Financial Reports

Consolidated Financial Statements

Consolidated Income Statement

for the fiscal year		2018/19	2017/18
in thousands of CHF	Notes		
Revenue from sales and services	1.1 / 1.2	**7,309,036**	**6,948,411**
Cost of goods sold		(6,120,612)	(5,791,331)
Gross profit		**1,188,424**	**1,157,080**
Marketing and sales expenses		(151,773)	(149,956)
General and administration expenses		(439,899)	(441,040)
Other income	1.4	29,520	19,595
Other expense	1.4	(25,084)	(31,655)
Operating profit (EBIT)[1]		**601,188**	**554,024**
Finance income	3.8	10,879	6,539
Finance expense	3.8	(159,299)	(107,687)
Profit before income tax		**452,768**	**452,876**
Income tax expense	6.1	(84,037)	(95,517)
Net profit for the year		**368,731**	**357,359**
of which attributable to:			
shareholders of Barry Callebaut AG		370,280	356,133
non-controlling interests	3.2	(1,549)	1,226
Earnings per share			
Basic earnings per share (CHF/share)	3.3	67.57	64.93
Diluted earnings per share (CHF/share)	3.3	67.21	64.55

1 Operating profit (EBIT) as used by the Group is defined as profit before finance income, finance expense and income tax expense.

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the fiscal year		2018/19	2017/18
in thousands of CHF	Notes		
Net profit for the year		**368,731**	**357,359**
Cash flow hedges	3.7	(19,909)	(2,069)
Tax effect on cash flow hedges	3.7 / 6.2	5,669	(1,875)
Currency translation adjustments		(39,462)	(87,110)
Items that may be reclassified subsequently to the income statement		**(53,702)**	**(91,054)**
Remeasurement of defined benefit plans	4.2	(63,897)	12,468
Tax effect on remeasurement of defined benefit plans	6.2	20,625	(680)
Items that will never be reclassified to the income statement		**(43,272)**	**11,788**
Other comprehensive income for the year, net of tax		**(96,974)**	**(79,266)**
Total comprehensive income for the year		**271,757**	**278,093**
of which attributable to:			
shareholders of Barry Callebaut AG		273,135	276,678
non-controlling interests		(1,378)	1,415

Consolidated Financial Statements

Consolidated Balance Sheet

Assets

as of August 31,		2019	2018
in thousands of CHF	Notes		
Current assets			
Cash and cash equivalents	3.4	557,827	404,183
Short-term deposits		1,549	1,656
Trade receivables and other current assets	2.4	815,783	911,904
Inventories	2.3	1,803,674	1,476,667
Income tax receivables		62,977	29,685
Derivative financial assets	3.7	616,284	502,471
Total current assets		**3,858,094**	**3,326,566**
Non-current assets			
Property, plant and equipment	2.1	1,498,878	1,420,885
Intangible assets	2.2	1,026,331	991,510
Employee benefit assets	4.2	4,924	5,558
Deferred tax assets	6.2	86,869	65,679
Other non-current assets		33,036	21,844
Total non-current assets		**2,650,038**	**2,505,476**
Total assets		**6,508,132**	**5,832,042**

Liabilities and equity

as of August 31,		2019	2018
in thousands of CHF	Notes		
Current liabilities			
Bank overdrafts	3.5	132,638	26,267
Short-term debt	3.5	197,003	285,048
Trade payables and other current liabilities	2.5	1,127,511	1,121,082
Income tax liabilities		60,079	52,518
Derivative financial liabilities	3.7	741,383	641,997
Provisions	2.6	20,381	26,015
Total current liabilities		**2,278,995**	**2,152,927**
Non-current liabilities			
Long-term debt	3.5	1,534,453	1,168,797
Employee benefit liabilities	4.2	184,562	130,826
Provisions	2.6	4,929	8,735
Deferred tax liabilities	6.2	80,283	70,892
Other non-current liabilities		11,298	14,354
Total non-current liabilities		**1,815,525**	**1,393,604**
Total liabilities		**4,094,520**	**3,546,531**
Equity			
Share capital	3.2	110	110
Retained earnings and other reserves		2,399,182	2,269,686
Total equity attributable to the shareholders of Barry Callebaut AG		**2,399,292**	**2,269,796**
Non-controlling interests	3.2	14,320	15,715
Total equity		**2,413,612**	**2,285,511**
Total liabilities and equity		**6,508,132**	**5,832,042**

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from operating activities

for the fiscal year		2018/19	2017/18
in thousands of CHF	Notes		
Net profit for the year		368,731	357,359
Income tax expense	6.1	84,037	95,517
Depreciation, amortization and impairment	2.1 / 2.2	176,384	181,259
Interest expense	3.8	137,752	93,469
Loss on sale of property, plant and equipment, net	1.4	1,241	7,479
Decrease of employee benefit obligations		(10,766)	(19,065)
Equity-settled share-based payments	4.1	15,043	14,464
Change in working capital:		33,013	(54,556)
Inventories		(94,145)	(194,897)
Write down of inventories	2.3	44,600	33,500
Inventory fair value adjustment		57,017	(52,886)
Derivative financial assets/liabilities		(36,998)	395,867
Trade receivables and other current assets		80,568	(197,163)
Trade payables and other current liabilities		(18,029)	(38,977)
Provisions less payments	2.6	(8,669)	(14,938)
Other non-cash effective items		(7,014)	10,196
Cash generated from operating activities		**789,752**	**671,184**
Interest paid		(139,657)	(93,120)
Income taxes paid		(94,347)	(62,557)
Net cash flow from operating activities		**555,748**	**515,507**

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from investing activities

for the fiscal year		2018/19	2017/18
in thousands of CHF	Notes		
Purchase of property, plant and equipment	2.1	(218,360)	(180,821)
Proceeds from sale of property, plant and equipment		4,970	4,422
Purchase of intangible assets	2.2	(61,216)	(37,111)
Proceeds from sale of intangible assets		322	3,731
Acquisition of subsidiaries/businesses net of cash acquired	5.1	(33,983)	(126,655)
Purchase of short-term deposits		(536)	(1,588)
Proceeds from sale of short-term deposits		245	551
Sale/(purchase) of other non-current assets		(1,933)	983
Dividends received from equity-accounted investees		–	239
Interest received		10,479	5,959
Net cash flow from investing activities		**(300,012)**	**(330,290)**

Cash flows from financing activities

for the fiscal year		2018/19	2017/18
in thousands of CHF	Notes		
Proceeds from the issue of short-term debt	3.5	98,530	31,362
Repayment of short-term debt	3.5	(533,033)	(65,177)
Proceeds from the issue of long-term debt	3.5	677,579	1,200
Repayment of long-term debt	3.5	(281,459)	(8,534)
Dividend paid to shareholders of Barry Callebaut AG	3.2	(131,501)	(69,873)
Capital reduction and repayment	3.2	–	(39,904)
Purchase of treasury shares		(22,781)	(22,783)
Dividends paid to non-controlling interests	3.2	(17)	(247)
Net cash flow from financing activities	**3.5.3**	**(192,682)**	**(173,956)**
Effect of exchange rate changes on cash and cash equivalents		(15,781)	(11,373)
Net increase/(decrease) in cash and cash equivalents		**47,273**	**(112)**
Cash and cash equivalents at beginning of year		377,916	378,028
Cash and cash equivalents at end of year		425,189	377,916
Net increase/(decrease) in cash and cash equivalents		**47,273**	**(112)**
Cash and cash equivalents		557,827	404,183
Bank overdrafts	3.5	(132,638)	(26,267)
Cash and cash equivalents as defined for the cash flow statement	**3.4**	**425,189**	**377,916**

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Attributable to the shareholders of Barry Callebaut AG	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustment	Total[1]	Non-controlling interests	Total equity
in thousands of CHF								
as of September 1, 2017	**40,014**	**(15,105)**	**2,629,403**	**(12,312)**	**(530,813)**	**2,111,187**	**14,925**	**2,126,112**
Currency translation adjustments	–	–	–	–	(87,263)	(87,263)	153	(87,110)
Effect of cash flow hedges	–	–	–	(2,069)	–	(2,069)	–	(2,069)
Tax effect on cash flow hedges	–	–	–	(1,875)	–	(1,875)	–	(1,875)
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**(3,944)**	**(87,263)**	**(91,207)**	**153**	**(91,054)**
Remeasurement of defined benefit plans	–	–	12,420	–	–	12,420	48	12,468
Tax effect on remeasurement of defined benefit plans	–	–	(668)	–	–	(668)	(12)	(680)
Items that will never be reclassified to the income statement	**–**	**–**	**11,752**	**–**	**–**	**11,752**	**36**	**11,788**
Other comprehensive income, net of tax	**–**	**–**	**11,752**	**(3,944)**	**(87,263)**	**(79,455)**	**189**	**(79,266)**
Net profit for the year	–	–	356,133	–	–	356,133	1,226	357,359
Total comprehensive income for the year	**–**	**–**	**367,885**	**(3,944)**	**(87,263)**	**276,678**	**1,415**	**278,093**
Hedge reserve transferred to initial carrying amount of the hedged item	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Payout to shareholders	(39,904)	–	(69,873)	–	–	(109,777)	(247)	(110,024)
Purchase of treasury shares	–	(22,783)	–	–	–	(22,783)	–	(22,783)
Equity-settled share-based payments	–	16,968	(2,477)	–	–	14,491	–	14,491
Total contributions and distributions	**(39,904)**	**(5,815)**	**(72,350)**	**–**	**–**	**(118,069)**	**(247)**	**(118,316)**
Movements of non-controlling interest	–	–	–	–	–	–	(378)	(378)
Total changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**–**	**(378)**	**(378)**
as of August 31, 2018	**110**	**(20,920)**	**2,924,938**	**(16,256)**	**(618,076)**	**2,269,796**	**15,715**	**2,285,511**
Adjustment on initial application of IFRS 15[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	–	–	–	–	(39,622)	(39,622)	160	(39,462)
Effect of cash flow hedges	–	–	–	(19,909)	–	(19,909)	–	(19,909)
Tax effect on cash flow hedges	–	–	–	5,669	–	5,669	–	5,669
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**(14,240)**	**(39,622)**	**(53,862)**	**160**	**(53,702)**
Remeasurement of defined benefit plans	–	–	(63,907)	–	–	(63,907)	10	(63,897)
Tax effect on remeasurement of defined benefit plans	–	–	20,624	–	–	20,624	1	20,625
Items that will never be reclassified to the income statement	**–**	**–**	**(43,283)**	**–**	**–**	**(43,283)**	**11**	**(43,272)**
Other comprehensive income, net of tax	**–**	**–**	**(43,283)**	**(14,240)**	**(39,622)**	**(97,145)**	**171**	**(96,974)**
Net profit for the year	–	–	370,280	–	–	370,280	(1,549)	368,731
Total comprehensive income for the year	**–**	**–**	**326,997**	**(14,240)**	**(39,622)**	**273,135**	**(1,378)**	**271,757**
Hedge reserve transferred to initial carrying amount of the hedged item	**–**	**–**	**–**	**(279)**	**–**	**(279)**	**–**	**(279)**
Payout to shareholders	–	–	(131,501)	–	–	(131,501)	(17)	(131,518)
Purchase of treasury shares	–	(22,781)	–	–	–	(22,781)	–	(22,781)
Equity-settled share-based payments	–	24,195	(9,152)	–	–	15,043	–	15,043
Total contributions and distributions	**–**	**1,414**	**(140,653)**	**–**	**–**	**(139,239)**	**(17)**	**(139,256)**
as of August 31, 2019	**110**	**(19,506)**	**3,107,161**	**(30,775)**	**(657,698)**	**2,399,292**	**14,320**	**2,413,612**

1 Attributable to the shareholders of Barry Callebaut AG.
2 Refer to Introduction of new standards in 2018/19, IFRS 15 – Revenue from Contracts with Customers page 50.

Notes to the Consolidated Financial Statements

Basis of Preparation

A. Organization and business activity

Barry Callebaut AG (the "Company") was incorporated on December 13, 1994, under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. These Consolidated Financial Statements comprise the Company and its subsidiaries (together referred to as the "Group"). The Group's ultimate parent is Jacobs Holding AG which holds 50.1% of the shares issued (August 31, 2018: 50.1%).

The Group is primarily involved in the manufacturing of high-quality chocolate and cocoa products as well as providing value-adding services to serve the entire food industry.

B. Basis of presentation

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

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain items for which IFRS requires another measurement basis, in which case this is explicitly stated in the accounting policies. Significant accounting policies relevant to the understanding of the Consolidated Financial Statements are included in the corresponding notes. The Group has consistently applied its accounting policies to all periods presented in these Consolidated Financial Statements, except if mentioned otherwise (see section "D. Introduction of new standards in 2018/19").

The Consolidated Financial Statements are presented in Swiss francs, which is the Company's functional currency.

All amounts have been rounded to the nearest thousand, unless otherwise indicated. Due to rounding, the figures presented in the tables may not add up precisely to the totals provided.

C. Use of judgment and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

Information related to judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the Consolidated Financial Statements, together with assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year-ending August 31, 2019, are included in the following notes:

Note 5.1	Acquisitions: Fair value measurement
Note 2.2	Intangible assets – Impairment testing for CGU containing goodwill: Key assumptions used for value-in-use calculations
Note 6.2	Deferred tax assets and liabilities – Recognition of deferred tax assets: Availability of future taxable profits against which tax loss carry-forwards can be utilized
Note 4.2	Employee benefit obligations – Measurement of defined benefit obligations: Actuarial assumptions
Note 2.6	Provisions: Recognition of provisions

Notes to the Consolidated Financial Statements

D. Introduction of new standards in 2018/19

The Group has adopted new standards and amendments to the existing International Financial Reporting Standards (IFRS) and interpretations with a date of initial application, being September 1, 2018. With the exception of the implementation of IFRS 15, which is disclosed below, these adoptions did not have any material impact on the current reporting period.

IFRS 15 – Revenue from Contracts with Customers

The Group has adopted the standard from September 1, 2018, using the cumulative effect method, recognizing the transitional adjustment as an adjustment to the opening balance of retained earnings of the reporting period 2018/19, which includes the date of the initial application. 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.

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 the following main effects:

1. Agent vs. Principal

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

The Group concluded that under IFRS 15 it has control over 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 171.0 million on the "Revenue from sales and services" and a negative effect of the same amount on "Cost of goods sold" of the Consolidated Income Statement.

2. Variable considerations and considerations paid to customers

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

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

The adoption of IFRS 15 resulted in a negative effect of CHF 18.8 million on "Revenue from sales and services" and a positive effect of the same amount on "Cost of goods sold" of the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

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 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 assets results from the elimination of intercompany profits included in the carrying amount of these inventories, and related deferred taxes.

Under the prior standard, the guiding principle for revenue recognition was "transfer of risks and rewards". Due to the Group's business model, the point in time of "transfer of control" is identical with the point in time of "transfer of risks and rewards".

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

Consolidated Income Statement Impact

for the fiscal year ended August 31, 2019	IAS 18	Effects of IFRS 15 adoption	IFRS 15
in millions of CHF			
Revenue from sales and services[1,2]	**7,157**	**152**	**7,309**
Cost of goods sold[1,2]	(5,969)	(152)	(6,121)
Gross profit	**1,188**	**–**	**1,188**
Operating profit (EBIT)	**601**	**–**	**601**
Profit before income taxes	**453**	**–**	**453**
Net profit for the period	**369**	**–**	**369**

1 Agent vs. Principal refer to page 50.
2 Variable considerations and considerations paid to customers refer to page 50.

Notes to the Consolidated Financial Statements

The following table presents the adjustments recognized for each individual position of the Consolidated Balance Sheet. Balance sheet positions, which were not affected by the application of the new requirements, have not been included.

