	0.640%	–	754,500
Short-term loan from Group companies	20.09.2019	0.000%	578,500	–
Bank overdraft from Group companies	n/a	0.315%	96	1,351
Total			578,596	755,851

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2.4 Accrued expenses and deferred income

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

2.5 Long-term interest-bearing loans from Group companies

as of August 31, in thousands of CHF	Maturity	Interest	2019	2018
Loan from Group companies	13.02.2027	1.455%	21,000	–
Loan from Group companies	13.02.2026	1.351%	11,000	–
Loan from Group companies	13.02.2027	1.495%	110,000	–
Loan from Group companies	13.02.2029	1.636%	10,000	–
Total			152,000	–

2.6 Share capital and authorized capital

Share capital in the amount of CHF 109,777.16 consists of 5,488,858 registered shares at a par value of CHF 0.02 each.

2.7 Reserves from capital contributions

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

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

2.8 Treasury shares

	Number of transactions	Lowest rate in CHF	Highest rate in CHF	Average rate of transaction in CHF	Quantity
Inventory as of September 1, 2017	–	–	–	–	11,503
Purchase	22	1,502	1,990	1,765	12,930
Allocations to management	4	–	–	1,332	(10,762)
Allocations to board members	1	–	–	–	(2,010)
Inventory as of August 31, 2018	–	–	–	–	11,661
Purchase	8	1,702	1,952	1,726	13,200
Allocations to management	2	–	–	1,784	(11,733)
Allocations to board members	1	–	–	–	(1,830)
Inventory as of August 31, 2019	–	–	–	–	11,298

As at balance sheet date, acquisition costs for directly held treasury shares amounted to CHF 19,506,220 (previous year: CHF 20,920,219).

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2.9 Dividend income

In the reporting year, dividend income amounted to CHF 101,300,000 (previous year: CHF 50,000,000). This amount included dividends distributed by Barry Callebaut Sourcing AG, Switzerland, in the amount of CHF 100,000,000 and Barry Callebaut Management Services AG, Switzerland, in the amount of CHF 1,300,000 for the fiscal year 2017/18.

2.10 Other finance income

Other finance income consists mostly of foreign exchange and hedging gains.

2.11 License income

License income contains royalties from Group companies that are related to the usage of brands and trademarks.

2.12 Management fees

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

2.13 Finance expense

for the fiscal year	2018/19	2017/18
in thousands of CHF		
Bank interest and charges	109	182
Interest to Group companies	4,180	3,860
Foreign exchange losses	8,430	6,458
Total	12,719	10,500

2.14 Other operating expense

for the fiscal year	2018/19	2017/18
in thousands of CHF		
Fees lawyers and consulting	11,109	14,362
Other expenses third parties	8,689	7,568
Assistance fees related parties	817	1,000
Assistance fees Group companies	15,935	14,758
Total	36,550	37,688

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3 Other information

3.1 Full-time equivalents

In line with prior fiscal year, the average number of employees (full-time equivalents) of Barry Callebaut AG exceeded 50, but did not exceed 250.

3.2 Liens, guarantees and pledges in favor of third parties

- The Company is a co-debtor for bank loans of max. EUR 750 million (CHF 816.9 million; 2017/18: CHF 847.9 million) obtained by Barry Callebaut Services N.V., Belgium, on June 22, 2017, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 1,475.8 million less 35% withholding tax).
- The Company is also a co-debtor to the Senior Notes of USD 400 million (CHF 394 million; 2017/18: CHF 388.4 million) issued by Barry Callebaut Services N.V., Belgium, on June 20, 2013, to the Senior Notes of EUR 450 million (CHF 490.2 million; 2017/18: CHF 508.7 million) issued by Barry Callebaut Services N.V., Belgium, on May 24, 2016, as well as to the Schuldscheindarlehen of EUR 467 million (CHF 508.7 million) and CHF 152 million issued by Barry Callebaut Services N.V., Belgium, on February 13, 2019. The maximal liability is limited to the freely distributable retained earnings (CHF 1,475.8 million less 35% withholding tax).
- The Company issued several guarantees for various credit facilities granted to direct and indirect subsidiaries for an amount of up to CHF 1,323.4 million (2017/18: CHF 1,336.3 million).