Consolidated Balance Sheet Impact

in millions of CHF	Aug 31, 2018	Transition adjustment	Sep 1, 2018
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**	**6,170**
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**	**3,888**
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)**	**2,281**
Total liabilities and equity	**5,832**	**337**	**6,170**

3 Transfer of control refer to page 51.

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 income related to this item amounted to CHF 1.3 million. Both elements had a net negative effect on the Group's Retained earnings of CHF –4.1 million.

Retained Earnings Impact

in millions of CHF	Total
Retained earnings as of August 31, 2018	**2,925**
Elimination of intercompany profits[3]	(5)
Deferred tax assets[3]	1
Opening balance Retained earnings as of September 1, 2018	**2,921**

3 Transfer of control refer to page 51.

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 Consolidated Cash Flow Statement for the period ended August 31, 2019, has not been affected by the transition to IFRS 15.

Notes to the Consolidated Financial Statements

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 Product Groups are set out below.

The amount of revenues in the cocoa and chocolate industry is highly dependent on the prices of cocoa and other commodities. Therefore, the price-setting mechanism is mainly based on the cost-plus model. The Group's commercial agreements with customers follow either of the below commercial background scenarios:

Type of commercial agreement	Commercial principle
Contract business	Scenario 1: Partnership agreements Typical for commercial transactions with Group's significant global customers. The Group enters into long-term agreements up to 10 years. A framework agreement between the Group and the customer governs the conduct of business, defines payment terms, rights to goods and services and typically includes legally enforceable annual volume purchase commitments. Legally enforceable firm purchase commitments are agreed for delivery periods of typically 3 months.
	Scenario 2: Umbrella agreements Typical for commercial transactions with the Group's significant regional or local customers. The Group enters into mid-term agreement of 3–5 years. An umbrella agreement governs the conduct of business, defines payment terms and rights to goods and services, but does not include any legally binding volume commitments. Legally enforceable firm purchase commitments are agreed for delivery periods of typically 3 and up to 6 months.
	Scenario 3: Volume agreements Typical for commercial transactions with Group's regional or local customers. The customer commits to legally enforceable firm purchase commitments for certain volumes of specified goods. The conduct of business is governed by Group's general terms and conditions.
Price List business	Based on forecasted sales and raw materials prices, the Group establishes a price list for the products in its portfolio. The price list then applies to spot sales for a period of typically 6 months and up to 1 year.

Revenues from sales of goods and services represent the net sales revenue from raw materials, semi-processed and processed goods transferred to customers and for services related to food processing. Revenue is measured based on the contractually agreed transaction price at the amount, which the Group expects to receive in exchange for transferring promised goods or services to the customer. Revenue is recognized at the point in time, when control of the goods has been transferred to the customer which is upon delivery of the goods, according to the applicable Incoterms. Appropriate provisions are made for all additional costs to be incurred in connection with the sales, including the cost related to returns of goods, which do not meet agreed specifications and quality-related claims.

In some cases, the Group may sell highly customized products to customers, for which the Group has no alternative use. In accordance with the underlying standard, the revenue recognition for these goods is "over time". The revenue is measured based on the output method "units delivered". However, this does not represent a change in the timing of revenue recognition compared to the prior standard.

Under the prior standard the guiding principle for revenue recognition was "transfer of risks and rewards". Due to the Group's business model the point in time of "transfer of control" is identical with the point in time of "transfer of risks and rewards".

Notes to the Consolidated Financial Statements

Product Group	Type of commercial agreement	Nature, timing of satisfaction of performance obligation, significant payment terms
Food Manufacturers products	Contract business	The revenue is generated by sales of goods at point in time in alignment with the underlying Incoterm. In some cases, the Group might sell to customers highly customized products, for which the Group has no alternative use. In accordance with the underlying standard, the revenue recognition for these goods is "over time". The revenue is measured based on output method "units delivered". This method does not result in any change in the timing of revenue recognition compared to the prior standard. Most common Incoterms are: EXW, FCA, FOB, CIF, DAP, DDP. The transaction price is based on the fixed price per unit sold. In some cases, prospective or retrospective variable volume rebates might be granted to the customers. Volume rebates are accounted for as revenue deduction in the period when revenue is recognized. The payment terms are typically between 30 and 90 days.
Gourmet & Specialties products	Price List business	The revenue is generated by sales of goods at point in time in alignment with the underlying Incoterm. Most common Incoterms are: DAP, DDP. The consideration is based on the fixed price per unit sold. In some cases, discounts, volume rebates and similar commercial price incentives might be offered. They are accounted for as revenue deduction in the period when revenue is recognized on an accrual basis. The payment terms are typically between 30 and 60 days.
Cocoa products	Contract business	Nature, timing of satisfaction, transaction price and significant payment terms are identical with “Food Manufacturers products”.
Tolling services	Contract business	The revenue is generated from services related to processing of cocoa beans or cocoa products. The Group offers exclusively the processing service and does not control the material provided by the customer. The consideration is based on the fixed price per unit processed. Revenue is recognized “over time” based on output method. The payment terms are typically between 30 and 90 days.

E. Introduction of new standards in 2019/20 and later

The following standards and amendments to existing standards have been published and are mandatory for the Group’s accounting periods beginning on or after September 1, 2019, and have not been applied in preparing these Consolidated Financial Statements. The impacts on the Consolidated Financial Statements of the standards and amendments, which are relevant, are disclosed below the table. The Group does not plan to adopt these standards early.

	Effective date	Planned application by the Group in fiscal year
New Standards or Interpretations		
IFRS 16 Leases	January 1, 2019	Fiscal year 2019/20
IFRIC 23 Uncertainty over Income Tax Treatments	January 1, 2019	Fiscal year 2019/20
Revisions and amendments of Standards and Interpretations		
Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019	Fiscal year 2019/20
Plan Amendment, Curtailment or Settlement (Amendments to IAS 19)	January 1, 2019	Fiscal year 2019/20
Annual Improvements to IFRS Standards 2015–2017 Cycle: – Amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements – Amendments to IAS 12 Income Taxes – Amendments to IAS 23 Borrowing Costs	January 1, 2019	Fiscal year 2019/20
Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019	Fiscal year 2019/20
Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020	Fiscal year 2020/21
Definition of a Business (Amendments to IFRS 3)	January 1, 2020	Fiscal year 2020/21
Definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020	Fiscal year 2020/21
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	January 1, 2020	Fiscal year 2020/21

Notes to the Consolidated Financial Statements

IFRS 16 – Leases

The new lease accounting standard was issued on January 13, 2016, and will replace "IAS 17 – Leases", "IFRIC 4 – Determing whether an Arrangement contains a Lease", "SIC-15 – Operating Leases – Incentive" and "SIC-27 – Evaluating the Substance of Transactions in the Legal Form of a Lease". The Group adopts "IFRS 16 – Leases" with effect from September 1, 2019. The new accounting standard requires the recognition of a lease liability and a corresponding right-of-use asset in the balance sheet for the majority of leases in which the company is the lessee. The nature of expenses related to those leases will change, as the Group will recognize depreciation expenses for right-of-use assets and interest expenses for lease liabilities. Previously, the Group recognized operating lease expense on a straight-line basis over the lease term. Assets and liabilities were only recognized to the extent that there was a timing difference between actual lease payments amd the expense recognized. In the current cash flow statement, lease payments are presented as cash flows from operating activities. Under IFRS 16, lease payments will be reflected as cash flows from financing activities. Interest payments will continue to be reported as cash flows from operating activities.

The Group enters lease arrangements mainly for land, warehouses, offices, factory facilities and motor vehicles. The Group will apply the modified retrospective method, with right-of-use assets measured at an amount equal to the lease liability, adjusted by the amount of prepaid or accrued lease payments recognized in the balance sheet immediately before the date of initial application, and will not restate prior years.

The undiscounted future operating lease commitments disclosed in the Consolidated Financial Statements 2018/19 amount to CHF 150.8 million (see Note 3.6 – "Capital and lease commitments & guarantees"). This includes short-term leases as well as low-value asset leases that will be recognized on a straight-line basis as an expense in the income statement under IFRS 16. For the remaining lease commitments, the group expects to recognize lease liabilities and leased assets in the range of CHF 180 to CHF 200 million. This does not include assets and liabilities under finance lease agreements in the amount of CHF 4.7 million and CHF 1.2 million (see Note 3.5.4 – "Obligations under finance leases"). Furthermore, operating expenses will decrease by approximately CHF 3 million and finance expenses will increase by approximately CHF 5 million in the year of initial application. No impact is expected on equity as of September 1, 2019.

IFRIC 23 – Uncertainty over Income Tax Treatments

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

The Group will adopt IFRIC 23 for the financial year starting September 1, 2019. Uncertain tax positions in the Group have been identified and the most appropriate provisions have been measured based on the best estimated and most likely single outcome or on the expected value based on the weighted average approach. The underlying assumption that the tax authorities have full knowledge of all relevant information has been considered. Based on the provisions for uncertain tax positions applied for fiscal year 2018/2019, the Group does not expect a material impact on the effective tax rate of the Group's Consolidated Financial Statements from the implementation of IFRIC 23 in fiscal year 2019/20.

Any adjustments to the existing current and deferred tax assets and liabilities resulting from the transition to IFRIC 23 as per September 1, 2019, will be reflected as an adjustment to the opening equity for fiscal year 2019/20 and the corresponding adjustments will be reflected in the respective current or deferred tax assets and liabilities to which the changes in measurements for uncertain tax positions relate.

Notes to the Consolidated Financial Statements

1 Operating Performance

1.1 Revenues

The Group has adopted IFRS 15 – Revenue from contracts with customers from September 1, 2018. Details on the new significant accounting policies and the nature of the changes to previous accounting policies in relation to the Group's main product groups are set out in the section "D. Introduction of new standards in 2018/19" of the Notes to the Consolidated Financial Statements.

1.2 Segment information

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

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

The segment Global Cocoa is responsible for the procurement of ingredients for chocolate production (mainly cocoa; sugar, dairy and nuts are also common ingredients) and the Group's cocoa-processing business. Approximately 55% of the revenues of Global Cocoa are generated with the other segments of the Group.

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

Financial information by reportable segments

2018/19 in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenue from external customers	3,086,777	1,866,077	407,601	1,948,581	7,309,036	–	–	7,309,036
Revenue from transactions with other operating segments of the Group	134,274	3,295	91	2,368,943	2,506,603	–	(2,506,603)	–
Revenue from sales and services	**3,221,051**	**1,869,372**	**407,692**	**4,317,524**	**9,815,639**	**–**	**(2,506,603)**	**7,309,036**
Operating profit (EBIT)	**359,480**	**189,374**	**53,493**	**100,802**	**703,149**	**(101,961)**	**–**	**601,188**
Depreciation and amortization	**(63,120)**	**(42,676)**	**(9,776)**	**(55,965)**	**(171,537)**	**(2,323)**	**–**	**(173,860)**
Impairment	**(1,223)**	**(364)**	**–**	**(793)**	**(2,380)**	**(144)**	**–**	**(2,524)**
Interest income						**10,644**		**10,644**
Interest expense						**(137,806)**		**(137,806)**
Total assets	**1,976,881**	**1,116,979**	**235,294**	**3,059,740**	**6,388,894**	**556,796**	**(437,558)**	**6,508,132**
Additions to property, plant, equipment and intangible assets, excluding acquisitions of subsidiaries/businesses	(98,718)	(63,622)	(16,117)	(98,370)	(276,827)	(1,019)	–	(277,846)

Notes to the Consolidated Financial Statements

2017/18 in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenue from external customers	3,072,528	1,700,610	370,026	1,805,246	6,948,411	–	–	6,948,411
Revenue from transactions with other operating segments of the Group[1]	122,179	510	–	2,024,057	2,146,746	–	(2,146,746)	–
Revenue from sales and services	**3,194,707**	**1,701,120**	**370,026**	**3,829,303**	**9,095,157**	**–**	**(2,146,746)**	**6,948,411**
Operating profit (EBIT)	**351,954**	**173,399**	**46,587**	**84,816**	**656,756**	**(102,732)**	**–**	**554,024**
Depreciation and amortization	**(62,303)**	**(40,242)**	**(10,450)**	**(57,899)**	**(170,894)**	**(3,354)**	**–**	**(174,248)**
Impairment	**(1,129)**	**(140)**	**–**	**(5,730)**	**(6,999)**	**(12)**	**–**	**(7,011)**
Interest income						**6,368**		**6,368**
Interest expense						**(89,638)**		**(89,638)**
Total assets[1]	**1,666,841**	**1,122,088**	**229,311**	**2,864,791**	**5,883,031**	**554,285**	**(605,274)**	**5,832,042**
Additions to property, plant, equipment and intangible assets, excluding acquisitions of subsidiaries/businesses	(72,986)	(55,006)	(13,207)	(76,575)	(217,774)	(2,279)	–	(220,053)

1 As a result of a Group finance operational excellence project aimed at harmonization and automation, the segment reporting structure has changed to better reflect the Group's intersegment revenues and total assets. The fiscal year 2017/18 comparatives were adjusted for comparability.

Global Cocoa comprises Group-wide sourcing and Global Cocoa processing functions for the benefit of all the regions. Therefore, the major part of its operating profit (EBIT) is allocated to the regions.

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

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

Additional entity-wide disclosures

Information on geographical regions

Barry Callebaut is domiciled in Switzerland, however, its major revenues are generated in other countries. The following table shows revenues reported based on the geographic location of customers and non-current assets other than financial instruments, deferred tax assets, employee benefit assets.

	2018/19	2017/18	2018/19	2017/18
in thousands of CHF	Revenue		Non-current assets	
US	1,376,449	1,204,923	390,463	392,804
Germany	502,727	490,277	85,089	87,222
UK	461,950	441,932	47,606	43,252
Belgium	439,929	450,367	480,588	448,086
France	429,903	465,099	74,869	75,258
Mexico	407,361	354,035	17,660	18,670
Brazil	395,753	376,338	75,566	82,365
Italy	303,976	304,187	84,298	88,227
Switzerland	65,848	48,366	43,527	46,349
Rest of Europe	1,734,267	1,510,583	540,926	471,853
Rest of Americas	346,183	527,287	156,438	142,820
Asia Pacific	844,690	775,017	545,118	532,963
Total	**7,309,036**	**6,948,411**	**2,542,148**	**2,429,869**

Notes to the Consolidated Financial Statements

Information on Product Groups

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

Segment Information by Product Group

in thousands of CHF	2018/19	2017/18
Cocoa Products	1,948,581	1,805,246
Food Manufacturers	4,200,619	3,979,929
Gourmet & Specialties	1,159,836	1,163,236
Revenue from external customers	**7,309,036**	**6,948,411**

In fiscal year 2018/19, the biggest single customer contributed CHF 761.0 million or 10.4 % of total revenues reported across various regions (2017/18: CHF 755.4 million or 10.9%). No other single customer contributed more than 10% of total consolidated revenue.

Accounting policies

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

1.3 Research and Development expenses

in thousands of CHF	2018/19	2017/18
Total Research and Development expenses	**(30,029)**	**(28,635)**

Research and Development expenses not qualifying for capitalization are directly charged to the Consolidated Income Statement and are reported under "Marketing and sales expenses" and "General and administration expenses". The part qualifying for capitalization is reported as addition under internally generated assets in Note 2.2 – "Intangible assets".

Notes to the Consolidated Financial Statements

1.4 Other income and expense

Composition of other income

in thousands of CHF	2018/19	2017/18
Group training centers, museums, outlets and rental income	4,377	5,999
Sale of shells of cocoa beans, waste and sundry sales	11,008	7,822
Litigations, claims and insurance	5,815	3,344
Release of unused provisions (Note 2.6)	298	389
Income from government grants	4,452	–
Other	3,570	2,041
Total other income	**29,520**	**19,595**

In the fiscal year 2018/19, the gain on disposal of property, plant and equipment in the amount of CHF 0.2 million (2017/18: CHF 0.6 million) was netted against the loss on disposal of property, plant and equipment presented in the table "Composition of other expense".