3.3 Contingent liabilities

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

3.4 Significant shareholders

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

as of August 31,	2019	2018
Jacobs Holding AG	50.1%	50.1%
Renata Jacobs	5.0%	8.5%
BlackRock, Inc. ¹	3.1%	3.2%
Invesco Ltd. ^{1,2}	3.0%	n/a

1 Based on notifications through the electronic publication platform of the SIX Swiss Exchange.

2 In May 2019, Invesco Ltd. closed the acquisition of all shares in Oppenheimer Funds which was a subsidiary of Massachusetts Mutual Life Insurance Company.

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3.5 Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

Number of shares as of August 31,		2019	2018
Name	Function		
Patrick De Maeseneire	Chairman	1,250	750
Jakob Baer	Vice Chairman	1,580	1,330
Fernando Aguirre	Member of the NCC	640	460
Suja Chandrasekaran	Member of the AFRQCC	–	n/a
James (Jim) Donald	Chairman of the NCC (until December 12, 2018)	n/a	1,620
Nicolas Jacobs ¹	Member of the AFRQCC	33,246	93,066
Elio Leoni Sceti	Member of the NCC	180	–
Timothy Minges	Chairman of the NCC (as of December 12, 2018)	1,035	855
Markus R. Neuhaus	Member of the AFRQCC	–	n/a
Juergen Steinemann	Member of the NCC	13,505	15,578
Angela Wei Dong		–	n/a
Total shares held by Board of Directors		51,436	113,659

1 Excluding the 50.1% participation held by Jacobs Holding AG (see Note 3.4 “Significant shareholders”).

Shareholdings of the Executive Committee

Number of shares as of August 31,		2019	2018
Name	Function		
Antoine de Saint-Affrique	Chief Executive Officer	3,385	1,298
Peter Boone	CEO & President Americas	300	82
Ben De Schryver	President APAC	33	n/a
Isabelle Esser	Chief Human Resources Officer (as of March 2019)	–	n/a
Massimo Garavaglia	President EMEA	2,500	1,778
Carole Le Meur	Chief Human Resources Officer (until September 2018)	n/a	143
Pablo Perversi	Chief Innovation, Sustainability & Quality Officer; Head of Gourmet	311	82
Dirk Poelman	Chief Operations Officer (until August 31, 2019)	2,028	1,282
Steven Retzlaff	President Global Cocoa	2,000	1,873
Remco Steenberg	Chief Financial Officer (as of March 2018)	281	219
Total shares held by Executive Committee		10,838	6,757

3.6 Shares granted to the Board of Directors and employees

	2018/19	2018/19	2017/18	2017/18
	Quantity	Value (CHF)	Quantity	Value (CHF)
Granted to Members of the Board	2,190	3,534,660	1,830	3,477,000
Granted to employees ¹ of Barry Callebaut AG and subsidiaries	7,056	12,547,866	7,316	10,297,743

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

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3.7 Significant events after the balance sheet date

The Swiss electorate has accepted a tax reform by majority vote at the public referendum on May 19, 2019 (TRAF), which is a comprehensive reform package requiring changes to be made to tax laws on federal and cantonal level.

Barry Callebaut AG is domiciled in the canton of Zurich. On 1 September 2019, the canton of Zurich held a public referendum on the changes to the cantonal tax laws which was accepted by the electorate. The relevant cantonal tax law processes have been substantively enacted on September 1, 2019, and treated as a non-adjusting event for the Financial Statements of Barry Callebaut AG. Whilst there is a degree of uncertainty arising from the implementation of the comprehensive changes to the cantonal tax law, Barry Callebaut AG does not expect a material impact on the effective tax rate.

There are no other significant events that would require any modification of the value of the assets and liabilities or additional disclosures after the balance sheet date.

3.8 Proposed appropriation of available earnings

in thousands of CHF	
Balance carried forward as of September 1, 2018	1,511,488
Dividend to shareholders (gross)	(131,461)
Net income	95,779
Voluntary retained earnings as of August 31, 2019	1,475,805
Treasury shares	(19,506)
Available retained earnings as of August 31, 2019	1,456,299
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 26.00 per share	(142,710)
Balance carry forward	1,313,589

The board of directors proposes to the 2019 Annual General Meeting a dividend of CHF 26.00 per share.

The dividend is expected to be paid on or around January 8, 2020.