Composition of other expense

in thousands of CHF	2018/19	2017/18
Restructuring costs	–	(65)
Litigations and claims, including government claims	(11,015)	(6,356)
Loss on sale of property, plant and equipment	(1,241)	(7,479)
Impairment of property, plant and equipment (Note 2.1)	(1,240)	(5,655)
Impairment of intangibles (Note 2.2)	(1,284)	(1,356)
Impairment of financial instruments	(3,095)	(4,018)
Acquisition related costs (Note 5.1)	(1,270)	(425)
Other	(5,939)	(6,302)
Total other expense	**(25,084)**	**(31,655)**

Other expenses include costs related to loss on sale of waste and asset dismantling costs.

Notes to the Consolidated Financial Statements

2 Operating Assets and Liabilities

2.1 Property, plant and equipment

2018/19	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of September 1, 2018	**589,088**	**1,875,655**	**161,481**	**140,298**	**2,766,523**
Business combinations	2,524	8,558	270	154	11,506
Additions[1]	19,697	80,606	6,417	109,910	216,630
Disposals	(2,082)	(5,254)	(4,620)	(2,055)	(14,011)
Currency translation adjustments	(10,191)	(29,118)	(2,279)	(1,668)	(43,256)
Reclassifications from under construction	22,536	102,036	4,039	(128,611)	–
Other reclassifications[2]	55,783	(30,673)	(24,782)	(6,907)	(6,579)
as of August 31, 2019	**677,355**	**2,001,810**	**140,526**	**111,122**	**2,930,813**
Accumulated depreciation and impairment losses					
as of September 1, 2018	**240,131**	**1,004,628**	**100,851**	**28**	**1,345,638**
Depreciation	22,711	97,762	11,673	–	132,146
Impairment (Note 1.4)	–	1,165	74	–	1,240
Disposals	(1,623)	(3,808)	(2,368)	–	(7,800)
Currency translation adjustments	(4,709)	(18,088)	(2,404)	–	(25,202)
Other reclassifications[2]	36,739	(43,162)	(7,666)	–	(14,088)
as of August 31, 2019	**293,249**	**1,038,497**	**100,161**	**28**	**1,431,935**
Net as of August 31, 2019	**384,106**	**963,313**	**40,365**	**111,094**	**1,498,878**

1 Cash outflow amounted to CHF 218.4 million. CHF 1.8 million is related to purchases of property, plant and equipment that were acquired in the prior period.
2 During fiscal year 2018/19, a Group finance operational excellence project aimed at harmonization and automation was conducted that resulted in reclassifications within "Property, plant and equipment" and "Intangible assets" categories. The net book value of CHF -7.5 million was transferred from "Property, plant and equipment" to "Intangible assets".

Notes to the Consolidated Financial Statements

2017/18	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of September 1, 2017	**562,752**	**1,762,896**	**146,226**	**148,312**	**2,620,187**
Business combinations	14,421	9,809	16,297	2,004	42,531
Additions[1]	17,919	87,911	9,492	67,620	182,942
Disposals	(5,654)	(11,230)	(6,897)	(220)	(24,001)
Currency translation adjustments	(18,038)	(24,148)	(3,513)	(4,615)	(50,315)
Reclassifications from under construction	17,688	50,118	4,958	(72,764)	–
Other reclassifications[2]	–	300	(5,082)	(40)	(4,822)
as of August 31, 2018	**589,088**	**1,875,655**	**161,481**	**140,298**	**2,766,523**
Accumulated depreciation and impairment losses					
as of September 1, 2017	**216,731**	**922,041**	**95,615**	**28**	**1,234,415**
Depreciation	20,359	92,586	13,668	–	126,613
Impairment (Note 1.4)	1,657	3,581	417	–	5,655
Disposals	(1,874)	(4,173)	(6,053)	–	(12,100)
Currency translation adjustments	3,258	(11,748)	(1,453)	–	(9,944)
Other reclassifications[2]	–	2,342	(1,342)	–	1,000
as of August 31, 2018	**240,131**	**1,004,628**	**100,851**	**28**	**1,345,638**
Net as of August 31, 2018	**348,957**	**871,027**	**60,630**	**140,270**	**1,420,885**

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

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

Impairment losses of CHF 1.2 million were recognized in property, plant and equipment in fiscal year 2018/19 (2017/18: CHF 5.7 million).

Repair and maintenance expenses for the fiscal year 2018/19 amounted to CHF 84.8 million (2017/18: CHF 69.3 million).

As at August 31, 2019, assets held under finance leases amounted to CHF 4.7 million (2018: CHF 5.7 million). The related liabilities are reported under Note 3.5.4 – "Obligations under finance leases".

As at August 31, 2019, no non-currents assets were pledged as security for financial liabilities (2018: CHF 0.1 million).

Notes to the Consolidated Financial Statements

Accounting policies

Property, plant and equipment

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

Estimated useful lives of major classes of depreciable assets are:

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

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

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

Borrowing costs

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

Notes to the Consolidated Financial Statements

2.2 Intangible assets

2018/19	Goodwill	Brand names and licenses	Internally generated intangible assets	Other	Total
in thousands of CHF					
At cost					
as of September 1, 2018	**830,974**	**78,700**	**432,917**	**39,917**	**1,382,509**
Business combination	31,565	525	–	–	32,091
Additions	–	47	34,144	27,024	61,216
Disposals	–	(20)	(773)	(399)	(1,192)
Currency translation adjustments	(3,024)	(800)	(9,784)	(1,901)	(15,510)
Other reclassifications[1]	114	(6,632)	13,693	(5,711)	1,465
as of August 31, 2019	**859,630**	**71,821**	**470,197**	**58,931**	**1,460,579**
Accumulated amortization and impairment losses					
as of September 1, 2018	**–**	**57,745**	**304,446**	**28,808**	**390,998**
Amortization	–	3,457	33,678	4,579	41,714
Impairment (Note 1.4)	–	16	778	490	1,284
Disposals	–	(16)	(206)	(141)	(362)
Currency translation adjustments	–	(694)	(7,037)	(630)	(8,361)
Other reclassifications[1]	–	(2,763)	12,396	(659)	8,974
as of August 31, 2019	**–**	**57,745**	**344,055**	**32,448**	**434,248**
Net as of August 31, 2019	**859,630**	**14,076**	**126,142**	**26,482**	**1,026,331**

1 During fiscal year 2018/19, a Group finance operational excellence project aimed at harmonization and automation was conducted that resulted in reclassifications within "Property, plant and equipment" and "Intangible assets" categories. The net book value of CHF –7.5 million was transferred from "Property, plant and equipment" to "Intangible assets".

2017/18	Goodwill	Brand names and licenses	Internally generated intangible assets	Other	Total
in thousands of CHF					
At cost					
as of September 1, 2017	**760,813**	**73,500**	**407,836**	**37,216**	**1,279,366**
Business combination	74,404	7,060	–	1,107	82,571
Additions	–	132	33,353	3,626	37,111
Disposals	–	(1,563)	(6,595)	(484)	(8,642)
Currency translation adjustments	(4,243)	(429)	(4,983)	(3,063)	(12,718)
Other reclassifications[1]	–	–	3,307	1,516	4,822
as of August 31, 2018	**830,974**	**78,700**	**432,917**	**39,917**	**1,382,509**
Accumulated amortization and impairment losses					
as of September 1, 2017	**–**	**56,322**	**272,027**	**24,867**	**353,216**
Amortization	–	2,883	40,191	4,561	47,635
Impairment (Note 1.4)	–	–	1,331	25	1,356
Disposals	–	(1,247)	(3,561)	(104)	(4,911)
Currency translation adjustments	–	(213)	(4,507)	(578)	(5,298)
Reclassified from under development	–	–	(1,035)	37	(1,000)
as of August 31, 2018	**–**	**57,745**	**304,446**	**28,808**	**390,998**
Net as of August 31, 2018	**830,974**	**20,955**	**128,471**	**11,110**	**991,510**

1 Reclassified from “Property, plant and equipment”.

Notes to the Consolidated Financial Statements

Additions to internally generated intangible assets amounted to CHF 34.1 million in fiscal year 2018/19 (2017/18: CHF 33.4 million). Additions mainly included costs related to various projects of internally generated software and amounted to CHF 29.4 million (2017/18: CHF 27.0 million). Costs related to the development of recipes and innovations of CHF 4.7 million were also capitalized under internally generated intangible assets (2017/18: CHF 5.8 million). Additions to other intangible assets mainly included projects under development.

The remaining amortization period for brand names varies between one and ten years, for licenses up to ten years, for software between one and eight years and for other including patents between one and twelve years.

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 859.6 million (2017/18: CHF 831.0 million). The allocation to the segments is as follows:

as of August 31,	2019	2018
in million CHF		
Global Cocoa	461.8	458.4
EMEA	307.9	283.5
Americas	85.1	84.5
Asia Pacific	4.8	4.6
Total	**859.6**	**831.0**

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

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

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

The annual impairment tests did not result in a need to recognize impairment losses in fiscal year 2018/19.

Notes to the Consolidated Financial Statements

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

Key assumptions used for value-in-use calculations

	2019		2018	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Global Cocoa	9.0%	1.4%	8.3%	1.2%
EMEA	7.8%	1.2%	6.7%	0.9%
Americas	8.4%	1.1%	7.3%	0.6%
Asia Pacific	8.1%	3.0%	6.6%	3.5%

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

Accounting policies

Goodwill

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

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

Research and Development costs

Research costs are expensed as incurred.

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

Notes to the Consolidated Financial Statements

Brand names, licenses and other intangible assets	Other acquired intangible assets include brand names, licenses, customer relationships, patents and trademarks, software and projects to improve the processes. Patents and licenses are amortized over their period of validity. All other intangible assets are amortized on a straight-line basis over their anticipated useful life not exceeding 10 years. The amortization charge is included in the positions "General and administration expenses" and "Cost of goods sold" in the Consolidated Income Statement.

2.3 Inventories

as of August 31,	2019	2018
in thousands of CHF		
Cocoa beans stocks	693,036	458,322
Semi-finished and finished products	908,770	802,070
Other raw materials and packaging materials	201,868	216,275
Total inventories	**1,803,674**	**1,476,667**

In connection with the IFRS 15 transition as of September 1, 2018, an adjustment to the opening balance of cocoa bean stocks in the amount of CHF 336.0 million has been made. Considering this adjustment the value of inventories remained on the same level. For further details about the IFRS 15 transition refer to "Introduction of new standards in 2018/19; IFRS 15 – Revenue from Contracts with Customers".

As at August 31, 2019, the value of cocoa and chocolate inventories designated in a hedging relationship amounted to CHF 1,063.2 million (2018: CHF 691.0 million), on which a fair value hedge adjustment of CHF –60.8 million was recorded (2018: CHF –4.3 million). The increase of inventories designated in a hedging relationship as well as the decrease of fair value adjustment are mainly attributable to volume effects. For further detail about the hedged inventories refer to Note 3.7.9 – "Effect of hedge accounting on the financial position and performance".

In 2018/19, materials used of CHF 5,108.9 million (2017/18: CHF 4,821.0 million) were recognized as an expense during the year and included in "Cost of goods sold".

In fiscal year 2018/19, inventory write-downs of CHF 44.6 million were recognized as expenses (2017/18: CHF 33.5 million).

There were no inventories pledged in fiscal years 2018/19 and 2017/18.

Accounting policies

Inventories	Inventories are measured at the lower of cost and net realizable value. The cost of inventories comprises the costs of materials, direct production costs including labor costs and an appropriate proportion of production overheads and factory depreciation. Those inventories that are allocated as hedged items in a fair value hedge relationship are adjusted for the change in the fair value attributable to the hedged cocoa price risk. For movements in inventories, the average cost method is applied. Net realizable value is defined as the estimated selling price less costs of completion, direct selling and distribution expenses.

Notes to the Consolidated Financial Statements

2.4 Trade receivables and other current assets

as of August 31,	2019	2018
in thousands of CHF		
Trade receivables	449,196	475,246
Accrued income	32,689	33,124
Loans and other receivables	63,945	47,804
Other current financial assets	18,823	10,410
Receivables representing financial assets	**564,653**	**566,585**
Prepayments	72,443	96,250
Other current non-financial assets	1,540	1,268
Other tax receivables and receivables from government	177,147	247,802
Other receivables	**251,130**	**345,320**
Total trade receivables and other current assets	**815,783**	**911,904**

The Group runs asset-backed securitization programs, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The amount of the receivables sold net of discounts as at August 31, 2019, was CHF 365.4 million (2018: CHF 354.4 million). This amount was derecognized from the balance sheet. The amount is the combination of the gross value of the receivables sold of CHF 380.7 million (CHF 376.9 million as of August 31, 2018) and the discount applicable of CHF 15.3 million (CHF 22.5 million as of August 31, 2018).

Net amounts payable to these programs amounted to CHF 71.2 million as at August 31, 2019 (2018: CHF 66.4 million), consisting of the balance of receivables collected before the next rollover date of CHF 86.5 million (2018: CHF 88.9 million), less the discount on receivables sold of CHF 15.3 million (2018: CHF 22.5 million). These amounts are included in Note 2.5 – “Trade payables and other current liabilities” on a net basis.

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

Trade receivables with the fair value of CHF 84.4 million (and CHF 84.6 million nominal amount) as at August 31, 2019 (2018: fair value CHF 111.5 million, nominal amount CHF 111.7 million), are held for realization through sale under the asset-backed securitization programs and are therefore classified as measured at fair value through profit or loss. All other trade receivables, accrued income, loans, other receivables and other current financial assets are measured at amortized cost.

Interest expense paid under the asset-backed securitization programs amounted to CHF 5.3 million in fiscal year 2018/19 (2017/18: CHF 4.7 million) and is reported under interest expenses.

For detailed information about the expected credit losses calculated on the Group’s financial assets measured at amortized cost refer to Note 3.7.4 – “Credit risk and concentration of credit risk”.

Notes to the Consolidated Financial Statements

Accounting policies

Trade receivables

Trade receivables, with the exception of those receivables that are managed under the asset-backed securitization programs, are stated at amortized cost, less lifetime expected credit losses.

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

Other financial assets

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

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

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

Allowance for impairment losses of financial assets

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

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

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

Financial asset class	Line item in Consolidated Income Statement
Cash and cash equivalents	Finance expense
Deposits	Other expense
Trade receivables	Revenue from sales and services
Other receivables	Other expense
Other financial assets	Other expense

Notes to the Consolidated Financial Statements

2.5 Trade payables and other current liabilities

as of August 31,	2019	2018
in thousands of CHF		
Trade payables	632,152	657,738
Amounts due to related parties	–	107
Accrued expenses	110,635	123,866
Other payables	202,782	158,175
Payables representing financial liabilities	**945,569**	**939,886**
Accrued wages and social security	126,489	119,224
Other taxes and payables to governmental authorities	51,495	61,585
Deferred income	3,958	388
Other liabilities	**181,942**	**181,196**
Total trade payables and other current liabilities	**1,127,511**	**1,121,082**

The Group has payables related to asset-backed securitization programs, see Note 2.4 – "Trade receivables and other current assets". Other payables also consist of outstanding ledger balances with commodity brokers.

Accounting policies

Trade payables and other current financial liabilities	Trade payables and other current financial liabilities are initially recognized at fair value, net of transaction costs, when the Group becomes a party to the contractual provisions. They are subsequently carried at amortized cost using the effective interest rate method. A financial liability is derecognized when the obligation is discharged, cancelled, or expires.

2.6 Provisions

in thousands of CHF	Restructuring	Litigation & claims	Other	Total
as of September 1, 2018	**475**	**6,010**	**28,265**	**34,750**
Additions	–	1,886	7,405	9,291
Use of provisions	–	(683)	(16,978)	(17,661)
Release of unused provisions	–	(298)	–	(298)
Currency translation adjustments	(5)	9	(776)	(772)
as of August 31, 2019	**470**	**6,924**	**17,916**	**25,310**
of which:				
Current	**470**	**5,303**	**14,608**	**20,381**
Non-current	**–**	**1,621**	**3,308**	**4,929**

Restructuring

As at August 31, 2019, the restructuring provisions were related to the Process Driven Organization (PDO) project in Global Cocoa.

Litigation & claims

The amount includes provisions for certain litigations and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. Group companies are involved in various legal actions and claims as they arise in the ordinary course of the business. This includes labor and tax claims, claims related to transactions such as acquisitions and disposals or claims from customers for product liability and recalls. Customer claims are generally covered by a global insurance policy.

Provisions have been made, where quantifiable, for probable outflows not covered by insurance. In management's opinion, after taking appropriate legal advice, the outcome

Notes to the Consolidated Financial Statements

of these legal claims will not give rise to any significant loss beyond the amounts provided as of August 31, 2019. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued.

Other provisions
Other provisions relate mainly to amounts that have been provided to cover the negative outcome of onerous contracts. The total provision for onerous contracts amounted to CHF 10.6 million as at August 31, 2019 (2018: CHF 24.8 million), and is expected to be fully utilized during the coming twelve months. The non-current portion was provided during this fiscal year for different types of risk, and the majority is expected to be used within three years.

Accounting policies	
Provisions	Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate thereof can be made. Provisions are recorded for identifiable claims and restructuring costs. Restructuring provisions mainly comprise employee termination payments. Specific provisions for restructuring costs are recorded at such time as the management approves the decision to restructure and a formal plan for restructuring is communicated.

Notes to the Consolidated Financial Statements

3 Capital and Financial Risk Management

3.1 Capital management

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

The target payout ratio to shareholders is set in a range of 35% to 40% of the net profit in the form of a dividend. The target payout ratio and the form of the payout recommended by the Board is reviewed on an annual basis and is subject to the decision at the Annual General Meeting of Shareholders.

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

3.2 Equity

Share

as of August 31,	2019	2018	2017
in thousands of CHF			
Share capital is represented by 5,488,858 (2018: 5,488,858; 2017: 5,488,858) authorized and issued shares of each CHF 0.02 fully paid in (2018: 0.02; 2017: 7.29)	110	110	40,014

Share capital and dividends

The issued share capital is divided into 5,488,858 registered shares with a nominal value of CHF 0.02 (2018: CHF 0.02). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind. The Company has one class of shares, which carries no right to a fixed dividend.

By resolution of the Annual General Meeting on December 12, 2018, the shareholders approved the proposed distribution of dividends in the amount of CHF 24.00 per share, effected through a dividend payment out of retained earnings in the amount of CHF 131,500,830. The respective payments to the shareholders took place on January 9, 2019.

During the fiscal year 2017/18, the payout of CHF 20.00 per share was effected by a dividend payment out of voluntary retained earnings (CHF 12.73 per share) in the amount of CHF 69,897,160 and by a capital reduction through par value repayment (CHF 7.27 per share) in the amount of CHF 39,903,998. The respective payments took place on March 2, 2018.

Notes to the Consolidated Financial Statements

Treasury shares

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The book value of the treasury shares as at August 31, 2019, amounted to CHF 19.5 million (2018: CHF 20.9 million).

The fair value of the treasury shares as at August 31, 2019, amounted to CHF 22.9 million (2018: CHF 20.2 million). As at August 31, 2019, the number of outstanding shares amounted to 5,477,560 (2018: 5,477,197) and the number of treasury shares to 11,298 (2018: 11,661). During this fiscal year, 13,200 shares have been purchased, 13,563 transferred to employees under the employee stock ownership program and 0 sold (2017/18: 12,930 purchased; 12,772 transferred and 0 sold).

Retained earnings

As at August 31, 2019, retained earnings contain legal reserves of CHF 19.5 million (2018: CHF 20.9 million), which are not distributable to the shareholders pursuant to Swiss law.

Hedging reserves

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that are expected to occur. For further detail about the hedge reserves refer to Note 3.7.9 – "Effect of hedge accounting on the financial position and performance".

Cumulative translation adjustment (CTA)

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

Movements in non-controlling interests

in thousands of CHF	2018/19	2017/18
as of September 1,	**15,715**	**14,925**
Non-controlling share of profit/(loss)	(1,549)	1,226
Dividend paid to non-controlling shareholders	(17)	(247)
Change in non-controlling interests	–	(378)
Non-controlling share of other comprehensive income	171	189
as of August 31,	**14,320**	**15,715**

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

Accounting policies

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

Notes to the Consolidated Financial Statements

3.3 Earnings per share

in CHF	2018/19	2017/18
Basic earnings per share from continuing operations (CHF/share)	67.57	64.93
Diluted earnings per share (CHF/share)	67.21	64.55

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

in thousands of CHF	2018/19	2017/18
Profit for the year attributable to shareholders of the parent company, used as numerator for basic earnings per share adjusted for net loss from discontinued operations	**370,280**	**356,133**
After-tax effect of income and expenses on dilutive potential ordinary shares	–	–
Adjusted net profit for the year used as numerator for diluted earnings per share	**370,280**	**356,133**

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

	2018/19	2017/18
Number of shares issued	5,488,858	5,488,858
Weighted average number of treasury shares held	(9,134)	(3,970)
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	**5,479,724**	**5,484,888**
Dilution potential of equity-settled share-based payments	29,697	32,052
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	**5,509,421**	**5,516,940**

3.4 Cash and cash equivalents

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

3.5 Financial liabilities

3.5.1 Bank overdrafts and short-term debt

as of August 31,	2019	2018	2019	2018
in thousands of CHF	Carrying amounts		Fair values	
Bank overdrafts	**132,638**	**26,267**	**132,638**	**26,267**
Commercial paper	136,702	171,837	136,702	171,837
Short-term debt	54,336	108,810	54,336	108,810
Short-term portion of long-term debt (Note 3.5.2)	5,349	3,784	5,349	3,784
Finance lease obligations (Note 3.5.4)	603	617	603	617
Other	13	–	13	–
Short-term debt	**197,003**	**285,048**	**197,003**	**285,048**
Bank overdrafts and short-term debt	**329,641**	**311,315**	**329,641**	**311,315**

Notes to the Consolidated Financial Statements

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

as of August 31,	2019			2018		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	138,693	(0.11%)	1.50%	171,427	(0.22%)	1.60%
EUR	723	3.00%	7.00%	631	3.00%	6.00%
XOF	128,049	4.25%	5.25%	52,000	4.25%	5.50%
BRL	42,631	6.65%	7.29%	30,744	7.50%	13.00%
CLP	7,103	3.10%	4.77%	35,783	3.48%	4.10%
INR	4,888	7.05%	9.19%	3,674	9.00%	10.00%
XAF	3,875	5.50%	7.70%	4,546	6.00%	7.00%
JPY	3,469	1.67%	1.67%	3,278	1.67%	1.67%
CHF	–	–	–	337	(0.78%)	(0.78%)
IDR	–	–	–	2,457	6.50%	10.50%
TRL	–	–	–	5,050	14.75%	30.00%
Other	210	1.41%	7.47%	1,388	1.04%	8.00%
Total	**329,641**			**311,315**		

3.5.2 Long-term debt

as of August 31,	2019	2018	2019	2018
in thousands of CHF	Carrying amounts		Fair values	
Senior Notes	872,993	1,164,047	977,244	1,270,356
Loans	665,935	7,819	665,935	7,819
Less current portion (Note 3.5.1)	(5,349)	(3,784)	(5,349)	(3,784)
Other	874	715	874	716
Total long-term debt	**1,534,453**	**1,168,797**	**1,638,704**	**1,275,107**

On June 20, 2013, the Group issued a 5.5% Senior Note with maturity in 2023 for an amount of USD 400 million. The Senior Note was issued at a price of 98.122% and includes a coupon step-up clause of 0.25% (limited to 1.00% per annum) per downgraded notch per rating agency. The coupon currently amounts to 5.5% (2017/18: 5.5%)

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

On June 22, 2017, the Group amended and extended its EUR 600 million Revolving Credit Facility dated June 15, 2011, into a EUR 750 million Revolving Credit Facility with maturity in 2022. On June 22, 2018, the Group extended the maturity of its EUR 750 million Revolving Credit Facility to 2023. A further extension of the maturity with one year to June 2024 has been agreed upon with the Lenders on October 3, 2019. Per August 31, 2019 there were no outstanding amounts under the Revolving Credit Facility.

On February 13, 2019, the Group issued a EUR 600 million equivalent Schuldscheindarlehen. An amount of EUR 191 million with maturity in 2026, an amount of EUR 254 million with maturity in 2027 and an amount of EUR 22 million with maturity in 2029 were raised in euros. An amount of CHF 11 million with maturity in 2026, an amount of CHF 131 million with maturity in 2027 and an amount of CHF 10 million with maturity in 2029 were raised in Swiss francs.

Notes to the Consolidated Financial Statements

On June 15, 2011, the Group issued a 5.375% Senior Note with maturity in 2021 for an amount of EUR 250 million. On August 1, 2019, the Group repaid the EUR 250 million Senior Note in full.

The USD 400 million Senior Note, the EUR 450 million Senior Note, the EUR 750 million Revolving Credit Facility and the EUR 600 million equivalent Schuldscheindarlehen all rank pari passu. The Senior Notes, the Revolving Credit Facility as well as the Schuldscheindarlehen are guaranteed by Barry Callebaut AG.

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

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

as of August 31,	2019	2018
in thousands of CHF		
2019/20	–	3,107
2020/21	2,013	281,388
2021/22	282	338
2022/23	388,281	381,370
2023/24 (and thereafter for 2018)	485,365	502,594
2024/25 (and thereafter for 2019)	658,512	–
Total long-term debt	**1,534,453**	**1,168,797**

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

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

as of August 31,	2019			2018		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	994,072	0.90%	2.38%	784,826	0.80%	5.63%
EUR	557	3.00%	6.00%	1,329	3.00%	7.00%
USD	388,258	5.50%	5.50%	379,176	5.50%	5.50%
CHF	151,480	1.10%	1.29%	–	–	–
JPY	–	–	–	3,277	1.67%	1.67%
Other	86	4.93%	5.18%	189	6.00%	7.00%
Total long-term debt	**1,534,453**			**1,168,797**		

Notes to the Consolidated Financial Statements

3.5.3 Changes in liabilities and equity from financing activities

in thousands of CHF	Short-term debt	Long-term debt	Retained earnings	Share capital	Treasury shares	Non-controlling interests	Total
	Financial Liabilities		Equity				
as of September 1, 2017	**318,272**	**1,170,743**	**2,629,403**	**40,014**	**(15,105)**	**14,925**	**4,158,251**
Cash flows from financing activities	**(33,815)**	**(7,334)**	**(69,873)**	**(39,904)**	**(22,783)**	**(247)**	**(173,957)**
Proceeds from the issue of short-term debt	31,362	–	–	–	–	–	31,362
Repayment of short-term debt	(65,177)	–	–	–	–	–	(65,177)
Proceeds from the issue of long-term debt	–	1,200	–	–	–	–	1,200
Repayment of long-term debt	–	(8,534)	–	–	–	–	(8,534)
Dividend payment	–	–	(69,873)	–	–	–	(69,873)
Capital reduction	–	–	–	(39,904)	–	–	(39,904)
Purchase of treasury shares	–	–	–	–	(22,783)	–	(22,783)
Dividends paid to non-controlling interests	–	–	–	–	–	(247)	(247)
Other changes related to liabilities	**591**	**5,389**	**–**	**–**	**–**	**–**	**5,981**
Amortized structuring fee	–	2,610	–	–	–	–	2,610
Change in accrued finance expense other	–	779	–	–	–	–	779
Interest expense	73,928	–	–	–	–	–	73,928
Interest paid	(72,493)	–	–	–	–	–	(72,493)
Foreign exchange movements	(5,404)	6,560	–	–	–	–	1,157
Reclassification	4,560	(4,560)	–	–	–	–	–
Other changes related to equity	**–**	**–**	**365,408**	**–**	**16,968**	**1,038**	**383,414**
as of August 31, 2018	**285,048**	**1,168,798**	**2,924,938**	**110**	**(20,920)**	**15,715**	**4,373,689**
Adjustment on initial application of IFRS 15[1]	334,750	–	(4,121)	–	–	–	330,629
as of September 1, 2018	**619,797**	**1,168,798**	**2,920,817**	**110**	**(20,920)**	**15,715**	**4,704,318**
Cash flows from financing activities	**(434,503)**	**396,120**	**(131,501)**	**–**	**(22,781)**	**(17)**	**(192,682)**
Proceeds from the issue of short-term debt	98,530	–	–	–	–	–	98,530
Repayment of short-term debt	(533,033)	–	–	–	–	–	(533,033)
Proceeds from the issue of long-term debt	–	677,579	–	–	–	–	677,579
Repayment of long-term debt	–	(281,459)	–	–	–	–	(281,459)
Dividend payment	–	–	(131,501)	–	–	–	(131,501)
Capital reduction	–	–	–	–	–	–	–
Purchase of treasury shares	–	–	–	–	(22,781)	–	(22,781)
Dividends paid to non-controlling interests	–	–	–	–	–	(17)	(17)
Other changes related to liabilities	**11,709**	**(30,465)**	**–**	**–**	**–**	**–**	**(18,756)**
Amortized structuring fee	–	3,997	–	–	–	–	3,997
Change in accrued finance expense other	–	610	–	–	–	–	610
Interest expense	115,697	–	–	–	–	–	115,697
Interest paid	(115,549)	–	–	–	–	–	(115,549)
Foreign exchange movements	5,774	(29,285)	–	–	–	–	(23,511)
Reclassification	5,787	(5,787)	–	–	–	–	–
Other changes related to equity	**–**	**–**	**317,844**	**–**	**24,195**	**(1,378)**	**340,661**
as of August 31, 2019	**197,003**	**1,534,453**	**3,107,161**	**110**	**(19,506)**	**14,320**	**4,833,542**

1 Refer to Introduction of new standards in 2018/19, IFRS 15 – Revenue from Contracts with Customers page 50.

Notes to the Consolidated Financial Statements

3.5.4 Obligations under finance leases

as of August 31,	2019	2018	2019	2018
in thousands of CHF	Minimum lease payments		Present value of minimum lease payments	
Amounts payable under finance leases				
within one year	629	665	603	617
in the second to fifth year inclusive	651	1,073	635	1,029
Total amount payable under finance leases	**1,280**	**1,738**	**1,238**	**1,646**
less: future finance charges	(42)	(92)	–	–
Present value of lease obligations	**1,238**	**1,646**	**1,238**	**1,646**
Amount due for settlement next 12 months (Note 3.5.1)			603	617
Amount due for settlement after 12 months			635	1,029

The Group entered into finance leasing arrangements for various assets. The weighted average term of finance leases applied to leased assets is 32.7 years (2017/18: 28.4 years).

A finance lease obligation for a building with a term of 60 years was fully paid in advance previously.

The average effective interest rate was 4.5% (2017/18: 4.6%). Interest rates are fixed at the contract date.

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

as of August 31,	2019	2018
in thousands of CHF	Net carrying amount of property, plant and equipment under finance lease	
Land and buildings	2,389	2,408
Plant and machinery	1,963	3,191
Furniture, equipment and motor vehicles	376	55
Total assets under financial lease	**4,728**	**5,654**

Accounting policies

Financial liabilities	Financial liabilities are initially recognized at fair value, net of transaction costs, when the Group becomes a party to the contractual provisions. They are subsequently carried at amortized cost using the effective interest rate method. A financial liability is derecognized when the obligation is discharged, cancelled, or expires.
Finance leases	Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets are amortized over the asset's estimated useful life or the lower contract term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The finance cost component of the lease payment is recognized as finance expense over the lease term based on the effective interest rate method.

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3.6 Capital and lease commitments and guarantees

Capital commitments

as of August 31, in thousands of CHF	2019	2018
Property, plant and equipment	4,588	5,283
Intangible assets	389	509
Total capital commitments	**4,977**	**5,792**

Guarantees in favor of third parties

Group companies have issued guarantee commitments for the fiscal year 2018/19 in the amount of CHF 1.5 million (2017/18: CHF 2.5 million). These are mainly related to customs authorities and third-party suppliers.

Operating lease commitments

Operating lease commitments represent rentals payable by the Group for vehicles, equipment, buildings and offices. Equipment and vehicle leases were negotiated for an average term of 2.0 years (2017/18: 3.1 years).

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

as of August 31, in thousands of CHF	2019	2018
In the first year	39,585	26,229
In the second to the fifth year	77,221	67,023
After five years	34,016	59,864
Total future operating lease commitments	**150,822**	**153,116**

in thousands of CHF	2018/19	2017/18
Lease expenditure charged to the statement of income	**45,106**	**27,318**

Accounting policies

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

3.7 Financial risk management

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

The Group's overall strategy for managing these risks is consistent with the Group's objectives to maintain cost leadership, reduce earnings volatility in a cost-effective manner and minimize potential adverse effects of such market exposures on the financial performance of the Group. The Group's Sourcing and Treasury department continuously monitor and hedge the exposures to commodity price risk, foreign currency risk, interest rate risk and the use of derivative instruments. The Group's Risk Management department and Finance Committee regularly review and monitor the adherence to policies and defined risk limits.

Notes to the Consolidated Financial Statements

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

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

3.7.1 Commodity price risks

a) Commodity risk management

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

The Group Commodity Risk Committee (GCRC) is a committee consisting of key risk management stakeholders of the Group who monitor the Group's commodity risk management activities and acts as the decision-making body for the Group in this respect. The members of the GCRC include the Group's Chief Financial Officer (CFO) who acts as Chairman of the committee, the President of Global Cocoa, the VP Group Accounting, Reporting & Risk Management (GARRM), the CFO of Global Cocoa, the VP of Global Cocoa Trading & Sourcing, the Head of Global Sourcing (for non-cocoa materials) and the VP Group Treasury & Tax.

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

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

The GCRC allocates the Group VaR limit into VaR limits for cocoa and non-cocoa raw materials such as sugar, dairy, oils and fats. These two VaR limits are then allocated to limits in tonnes to the related risk reporting units for each of the two areas. The Board of Directors is the highest approval authority for all Group Commodity Risk Management (GCRM) matters and approves the GCRM Policy as well as the Group VaR limit.

The VaR framework of the Group is based on the standard historical VaR methodology; taking 2,000 days (equivalent to seven years) of the most recent prices, based on which the day-to-day relative price changes are calculated. This simulation of past market conditions is not predicting the future movement in commodity prices and

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therefore it does not represent actual losses. It only represents an indication of the future commodity price risks based on historical volatility. VaR is applied to materials with prices considered to exceed certain volatility levels (e.g. cocoa beans and cocoa products, dairy products, sugar and sweeteners, nuts, oils and fats). As at August 31, 2019, the Group had a total VaR for raw materials of CHF 11.9 million (2018: CHF 10.4 million), well within the Group limit. The average VaR over the fiscal year 2018/19 was CHF 8.8 million (2017/18: CHF 11.0 million).

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

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

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

In order to calculate the cocoa bean price risk exposure embedded in the various cocoa ingredients and chocolate stocks, purchase and sales contracts, the cocoa-processing entities translate the various cocoa ingredient volumes in these positions into cocoa bean equivalents, using technical yields (to calculate how many cocoa beans are needed to produce those cocoa ingredient volumes). These technical ratios vary according to cocoa ingredient types and cocoa-processing units. The chocolate entities calculate the bean equivalent in their positions using the prevailing market/commercial ratios. The entities use this approach and these ratios to enter into the appropriate volume of hedging instruments in order to hedge the cocoa bean price risk component in their positions. The Group also uses the same hedging ratios in hedge accounting as described above.

The cocoa bean price risk component is contractually specified in the purchase and sales contracts of cocoa ingredients and chocolate products. Therefore, the cocoa bean price risk component is considered separately identifiable and reliably measurable in the Group's hedged items (cocoa ingredients purchase contracts, cocoa stocks, chocolate stocks, cocoa ingredients sales contracts and chocolate sales contracts) as well as in its hedging instruments (cocoa bean futures and other contracts accounted for as derivatives).

c) Sugar price risk hedges

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

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

3.7.2 Foreign currency risks

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

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

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

The Group's Treasury department is supervised by the Group Finance Committee, which meets on a regular basis. The Group Finance Committee monitors the Group's foreign currency risk position and acts as a decision-taking body for the Group in this respect. The Group Finance Committee consists of the Group's CFO, the VP Group Financial Planning & Analysis, the VP Group Treasury & Tax, the VP Group Accounting, Reporting & Risk Management, and other Group Finance stakeholders.

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

The table below provides an overview of the net exposure of EUR, GBP, CHF and USD against the main functional currencies in the Group. According to the Group's Treasury Policy, foreign exchange exposures are hedged as from identification on an intraday basis in line with the approved exposure limits. In case of small deviations from the agreed foreign exchange exposure limits, approval has to be sought from the Group's Treasury and Risk Management department. For significant deviations, approval from the AFRQCC is required. Companies with the same functional currency are shown in one group. EUR exposures of the reporting units with functional currency franc CFA in Côte d'Ivoire (XOF) and Cameroon (XAF) are not included, as the franc CFA has an exchange rate pegged to the EUR, currently at a rate of CFA franc 656 per euro both for XOF and XAF (total EUR long exposures of 57 million as per August 31, 2019, and short 2 million as per August 31, 2018).

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Net foreign currency exposures

as of August 31,	2019				2018			
Net exposure in thousands of EUR/GBP/USD/CHF	EUR	GBP	USD	CHF	EUR	GBP	USD	CHF
EUR	–	(2,994)	(2,333)	14,436	–	(21,510)	(1,154)	27,655
CHF	39,180	2	(34,536)	–	14,830	504	(9,116)	–
USD	(796)	54	–	(645)	(1,645)	5	–	(1,101)
CAD	(1,140)	–	(526)	1	(91)	–	(453)	18
BRL	224	–	211	(118)	(85)	–	750	(118)
RUB	(96)	22	40	–	(12)	118	(382)	–
JPY	(614)	(13)	65	–	(756)	(13)	(238)	–
MXN	(28)	–	(3,182)	5	–	–	2,522	(544)
IDR	(274)	–	(320)	–	(103)	–	(85)	–
INR	(316)	–	(1,402)	–	(138)	–	(2,106)	–
TRL	519	(30)	(12)	(8)	(72)	14	(49)	(7)
SEK	38	–	9	(11)	3,896	(3)	(4)	(36)
Total	**36,697**	**(2,959)**	**(41,986)**	**13,660**	**15,824**	**(20,885)**	**(10,315)**	**25,867**

In order to quantify and manage the Group's consolidated exposure to foreign currency risks, the concept of historical VaR has been implemented. The VaR concept serves as the analytical instrument for assessing the Group's foreign currency risk incurred under normal market conditions. The VaR indicates the loss which, within a time horizon of one day, will not be exceeded at a confidence level of 95% using seven years of historical market prices for each major currency pair. The VaR is used together with the calculation of the expected shortfall and worst cases as well as the use of stress test scenarios. The VaR is based on static exposures during the time horizon of the analysis. However, the simulation of past market conditions is not predicting the future movement in foreign currency rates. Therefore, it does not represent actual losses. It only represents an indication of future foreign currency risks. As of August 31, 2019, the Group had a VaR of CHF 0.4 million (2018: CHF 0.3 million). The average VaR over the fiscal year 2018/19 was CHF 0.2 million (2017/18: CHF 0.2 million).

Value at Risk per main exposure currencies

as of August 31,	2019	2018
Value at Risk on net exposures in thousands of CHF Total for the Group and per main exposure currencies		
Total Group	**436**	**250**
EUR	343	94
GBP	28	217
USD	302	97
CHF	68	160
Others	62	36
Diversification effect	46%	59%

3.7.3 Interest rate risks

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

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

As described in the section "Foreign currency risks", the Group's Treasury department is supervised by the Group Finance Committee, which meets on a regular basis. The Group Finance Committee monitors the Group's interest rate risk and acts as a decision-taking body for the Group in this respect.

The Group's Treasury Policy also covers the management of interest rate risks. The VP Group Treasury & Tax reports the status periodically to the Group's CFO, who informs the AFRQCC in their quarterly meetings. The AFRQCC approves requests from the Group Finance Committee on important treasury matters, including interest rate risks, and provides recommendations to the Board of Directors, which is the highest approval authority for all Group treasury matters.

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

as of August 31,	2019	2018
in thousands of CHF		
Fixed interest-bearing items		
Carrying amount of financial liabilities	1,172,217	1,172,229
Reclassification due to interest rate derivative	364,346	169,578
Net fixed interest position	**1,536,563**	**1,341,807**
Floating interest-bearing items		
Carrying amount of financial assets	(559,376)	(405,838)
Carrying amount of financial liabilities	691,877	307,883
Reclassification due to interest rate derivative	(364,346)	(169,578)
Net floating interest position	**(231,845)**	**(267,534)**

Sensitivity analysis on interest rate risks

The following table shows the impact of a parallel shift of interest rates by 100 basis points (bps) up and 10 bps down on the Group's equity and Consolidated Income Statement, net of tax. The calculation is performed on both, the portion of the outstanding debt (excluding the asset-backed securitization programs; see Note 2.4 "Trade receivables and other current assets") at floating interest rates and the outstanding derivatives exchanging floating into fixed interest rates at the respective year-end. This sensitivity analysis only indicates the potential impact for the respective fiscal year at the prevailing conditions in the financial markets. Consequently, it does not represent actual or future gains or losses, which are strictly managed and controlled, as stipulated by the Group's Treasury Policy.

as of August 31,	2019				2018			
Impact on	Income statement		Equity		Income statement		Equity	
in thousands of CHF	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease
Floating rate bearing items	1,725	(172)	–	–	2,006	(201)	–	–
Interest rate swaps	–	–	18,924	(1,585)	–	–	6,035	(618)
Total interest rate sensitivity	**1,725**	**(172)**	**18,924**	**(1,585)**	**2,006**	**(201)**	**6,035**	**(618)**

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3.7.4 Credit risk and concentration of credit risk

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

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

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

As of August 31, 2019, the largest customer represents 7% (2018: 10%) whereas the ten biggest customers represent 27% (2018: 33%) of trade receivables. The Group has no material credit risk concentration as it maintains a large, geographically diverse customer base. The extent of the Group's credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 1,152.9 million as of August 31, 2019 (2018: CHF 986.7 million).

All financial assets measured at amortized cost are first assessed for individual impairment. Subsequently, expected credit loss is calculated by applying the annualized Credit Default Swap rates (CDS) of the country of domicile (where available the individual CDS of the counterparty is applied) and a premium of 25 bps p.a. (pro rated in line with average payment terms). The net expenses representing additions to the allowance for impairment losses and releases of the unused allowance recognized according to the approach described above amounted to CHF 4.7 million in 2018/19 (2017/18: CHF 12.4 million).

The fair value measurement of purchase and sales contracts and non-centrally-cleared derivative instruments recognized as derivative asset has been adjusted to reflect the credit risk of the counterparty. The Credit Valuation Adjustment (CVA) has been calculated by applying the annualized Credit Default Swap rates (CDS) of the counterparty (where not available, the country specific CDS of the country of domicile and a premium of 25 bps p.a.). The expense has been recognized in the Consolidated Income Statement as "Cost of goods sold".

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

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

Ageing of trade receivables

as of August 31, in thousands of CHF	2019	2018
Total trade receivables measured at amortized cost, gross	379,793	377,046
of which:		
insured receivables	204,333	278,576
uninsured receivables with an individual balance over CHF 1 million	87,707	7,594
uninsured receivables with an individual balance below CHF 1 million	87,753	90,876
Less lifetime expected credit losses for trade receivables	(14,984)	(13,256)
Total trade receivables measured at amortized cost	**364,809**	**363,790**
of which:		
not overdue	329,728	280,829
lifetime expected credit losses for trade receivables not overdue	(7,394)	(1,818)
expected credit loss rate	2.24%	0.65%
past due less than 90 days	39,847	69,222
lifetime expected credit losses for trade receivables past due less than 90 days	(2,039)	(1,139)
expected credit loss rate	5.12%	1.65%
past due more than 90 days	10,218	26,996
lifetime expected credit losses for trade receivables past due more than 90 days	(5,551)	(10,299)
expected credit loss rate	54.33%	38.15%
Total trade receivables measured at amortized cost	**364,809**	**363,790**

The Group has insured certain credit risks through a credit insurance policy. The majority of customers with a material outstanding amount are credit insured by this policy.

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Movements in allowance for impairment losses of financial assets

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

in thousands of CHF	Cash and cash equivalents	Deposits	Trade receivables	Other receivables	Other financial assets	Total
as of September 1, 2018	**205**	**2**	**13,256**	**4,862**	**11**	**18,335**
Changes to expected credit losses on financial assets already recognized at the beginning of the fiscal year	105	36	3,566	956	6	4,669
Changes to expected credit losses on new financial assets originated during the fiscal year	690	9	2,089	1,844	5	4,637
Write-offs	(3)	–	(489)	(1,073)	(10)	(1,575)
Unused amounts reversed	(19)	–	(4,510)	(124)	–	(4,652)
Currency translation adjustment	(14)	(37)	1,072	2,483	(1)	3,503
as of August 31, 2019	**964**	**10**	**14,984**	**8,948**	**11**	**24,917**

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

3.7.5 Liquidity risk

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

Financing needs are covered through a combination of adequate credit lines with financial institutions as well as through short-term and long-term debt capital market products (see Note 3.5 "Financial liabilities").

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Contractual maturities

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

as of August 31, 2019	Carrying amount	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF					
Non-derivative financial liabilities					
Bank overdrafts	(132,638)	(132,638)	–	–	(132,638)
Short-term debt	(197,003)	(197,003)	–	–	(197,003)
Trade payables	(632,152)	(649,018)	–	–	(649,018)
Long-term debt	(1,534,453)	(44,181)	(1,039,242)	(690,978)	(1,774,401)
Other current liabilities[1]	(313,416)	(313,416)	–	–	(313,416)
Derivatives					
Interest rate derivatives	(16,455)	(2,219)	(9,272)	(3,109)	(14,600)
Currency derivatives					
Inflow	(23,361)	3,912,524	98,194	–	4,010,718
Outflow	41,006	(4,521,749)	(99,100)	–	(4,620,849)
Commodity derivatives (gross settled)					
Inflow	69,710	1,101,827	49,702	–	1,151,529
Outflow	(79,154)	(1,175,234)	(19,560)	–	(1,194,795)
Commodity derivatives (net settled)					
Inflow	397,925	397,414	511	–	397,925
Outflow	(491,897)	(490,727)	(1,170)	–	(491,897)
Total net	**(2,911,888)**	**(2,114,421)**	**(1,019,937)**	**(694,087)**	**(3,828,445)**

as of August 31, 2018	Carrying amount	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF					
Non-derivative financial liabilities					
Bank overdrafts	(26,267)	(26,267)	–	–	(26,267)
Short-term debt	(285,048)	(285,048)	–	–	(285,048)
Trade payables	(657,738)	(657,738)	–	–	(657,738)
Long-term debt	(1,168,797)	(52,543)	(838,238)	(520,816)	(1,411,597)
Other current liabilities[1]	(282,148)	(282,148)	–	–	(282,148)
Derivatives					
Interest rate derivatives	(1,748)	(887)	(123)	–	(1,011)
Currency derivatives					
Inflow	(190,688)	3,458,493	6,458	–	3,464,951
Outflow	180,168	(3,443,209)	(6,459)	–	(3,449,669)
Commodity derivatives (gross settled)					
Inflow	(12,841)	1,254,483	43,243	–	1,297,726
Outflow	(62,551)	(536,345)	–	–	(536,345)
Commodity derivatives (net settled)					
Inflow	273,712	271,401	2,311	–	273,712
Outflow	(346,062)	(345,792)	(270)	–	(346,062)
Total net	**(2,580,009)**	**(645,602)**	**(793,078)**	**(520,816)**	**(1,959,496)**

1 Other current liabilities contained accrued expenses and other payables.

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3.7.6 Derivative financial instruments

as of August 31,	2019		2018	
in thousands of CHF	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Cash flow hedges				
Interest rate risk				
Swaps	–	16,455	21	1,769
Cocoa price risk				
Forward and futures contracts	405	470	265	1,174
Sugar price risk				
Futures contracts	564	12,214	134	8,449
Foreign exchange risk				
Forward and futures contracts	2,519	30	–	–
Fair value hedges				
Cocoa price risk				
Forward and futures contracts	46,038	55,014	72,212	46,908
Foreign exchange risk				
Forward and futures contracts	4,450	8,051	5,135	8,726
Other – no hedge accounting				
Raw materials				
Futures contracts and other derivatives	350,919	424,198	201,101	289,531
Forward contract at fair value using fair value option	17,672	72,633	44,037	110,217
Fair value adjustment on risk component for cocoa and chocolate sales and purchase contracts	125,838	80,321	104,004	113,216
Foreign exchange risk				
Fair value of hedged firm commitments	24,599	18,216	37,985	19,718
Forward and futures contracts	43,281	53,780	37,578	42,289
Total derivative financial assets	**616,284**	–	**502,471**	–
Total derivative financial liabilities	–	**741,383**	–	**641,997**

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

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

Notes to the Consolidated Financial Statements

3.7.7 Offsetting financial assets and financial liabilities

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

				Related amounts not set off in the balance sheet		
as of August 31, 2019	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Financial instruments	Cash collateral received or deposited	Net amount
in thousands of CHF						
Derivative financial assets	616,284	–	616,284	**(383,183)**	**35,663**	**268,764**
Derivative financial liabilities	741,383	–	741,383	**(383,183)**	**(42,615)**	**315,585**

				Related amounts not set off in the balance sheet		
as of August 31, 2018	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Financial instruments	Cash collateral received or deposited	Net amount
in thousands of CHF						
Derivative financial assets	502,471	–	502,471	**(210,497)**	**10,813**	**302,787**
Derivative financial liabilities	641,997	–	641,997	**(210,497)**	**(44,464)**	**387,036**

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

Notes to the Consolidated Financial Statements

3.7.8 Fair value of financial instruments

a) Methods and assumptions

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

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

Long-term debt

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

Derivative financial assets and liabilities

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

Notes to the Consolidated Financial Statements

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

as of August 31, 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	–	557,827	–	–	557,827	557,827
Short-term deposits	–	1,549	–	–	1,549	1,549
Trade receivables	84,387	364,809	–	–	449,196	449,196
Derivative financial assets	616,284	–	–	–	616,284	616,284
Accrued income	–	32,689	–	–	32,689	32,689
Loans and other receivables	–	63,945	–	–	63,945	63,945
Other current financial assets	–	18,823	–	–	18,823	18,823
Other non-current financial assets[1]	–	16,049	–	–	16,049	16,049
Total financial assets	**700,671**	**1,055,690**	**–**	**–**	**1,756,361**	**1,756,361**
Bank overdrafts	–	–	–	132,638	132,638	132,638
Short-term debt	–	–	–	197,003	197,003	197,003
Trade payables	–	–	–	632,152	632,152	632,152
Accrued expenses	–	–	–	110,635	110,635	110,635
Other payables	–	–	–	202,782	202,782	202,782
Derivative financial liabilities	–	–	741,383	–	741,383	741,383
Long-term debt	–	–	–	1,534,453	1,534,453	1,638,705
Total financial liabilities	**–**	**–**	**741,383**	**2,809,663**	**3,551,046**	**3,655,298**

1 Other non-current financial assets contained long-term deposits.

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
Accrued income	–	33,124	–	–	33,124	33,124
Loans and other receivables	–	47,804	–	–	47,804	47,804
Other current financial assets	–	10,410	–	–	10,410	10,410
Other non-current financial assets[1]	–	3,887	–	–	3,887	3,887
Total financial 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
Accrued expenses	–	–	–	123,866	123,866	123,866
Other payables	–	–	–	158,282	158,282	158,282
Derivative financial liabilities	–	–	641,997	–	641,997	641,997
Long-term debt	–	–	–	1,168,797	1,168,797	1,275,107
Total financial liabilities	**–**	**–**	**641,997**	**2,419,998**	**3,061,995**	**3,168,304**

1 Other non-current financial assets contained long-term deposits and financial assets related to long-term partnership agreements.

Notes to the Consolidated Financial Statements

b) Fair value hierarchy of financial instruments

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

The fair value hierarchy has the following levels:

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

Notes to the Consolidated Financial Statements

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

as of August 31, 2019	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	84,387	**84,387**
Derivative financial assets	398,331	217,953	–	**616,284**
Derivative financial liabilities	491,766	249,616	–	**741,383**

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 at August 31, 2019, CHF 17.7 million and CHF 72.6 million, respectively, relate to the fair values of executory contracts measured at fair value applying the fair value option (2018: CHF 44.0 million and CHF 110.2 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 Group maintains asset-backed securitization programs for trade receivables, transferring the contractual rights to the cash flow or third-party receivables. These receivables are derecognized. Trade receivables measured at fair value are receivables dedicated to the securitization programs, but not yet remitted to the asset purchasing company.

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

There have been no transfers between the fair value hierarchy levels during the fiscal years 2018/19 and 2017/18.

Notes to the Consolidated Financial Statements

3.7.9 Effect of hedge accounting on the financial position and performance

a) Impact of hedging instruments designated in hedging relationships

The impact of hedging instruments designated in hedging relationships as of August 31, 2019, on the Group's Consolidated Balance Sheet is as follows:

in CHF million	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the Consolidated Balance Sheet where the hedging instrument is reported	Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness
as of August 31, 2019		Assets	Liabilities		
Cash flow hedges					
Interest rate risk					
Swaps	364.4	–	16.5	Derivative financial assets Derivative financial liabilities	(23.4)
Cocoa price risk					
Futures contracts	(19.6)	0.4	0.5	Derivative financial assets Derivative financial liabilities	–
Sugar price risk					
Futures contracts	105.5	0.6	12.2	Derivative financial assets Derivative financial liabilities	(5.9)
Foreign exchange risk					
Forward and futures contracts	49.2	2.5	–	Derivative financial assets Derivative financial liabilities	2.7
Fair value hedges					
Cocoa price risk					
Futures contracts	(40.2)	46.0	55.0	Derivative financial assets Derivative financial liabilities	24.6
Foreign exchange risk					
Forward and futures contracts	(600.5)	4.5	8.1	Derivative financial assets Derivative financial liabilities	5.9
Receivables	235.5	235.5	–	Trade receivables and other current assets	0.3
Payables	(178.4)	–	178.4	Trade payables and other current liabilities	0.6
Debts	2.1	–	2.1	Short-term debt	0.0
Cash instruments	4.7	4.7	–	Cash and cash equivalents	–

Notes to the Consolidated Financial Statements

in CHF million	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the Consolidated Balance Sheet where the hedging instrument is reported	Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness
as of August 31, 2018		Assets	Liabilities		
Cash flow hedges					
Interest rate risk					
Swaps	339.2	–	1.8	Derivative financial assets Derivative financial liabilities	5.0
Cocoa price risk					
Futures contracts	(16.6)	0.3	1.2	Derivative financial assets Derivative financial liabilities	(2.0)
Sugar price risk					
Futures contracts	57.5	0.1	8.5	Derivative financial assets Derivative financial liabilities	(8.9)
Foreign exchange risk					
Forward and futures contracts	(10.6)	–	–	Derivative financial assets Derivative financial liabilities	2.4
Fair value hedges					
Cocoa price risk					
Futures contracts	394.5	72.2	46.9	Derivative financial assets Derivative financial liabilities	48.9
Foreign exchange risk					
Forward and futures contracts	16.5	5.1	8.7	Derivative financial assets Derivative financial liabilities	(0.4)
Receivables	323.4	323.4	–	Trade receivables and other current assets	3.1
Payables	(384.7)	–	384.7	Trade payables and other current liabilities	(4.0)
Debts	1.8	–	1.8	Short-term debt	0.0
Cash instruments	36.6	36.6	–	Cash and cash equivalents	0.7

Notes to the Consolidated Financial Statements

b) Impact of hedged items designated in hedging relationships

The impact of hedged items designated in hedging relationships as of August 31, 2019, on the Group's Consolidated Balance Sheet is as follows:

in CHF million	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		From the accumulated amount of fair value hedge adjustments: part related to hedged items that ceased to be adjusted for hedging gains or losses		Line item in the Consolida-ted Balance Sheet where the hedged item is reported	Fair value changes of the hedged item used as a basis to calculate hedge ineffec-tiveness	Cash flow hedge reserve
as of August 31, 2019	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
Cash flow hedges									
Interest rate risk									
Forecasted interest payments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	24.0	(23.3)
Cocoa price risk									
Forecasted cocoa sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	–	(0.1)
Sugar price risk									
Forecasted sugar purchases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	6.2	(9.9)
Foreign exchange risk									
Forecasted purchase and sales transactions denominated in foreign currency	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2.8)	2.4
Fair value hedges									
Cocoa price risk									
Cocoa and chocolate stocks	1,063.2		(60.8)		–		Inventories	(59.4)	n/a
Risk component of cocoa and chocolate purchase and sales contracts	125.8	80.3	125.8	80.3	–	–	Derivative financial assets Derivative financial liabilities	32.7	n/a
Foreign exchange risk									
Firm purchase and sales commitments denominated in foreign currency	24.6	18.2	24.6	18.2	–	–	Derivative financial assets Derivative financial liabilities	(4.0)	n/a

Notes to the Consolidated Financial Statements

in CHF million	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		From the accumulated amount of fair value hedge adjustments: part related to hedged items that ceased to be adjusted for hedging gains or losses		Line item in the Consolidated Balance Sheet where the hedged item is reported	Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
as of August 31, 2018	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
Cash flow hedges									
Interest rate risk									
Forecasted interest payments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(5.0)	(8.1)
Cocoa price risk									
Forecasted cocoa sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	2.0	(1.1)
Sugar price risk									
Forecasted sugar purchases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	8.9	(8.9)
Foreign exchange risk									
Forecasted purchase and sales transactions denominated in foreign currency	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(2.4)	1.8
Fair value hedges									
Cocoa price risk									
Cocoa and chocolate stocks	691.0	–	(4.3)	–	–	–	Inventories	(11.9)	n/a
Risk component of cocoa and chocolate purchase and sales contracts	104.0	113.2	104.0	113.2	–	–	Derivative financial assets Derivative financial liabilities	(38.4)	n/a
Foreign exchange risk									
Firm purchase and sales commitments denominated in foreign currency	38.0	19.7	38.0	19.7	–	–	Derivative financial assets Derivative financial liabilities	0.6	n/a

Notes to the Consolidated Financial Statements

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

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

Cash flow hedges	Change in the fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in the Consolidated Income Statement	Amount reclassified from the cash flow hedge reserve to the Consolidated Income Statement	Line item in the Consolidated Income Statement impacted by the reclassification from cash flow hedge reserve
as of August 31, 2019				
in CHF million				
Interest rate risk	(23.4)	–	2.1	Finance expense
Cocoa price risk	0.0	–	1.1	Cost of goods sold
Sugar price risk	(5.9)	–	4.6	Cost of goods sold
Foreign exchange risk	2.7	–	(2.0)	Cost of goods sold

Cash flow hedges	Change in the fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in the Consolidated Income Statement	Amount reclassified from the cash flow hedge reserve to the Consolidated Income Statement	Line item in the Consolidated Income Statement impacted by the reclassification from cash flow hedge reserve
as of August 31, 2018				
in CHF million				
Interest rate risk	5.0	–	0.1	Finance expense
Cocoa price risk	(2.0)	–	0.9	Cost of goods sold
Sugar price risk	(9.8)	–	(3.1)	Cost of goods sold
Fuel oil price risk	0.5	–	0.1	Cost of goods sold
Foreign exchange risk	2.4	–	2.8	Cost of goods sold

This table includes the changes in the fair value of the hedging instruments recognized in other comprehensive income throughout the entire fiscal year 2018/19 (including hedge accounting relationships ended before August 31, 2019).

The table in section 3.7.9a “Impact of hedging instruments designated in hedging relationships” (refer to column “Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness”) includes the fair value changes of hedging instruments that are related to hedge accounting relationships, which were still active as at August 31, 2019.

Notes to the Consolidated Financial Statements

Fair value hedges

in CHF million	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported
as of August 31, 2019		
Cocoa price risk	(2.1)	Cost of goods sold
Foreign exchange risk	2.8	Cost of goods sold

in CHF million	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported
as of August 31, 2018		
Cocoa price risk	(1.4)	Cost of goods sold
Foreign exchange risk	(2.2)	Cost of goods sold

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

Notes to the Consolidated Financial Statements

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

in thousands of CHF	Cocoa price risk	Sugar price risk	Fuel oil price risk	Foreign exchange risk	Interest rate risk	Total hedging reserve
as of September 1, 2017	**(138)**	**2,238**	**(594)**	**(3,136)**	**(10,682)**	**(12,312)**
Gains/(losses) taken into equity	(1,952)	(9,819)	482	2,413	5,015	(3,862)
Transfer to initial carrying amount of the hedged item	–	932	–	31	–	963
Transfer to the Consolidated Income Statement for the period	931	(3,124)	133	2,760	65	765
thereof:						
due to hedged item affected the Consolidated Income Statement	931	(3,124)	133	2,760	65	765
Tax effect on cashflow hedges	51	893	(24)	(229)	(2,566)	(1,875)
Currency translation adjustment	7	10	4	(1)	47	66
as of August 31, 2018	**(1,101)**	**(8,871)**	**0**	**1,837**	**(8,122)**	**(16,256)**
Gains/(losses) taken into equity	8	(5,859)	–	2,747	(23,449)	(26,553)
Transfer to initial carrying amount of the hedged item	–	(183)	–	(95)	–	(279)
Transfer to the Consolidated Income Statement for the period	1,088	4,589	–	(1,958)	2,149	5,867
thereof:						
due to hedged item affected the Consolidated Income Statement	1,088	4,589	–	(1,958)	2,149	5,867
Tax effect on cashflow hedges	(37)	447	–	(104)	5,363	5,669
Currency translation adjustment	(16)	(18)	–	–	811	777
as of August 31, 2019	**(58)**	**(9,896)**	**0**	**2,427**	**(23,247)**	**(30,775)**

3.7.10 Timing, nominal amount and pricing of hedging instruments

The following table provides information about the maturity of the nominal amount and interest rates attached to the swaps held by the Group as of August 31, 2019, to hedge its interest rate risk:

as of August 31, 2019	Period of maturity			
	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	–	136.2	228.2	364.3
Average interest rate	–	0.18%	0.51%	n/a

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

Notes to the Consolidated Financial Statements

As of August 31, 2019, the Group held the following cocoa bean futures and other contracts accounted as derivatives to hedge the cocoa price risk exposure on its hedged items:

	Period of maturity			
as of August 31, 2019	September – December current year	January – May next year	After May next year	Total
Nominal amount (in tonnes, net long/(short))	(150,854)	47,395	56,444	(47,015)
Average price (in CHF per tonne)	1,908	2,028	1,911	n/a

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

As of August 31, 2019, the Group held the following sugar futures to hedge the sugar price risk exposure on its forecasted sugar purchases:

	Period of maturity				
as of August 31, 2019	September – October current year	November current year – May next year	After May next year	Total	Hedge rates (in USD cents per pound)
Nominal amount (in thousands of pounds, long)	208,854	288,146	197,225	694,225	11.37-14.70

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

Notes to the Consolidated Financial Statements

Information about the foreign exchange forwards and futures in case of the major foreign currency hedging pairs held by the Group as of August 31, 2019, to hedge its foreign exchange risk:

as of August 31, 2019	Period of maturity			
	Current year	Next year	After next year	Total
GBP exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	48.2	(275.1)	(2.0)	(228.9)
Average foreign exchange rate (EUR/GBP)	0.935	0.924	0.959	n/a
USD exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(57.8)	(41.0)	(1.8)	(100.6)
Average foreign exchange rate (EUR/USD)	1.053	1.136	1.068	n/a
GBP exposure hedging in entities whose functional currency is USD				
Nominal amount (CHF million, long/(short))	87.2	(77.1)	(27.5)	(17.3)
Average foreign exchange rate (USD/GBP)	0.781	0.783	0.806	n/a
USD exposure hedging in entities whose functional currency is BRL				
Nominal amount (CHF million, long/(short))	179.2	–	–	179.2
Average foreign exchange rate (BRL/USD)	0.253	–	–	n/a

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

Accounting policies

Derivative financial instruments

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

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

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

Notes to the Consolidated Financial Statements

Hedge accounting

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

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

Cash flow hedging – for commodity price risks (cocoa and sugar price risk) and foreign currency exchange risks arising from forecasted purchase and sales transactions	The Group enters into sugar futures to hedge the sugar price risk exposure embedded in certain forecasted sugar purchases, and into foreign exchange forwards and futures contracts to hedge the currency risk arising from these forecasted sugar purchases. The Group applies cash flow hedge accounting for these hedging relationships whereby the sugar futures and the foreign exchange forwards and futures are designated as hedging instruments to hedge the variability in cash flows attributable to the risk of sugar price movements and to the foreign currency risk, respectively, in the hedged forecasted sugar purchases. Where no firm commitments exist, the Group also enters into exchange traded cocoa bean futures to hedge the cocoa price risk arising from forecasted sales of cocoa ingredients, and into foreign exchange forwards and futures contracts to hedge the currency risk arising from forecasted cocoa sales transactions denominated in foreign currencies. The related entities apply cash flow hedge accounting whereby the cocoa bean futures and the foreign exchange forwards and futures are designated as hedging instruments to the underlying forecasted sales to hedge the variability in cash flow that is attributable to the risk of cocoa price movements and to the foreign exchange risk, respectively.
Cash flow hedging – for interest rate risks	Barry Callebaut applies cash flow hedge accounting for interest rate derivatives, converting a portion of floating rate borrowings to fixed rate borrowings.
Accounting for cash flow hedges	For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognized directly in other comprehensive income. Gains or losses that are recognized in other comprehensive income are transferred to the Consolidated Income Statement in the same period in which the hedged exposure affects the Consolidated Income Statement. The ineffective part of any gain or loss is recognized immediately in the Consolidated Income Statement at the time hedge effectiveness is tested. Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in other comprehensive income is kept in other comprehensive income until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in other comprehensive income is immediately transferred to the Consolidated Income Statement.
No hedge accounting designation	The Group's purchasing and sourcing centers and the Group's centralized Treasury department have derivative financial instruments that are measured at fair value without being assigned to a hedge accounting relationship. Price List business commodity risk hedging is based on forecasted sales volume and excluded from hedge accounting, as no derivatives can be clearly designated to the forecasted price list sales. Therefore, these derivatives are carried at fair value with fair value changes recognized in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

3.8 Financial result

Composition of Finance income

in thousands of CHF	2018/19	2017/18
Interest income	10,644	6,368
Share of result of equity-accounted investees, net of tax	235	171
Total finance income	**10,879**	**6,539**

Composition of Finance expense

in thousands of CHF	2018/19	2017/18
Interest expense	(137,806)	(89,638)
Amortization of structuring fees	(3,997)	(2,610)
Charges on undrawn portion of committed credit facilities	(2,082)	(2,737)
Net interest costs related to defined benefit plans (Note 4.2)	(4,511)	(4,852)
Total interest expense	**(148,396)**	**(99,837)**
Bank charges and other financial expense	(4,640)	(5,091)
Foreign exchange losses, net	(1,701)	(1,120)
Loss on derivative financial instruments	(4,562)	(1,640)
Total finance expense	**(159,299)**	**(107,687)**

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

Interest expenses for fiscal year 2018/19 increased by CHF 48.2 million mainly attributable to the early repayment on August 1, 2019 of the EUR 250 million Senior Note, issued June 2011, with an original expiry date June 15, 2021.

Structuring fees are mainly attributable to the amortization of fees capitalized for the EUR 750 million Revolving Credit Facility (as amended and extended from time to time), the USD 400 million Senior Note, issued June 2013, the EUR 450 million Senior Note, issued May 2016, and the EUR 600 million (equivalent) Schuldscheindarlehen, issued February 2019.

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

Notes to the Consolidated Financial Statements

4 Employees

4.1 Personnel expenses

in thousands of CHF	2018/19	2017/18
Wages and salaries	(544,642)	(499,406)
Compulsory social security contributions	(98,720)	(97,703)
Equity-settled share-based payments (Note 4.2)	(15,043)	(14,491)
Expenses related to defined benefit pension plans (Note 4.2)	(6,625)	(12,856)
Expenses related to other long-term defined benefit plans (Note 4.2)	(2,578)	(2,804)
Contributions to defined contribution plans (Note 4.2)	(8,654)	(2,889)
Increase in liability for long service leave	(96)	(61)
Total personnel expenses	**(676,358)**	**(630,210)**
Amounts capitalized as assets	24,704	24,156
Total personnel expenses recognized in Consolidated Income Statement	**(651,654)**	**(606,054)**

4.2 Employee benefits

Post-employment and other long-term employee benefits

The Group operates a number of independent defined benefit plans and other post-retirement or long-term benefit plans, in line with local legal and tax requirements.

The largest defined benefit pension plans (funded) are located in Switzerland, Belgium, the US and the UK. Together, these plans represent 95% (2017/18: 96%) of the Group's total gross defined benefit pension obligations and 98% (2017/18: 98%) of the Group's total plan assets.

Notes to the Consolidated Financial Statements

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

as of August 31,	2019			2018			2019	2018
in thousands of CHF	Defined benefit pension plans						Other long-term benefit plans	
	Funded	Unfunded	Total	Funded	Unfunded	Total	Total	Total
Switzerland								
Weighted average duration in years	18							
Present value of obligations	107,223	–	107,223	96,585	–	96,585	–	–
Fair value of plan assets	(69,897)	–	(69,897)	(73,181)	–	(73,181)	–	–
Net plan liabilities (assets) – Switzerland	**37,326**	**–**	**37,326**	**23,404**	**–**	**23,404**	**–**	**–**
Belgium								
Weighted average duration in years	15						16	
Present value of obligations	101,243	–	101,243	77,838	–	77,838	11,416	9,926
Fair value of plan assets	(41,182)	–	(41,182)	(38,851)	–	(38,851)	–	–
Net plan liabilities (assets) – Belgium	**60,061**	**–**	**60,061**	**38,987**	**–**	**38,987**	**11,416**	**9,926**
US								
Weighted average duration in years	11						5	
Present value of obligations	89,212	–	89,212	79,383	–	79,383	133	135
Fair value of plan assets	(51,308)	–	(51,308)	(50,682)	–	(50,682)	–	–
Net plan liabilities (assets) – US	**37,904**	**–**	**37,904**	**28,701**	**–**	**28,701**	**133**	**135**
UK								
Weighted average duration in years	18							
Present value of obligations	78,041	–	78,041	69,632	–	69,632	–	–
Fair value of plan assets	(82,965)	–	(82,965)	(75,190)	–	(75,190)	–	–
Net plan liabilities (assets) – UK	**(4,924)**	**–**	**(4,924)**	**(5,558)**	**–**	**(5,558)**	**–**	**–**
Rest of the world								
Weighted average duration in years	18	10					14	
Present value of obligations	19,007	17,408	36,415	13,578	14,554	28,132	7,124	5,837
Fair value of plan assets	(5,818)	–	(5,818)	(4,296)	–	(4,296)	–	–
Net plan liabilities (assets) – Rest of the world	**13,189**	**17,408**	**30,597**	**9,282**	**14,554**	**23,836**	**7,124**	**5,837**
Total								
Present value of obligations	394,726	17,408	412,134	337,016	14,554	351,570	18,674	15,898
Fair value of plan assets	(251,170)	–	(251,170)	(242,200)	–	(242,200)	–	–
Net plan liabilities (assets) – Total	**143,556**	**17,408**	**160,964**	**94,816**	**14,554**	**109,370**	**18,674**	**15,898**
Net balances recognized in the Consolidated Balance Sheet								
Net employee benefit assets	**–**	**–**	**(4,924)**	**–**	**–**	**(5,558)**	**–**	**–**
Net employee benefit obligations	**–**	**–**	**165,888**	**–**	**–**	**114,928**	**18,674**	**15,898**

Notes to the Consolidated Financial Statements

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

	2018/19	2017/18	2018/19	2017/18
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Present value of defined benefit obligation as of September 1,	**351,570**	**361,697**	**15,898**	**16,160**
Currency translations	414	(128)	–	–
Current service cost	12,729	13,993	934	1,063
Past service cost	725	(769)	142	–
Remeasurement of other long-term employee benefits	–	–	1,501	1,740
Interest expense	7,990	7,384	573	612
Losses/(gains) on curtailment	(6,826)	(5,008)	–	–
Total recognized in income statement	**15,032**	**15,472**	**3,150**	**3,415**
Actuarial losses/(gains)	72,661	(8,795)	3,109	(1,257)
thereof:				
arising from changes in demographic assumptions	(2,817)	(1,243)	(0)	(2)
arising from changes in financial assumptions	68,882	(9,682)	3,439	(1,122)
arising from experience adjustments	6,596	2,130	(330)	(133)
Exchange differences on foreign plans	(8,207)	1,383	(591)	(1,242)
Total recognized in other comprehensive income	**64,454**	**(7,412)**	**2,518**	**(2,499)**
Business combination (Note 5.1)	–	195	–	–
Reclassifications	2,217	567	(2,217)	(567)
Contribution by employees	4,450	4,867	–	–
Benefits received	9,682	6,145	(98)	(591)
Benefits paid	(35,271)	(29,960)	(577)	(20)
Total other	**(18,922)**	**(18,187)**	**(2,892)**	**(1,177)**
Present value of defined benefit obligation as of August 31,	**412,134**	**351,570**	**18,674**	**15,898**
thereof:				
funded obligations	394,726	337,016	–	–
unfunded obligations	17,408	14,554	18,674	15,898

The Group expects to pay CHF 18.4 million in employer contributions to defined pension plans in the fiscal year 2019/20 (2018/19: CHF 19.5 million).

Actuarial losses amounted to CHF 75.8 million for the current fiscal year (2017/18: actuarial gain of CHF 10.1 million), which is mainly related to changes in the financial assumptions such as the development of discount rates. The respective amounts were recognized in other comprehensive income.

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 in the fiscal year 2018/19 and a corresponding reduction of the defined benefit obligation.

In the fiscal year 2017/18 the gain on curtailment was predominantly linked to the settlement of a funded defined benefit pension plan in the Netherlands in the amount of CHF 4.6 million. The equivalent loss on curtailment is disclosed in the movement table for the fair value of plan assets.

Notes to the Consolidated Financial Statements

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

	2018/19	2017/18
in thousands of CHF	Defined benefit pension plans	
Opening fair value of plan assets as of September 1,	**242,200**	**226,515**
Currency translations	263	61
Interest income	4,052	3,144
Gains/(losses) on curtailment	1	(4,640)
Total recognized in income statement	**4,316**	**(1,435)**
Return on plan assets excl. interest income	11,874	2,416
Exchange differences on foreign plans	(5,515)	662
Total recognized in other comprehensive income	**6,359**	**3,078**
Contributions by employer	17,758	31,732
Contributions by employees	4,450	4,867
Benefits received	9,682	6,011
Benefits paid	(33,595)	(28,568)
Total other	**(1,705)**	**14,042**
Fair value of plan assets as of August 31,	**251,170**	**242,200**

The plan assets consist of the following categories of securities:

as of August 31,	2019	2018
in thousands of CHF	Defined benefit pension plans	
Equities	74,557	76,027
Bonds	139,334	130,351
Insurance portfolio	11,355	9,430
Cash and other assets	25,924	26,392
Total fair value of plan assets	**251,170**	**242,200**

Most of the equity and debt securities have a quoted market price in an active market. Real estate and alternative investments, which include hedge fund, private equity, infrastructure and commodity investments, usually have a quoted market price or a regularly updated net asset value.

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

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

	2018/19	2017/18	2018/19	2017/18
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Current service costs	12,729	13,993	934	1,063
Net interest expense	3,938	4,240	573	612
Net currency translations	151	(189)	–	–
Past service cost	725	(769)	142	–
Losses/(gains) on curtailments and settlements	(6,827)	(368)	–	–
Remeasurement	–	–	1,501	1,740
Total expenses related to defined benefit plans and other long-term benefit plans recognized in income statement	**10,716**	**16,907**	**3,150**	**3,415**

in thousands of CHF	2018/19	2017/18
Total defined contribution expenses recognized in income statement	**(8,654)**	**(2,889)**

Notes to the Consolidated Financial Statements

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

in thousands of CHF	2018/19	2017/18
Cost of goods sold	(3,316)	(2,035)
Marketing and sales expenses	(645)	(1,189)
General and administration expenses	(3,852)	(11,928)
Research and Development expenses	(682)	(507)
Other expenses	(708)	–
Personnel expenses	**(9,203)**	**(15,659)**
Interest expense	(4,511)	(4,852)
Foreign exchange gains/(losses)	(152)	189
Finance expenses	**(4,663)**	**(4,663)**
Total expenses related to defined benefit plans and other long-term benefit plans recognized in income statement	**(13,866)**	**(20,322)**

Actuarial assumptions

Weighted average actuarial assumptions used are as follows:

	2018/19	2017/18	2018/19	2017/18
	Defined benefit pension plans		Other long-term benefit plans	
Discount rate	1.0%	2.4%	3.2%	4.2%
Expected rate of pension increase	0.0%	0.2%	0.0%	0.0%
Expected rate of salary increase	1.4%	0.8%	1.2%	1.7%

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

	Mortality table	2019	2018	2019	2018
		Life expectancy at age 65 for a male member		Life expectancy at age 65 for a female member	
Switzerland	LPP 2015	20	20	22	22
Belgium	MR/FR	21	21	25	25
UK	S3NMA/S3NFA	22	22	24	24
US	MP2018/ MP2017	21	21	23	23

Sensitivity analysis

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

as of August 31,	2019	2018	2019	2018
in thousands of CHF	Increase		Decrease	
Discount rate (1% movement)	(76,656)	(62,162)	76,656	62,162
Expected rate of pension increase (1% movement)	25,945	20,797	(25,945)	(20,797)
Expected rate of salary increase (1% movement)	29,448	23,252	(29,448)	(23,252)
Life expectancy at age 65 (1% movement)	(8,904)	(6,883)	8,904	6,883

Notes to the Consolidated Financial Statements

Description of the defined benefit plans

The characteristics of the most significant defined benefit pension plans of the Group are further described as follows:

Defined benefit plans Switzerland

The retirement benefit plans for all Swiss Group entities are mainly defined benefit plans where contributions are expressed as a percentage of the insured actual salary. The employer is affiliated to a collective foundation with full reinsurance of the actuarial risks arising from the plan with an insurance company. Members benefit from a guaranteed minimum interest on accrued savings and conversion rates at retirement in accordance with the Swiss Federal Law on Occupational Retirement, Survivors' and Disability Pension Plans (BVG). This law defines the minimum pensionable salary and the minimum retirement credits. In addition to retirement benefits, the Swiss retirement benefit plans also provide for temporary partial or total disability benefits as well as for pre-retirement death benefits including widows' and orphans' benefits.

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

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

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.

Defined benefit plans – Other countries

In the US, the Group maintains a retirement benefit plan only for pensioners and deferred pensioners related to a discontinued operation. Effective July 31, 2005, all benefits in the plan were closed for new entrances and further benefit accruals. The pension plan's funding is governed by ERISA and the applicable laws and regulations under Internal Revenue Code (IRC) sections 404, 412, and 430. Barry Callebaut is the plan sponsor and usually funds the minimum required contribution based on these regulations. The investment management is outsourced to investment management companies and the plan is governed by a Board of Trustees.

In Belgium, the Group operates defined benefit plans for events of retirement, temporary and permanent disability and death in service put in place by the employer in addition to legal retirement plans. These are company collective plans introduced on July 1, 1993. The retirement benefit plans are funded by a combination of employer and employee contributions as regulated by the Belgian Pension Act. The contributions are expressed as a percentage of the insured actual salary. The plans are fully insured. The funding of the defined benefit plans are externalized to an insurance company who is responsible for the operation of the plan including the allocation of plan assets. The governance and the supervision as well as the responsibility to make changes in the plan lie with a Board of Trustees. The legislation requires a minimum funding level. In the situation where the plan assets are not sufficient, the employer has to pay an additional contribution to the collective financing fund.

Notes to the Consolidated Financial Statements

In the UK, the Group operates a defined benefit retirement scheme in which members receive benefits based on the final salary with the contributions paid by the employer on a balance of cost basis. Effective January 31, 2014, all benefits in the plan were closed for new entrances and further benefit accruals. The plan is run by the Board of Trustees in accordance with the Trust Deed & Rules and legislation. The Trustees are required by law to fund the plan on prudent funding assumptions under the Trust Deed & Rules of the plan. The contributions payable by the Company to fund the plan are set by the Trustees after consulting the Company. The investment management is outsourced to investment management companies.

Share-based payments

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

Long-Term Incentive Plan (LTIP)

The purpose of the LTIP is to provide the participants with an ownership interest in Barry Callebaut and to reward them for the long-term performance of the company. The LTIP thus aligns their interests to those of the shareholders.

The current LTIP is in place since fiscal year 2016/17 and has been amended for the fiscal year 2018/19.

The grant of share units under the LTIP is based on a target LTI amount determined individually for each plan participant. The individual LTI grant value is divided by the average share price of the last three months of the preceding fiscal year in order to calculate the number of share units awarded. The share units vest in three tranches over three fiscal years, i.e. 25% on the first, 25% on the second and 50% on the third anniversary of the grant date.

The first two tranches are restricted share units (RSU) that vest subject to the LTIP participant continuing to be employed by Barry Callebaut.

The third tranche consists of performance share units (PSU) that vest subject to meeting two performance criteria over the three-year vesting period.

The first performance criterion, accounting for 50% of the respective PSU grant, is the relative share price development of Barry Callebaut versus a peer group of companies in the chocolate, ingredients and FMCG sector: AAK, Aryzta, Hershey, Kellogg's, Kerry, Lindt, Mondelēz, Nestlé, Olam, Petra Foods and Unilever. The objective (100% vesting) is to achieve median performance, e.g. to outperform half of the peer companies. There is no vesting for a performance below the first quartile of the peer group (threshold), and the vesting is capped at 300% for delivering the best performance in the peer group.

The second performance criterion, accounting for 50% of the relevant PSU grant, is Return on Invested Capital (ROIC). The ROIC performance was introduced in fiscal year 2016/17 in order to reward the sustainable management of the Company's assets. The three-year ROIC target was set by the Board of Directors on the basis of the long-term strategic plan of the Company. The vesting also ranges from 0% to 300% of target. Consequently, the overall vesting of the LTI award (including RSU and PSU) ranges from 50% and 200% of the initially determined number of share units granted.

In addition, members of the Executive Committee (ExCo) were granted a fourth exceptional tranche, which vests subject to a four-year cliff vesting based on outperforming the Mid-Term Plan targets in terms of compound annual growth rate of volume (CAGR; 25%), EBIT (25%), cumulative Free cash flow (25%) and ROIC (25%) for the period September 2018 to August 2022. The maximum payout opportunity for this tranche is 100% of target. This fourth tranche was introduced in the reporting year

Notes to the Consolidated Financial Statements

in order to align even more closely the compensation of the ExCo with the long-term interests of the shareholders, as it extends the overall LTI plan period to four years and increases the portion of the LTI award that is subject to future performance conditions. Further, it focuses the efforts of the ExCo on outperforming the Mid-Term Plan. The targets have been set so that there is no vesting at all if the Mid-Term Plan is not achieved (Mid-Term Plan is the threshold).

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

The overall vesting of the LTI award (including RSU, PSU and the fourth exceptional tranche) ranges from 31.0% to 171.4% of the initially determined number of the share units granted for members of the Executive Committee (previous year: between 50% and 200% under the standard LTI plan without the exceptional fourth PSU tranche). For all other participants the overall vesting of the LTI award ranges from 50% to 200% of the initially determined number of the share units granted.

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

The fair value of the RSU granted (no performance condition) is estimated by taking the market price at grant date less the present value of the expected dividends that will not be received on these RSU during the vesting period. 2,895 share awards were granted in fiscal year 2018/19 with an average fair value of CHF 1,699 (in fiscal year 2017/18, 3,772 share awards were granted with an average fair value of CHF 1,400).

The fair value of the PSU, of which the vesting is conditional upon the relative share price performance, is assessed as per grant date based on a valuation performed by external experts applying the "Monte Carlo simulation" method. The most relevant parameters relating to Barry Callebaut and the relevant peer group are the risk-free interest rate, annualized volatility, the share price and the dividend yields. The risk-free rates reflect three-year government bonds of the country of origin of the respective company and range from –0.7% to 2.2%. The volatilities and correlations are based on daily returns of a company's share at its respective exchange of origin over a three-year period preceding the start of the vesting cycle (the annualized volatility for Barry Callebaut and its peer group ranges from 15.2% to 27.9%). The dividend yields are based on dividends paid over a three-year period preceding the start of the vesting cycle and range from 0.7% to 3.1%. The share prices are denominated in their respective currency and retrieved for the specified point in time. The base share price taken into account for Barry Callebaut is the share price at grant date and amounted to CHF 1,728.

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

The fair value of the PSU, of which the vesting is conditional upon outperforming the Mid-Term Plan targets (based on the following key performance indicators: volume growth, EBIT, cumulative Free cash flow and ROIC), is taken at fair value of the Barry Callebaut share at grant date discounted for dividends until the vesting. As this part is based on the Group's performance relating to the outperforming the Mid-Term Plan, the

Notes to the Consolidated Financial Statements

relative value is adjusted periodically during the vesting period, based on an assessment related to the outperformance of each relevant key performance indicator.

In fiscal year 2018/19, 1,862 PSU were granted to members of the ExCo with an average fair value of CHF 1,925 (in fiscal year 2017/18: 2,262 share awards with an average fair value of CHF 1,276). To the other plan participants, 1,034 share awards with an average fair value of CHF 1,925 per share were granted in fiscal year 2018/19 (in fiscal year 2017/18: 1,282 share awards with an average fair value of CHF 1,663). The lower fair value of the ExCo PSU compared to the other participants in fiscal year 2017/18 was due to the value cap applicable on the PSU awards to the ExCo.

In fiscal year 2018/19, 1,381 PSU were granted to members of the ExCo with an average value of CHF 1,640 related to the exceptional fourth tranche linked to outperforming the Mid-Term Plan targets.

Board of Directors

The Board of Directors receives share awards annually for the respective service period. These share awards are not part of the share plans described above and are determined by the NCC as a fixed number of shares. The total number of shares awarded for the service period amounted to 2,190 with an average fair value of CHF 1,614 per share (2017/18: 1,830 share awards with an average fair value of CHF 1,900 per share).

Recognition in financial statements

The fair value of the share awards at grant date is recognized over the vesting period as a personnel expense under either of these share plans. For 2018/19, the amount thus recognized (before taxes) was CHF 15.0 million with a corresponding increase in equity (2017/18: CHF 14.5 million). Of the amount recognized in 2018/19, CHF 11.5 million related to the Long-Term Incentive Plan (2017/18: CHF 11.3 million) and CHF 3.5 million to the BoD plan (2017/18: CHF 3.2 million).

Accounting policies

Employee benefit obligations/post-employment benefits

The Group operates a number of independently defined benefit plans and other post-retirement or long-term benefit plans, which conform to local legal and tax requirements.

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

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

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

Notes to the Consolidated Financial Statements

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

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

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

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available. The Group has no further payment obligations once the contributions have been paid.

Post-employment benefits other than pensions

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

Other long-term employee benefits

Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations (including jubilee plans and other long-service award plans). That benefit is discounted to determine its present value. Related remeasurement costs are recognized in the Consolidated Income Statement. The related liability is included in the position "Other long-term benefit plans".

Termination benefits

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

Long-Term Incentive Plan

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

Notes to the Consolidated Financial Statements

5 Group Structure and Related Parties

5.1 Acquisitions

Acquisitions in 2018/19

Inforum

On January 31, 2019, Barry Callebaut completed the acquisition of CJSC Inforum-Prom (Inforum), 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, leverage its value-adding Gourmet & Specialties business and further increase market penetration in CIS countries and export markets.

The preliminary fair value of the purchase consideration amounts to CHF 41.1 million, thereof CHF 28.3 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.

The total acquisition-related costs amount to CHF 1.7 million. CHF 0.7 million were expensed and included in "Other expenses" for the period ended August 31, 2019, and CHF 1.0 million were already expensed in fiscal year 2017/18 included in "General and administration expenses".

in thousands of CHF	2018/19
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	1,066
Trade receivables and other current assets	24,759
Property, plant and equipment	6,048
Intangible assets	525
Deferred tax assets	105
Total assets	**32,503**
Short-term debt	(7,153)
Trade payables and other current liabilities	(15,197)
Income tax liabilities	(273)
Derivative financial liabilities	(197)
Deferred tax liabilities	(121)
Total liabilities	**(22,941)**
Total identifiable net assets	**9,562**
Goodwill	31,565
Total consideration at fair value	**41,127**
thereof:	
Cash paid	28,349
Consideration deferred	12,778

The goodwill of CHF 31.6 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.

Notes to the Consolidated Financial Statements

Since January 31, 2019, the acquired business contributed CHF 47.0 million to revenues from sales and services and CHF 2.7 million to net profit. Had it been consolidated from September 1, 2018, it would have contributed estimated revenues from sales and services of CHF 88.0 million and an estimated net profit for the fiscal year of CHF 4.5 million to the Consolidated Income Statement.

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.

As a result, the Group will be able to expand its manufacturing capacity in the UK, one of Europe's largest chocolate confectionery markets in volume terms and an important growth area for the company.

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 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 27.8 million to revenues from sales and services and a CHF –1.2 million loss to net profit. Had it been consolidated from September 1, 2018, it would have contributed revenues from sales and services of CHF 41.7 million and a net loss of CHF –1.0 million for the fiscal year in the Consolidated Income Statement.

Acquisitions in 2017/18

D'Orsogna Dolciaria

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

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

Notes to the Consolidated Financial Statements

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

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

From October 4, 2017, to August 31, 2018, the acquired business contributed CHF 49.9 million to revenues from sales and services and CHF 1.5 million to net profit. Had it been consolidated from September 1, 2017, it would have contributed revenues from sales and services of CHF 54.0 million and net profit for the fiscal year of CHF 1.5 million to the Consolidated Income Statement for the period ended August 31, 2018.

Gertrude Hawk Chocolates

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

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

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

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

Notes to the Consolidated Financial Statements

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

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

From December 1, 2017, to August 31, 2018, the acquired business contributed CHF 73.8 million to revenues from sales and services and CHF 4.8 million to net profit. Had it been consolidated from September 1, 2017, it would have contributed revenues from sales and services of CHF 92.3 million and net profit for the fiscal year of CHF 4.6 million to the Consolidated Income Statement for the period ended August 31, 2018.

5.2 Discontinued operations and disposal

The Group did not have any discontinued operations or disposals in 2018/19 and 2017/18.

Notes to the Consolidated Financial Statements

5.3 Group entities

The principal subsidiaries of Barry Callebaut as of August 31, 2019, are as follows:[1]

Country	Subsidiary	Municipality of registration	%-owned	Currency	Capital
Switzerland	Barry Callebaut Cocoa AG	Zurich	100	EUR	81,515
	Barry Callebaut Management Services AG	Zurich	100	CHF	100,000
	Barry Callebaut Schweiz AG	Dübendorf	100	CHF	4,600,000
	Barry Callebaut Sourcing AG	Zurich	100	CHF	2,000,000
	Cabosse Naturals Switzerland AG	Zurich	100	CHF	1,000,000
Belgium	Barry Callebaut Belgium N.V.	Lebbeke-Wieze	100	EUR	61,537,705
	Barry Callebaut Manufacturing Halle BVBA	Halle	100	EUR	15,488,952
	Barry Callebaut Services N.V.	Lebbeke-Wieze	100	EUR	929,286,000
	Cabosse Naturals N.V.	Halle	100	EUR	61,500
	International Business Company Belgium BVBA	Kortrijk (Heule)	100	EUR	65,000
	Pierre Iserentant SA	Thimister-Clermont	100	EUR	260,908
Brazil	Barry Callebaut Brasil SA	São Paulo	100	BRL	451,600,810
Cameroon	SEC Cacaos SA	Douala	100	XAF	10,000,000
	Société Industrielle Camerounaise des Cacaos SA	Douala	81	XAF	1,959,531,000
Canada	Barry Callebaut Canada Inc.	St.-Hyacinthe	100	CAD	2,000,000
	D'Orsogna Sweet Ingredients Ltd.	Ontario	100	CAD	1,000,000
Chile	Barry Callebaut Chile SpA	Santiago	100	CLP	27,987,650,000
China	Barry Callebaut (Suzhou) Chocolate Co., Ltd.	Suzhou	100	CNY	219,137,532
	Barry Callebaut (Suzhou) Chocolate R&D Center Co., Ltd.	Suzhou	100	CNY	13,970,504
Côte d'Ivoire	Barry Callebaut Négoce SA	Abidjan	100	XOF	3,700,000,000
	Biopartenaire SA	Yamoussoukro	100	XOF	200,000,000
	Société Africaine de Cacao SA	Abidjan	100	XOF	25,695,651,316
Czech Republic	Barry Callebaut Czech Republic s.r.o.	Prague-Vinohrady	100	CZK	200,000
Denmark	Barry Callebaut Denmark ApS	Hostebro	100	DKK	500,000
Ecuador	Barry Callebaut Ecuador SA	Guayaquil	100	USD	50,000
France	Barry Callebaut France SAS	Hardricourt	100	EUR	67,900,000
	Barry Callebaut Manufacturing France SAS	Hardricourt	100	EUR	6,637,540
	Barry Callebaut Nord Cacao SAS	Gravelines	100	EUR	3,037,000
Germany	Barry Callebaut Cocoa Germany GmbH	Hamburg	100	EUR	25,000
	Barry Callebaut Deutschland GmbH	Cologne	100	EUR	52,000
	Barry Callebaut Manufacturing Norderstedt GmbH & Co. KG	Norderstedt	100	EUR	50,100
	C.J. van Houten & Zoon Holding GmbH	Norderstedt	100	EUR	72,092,155
	Tagungs- und Seminarzentrum Schloss Marbach GmbH	Öhningen	100	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd.	Tema	100	USD	9,204,219
	Nyonkopa Cocoa Buying Ltd.	Kumasi	100	GHS	4,250,000
Great Britain	Barry Callebaut (UK) Ltd.	Banbury, Oxfordshire	100	GBP	3,200,000
	Barry Callebaut Beverages UK Ltd.	Chester	100	GBP	40,000
	Barry Callebaut Manufacturing (UK) Ltd.	Banbury, Oxfordshire	100	GBP	15,467,852
Greece	Barry Callebaut Hellas Single Member SA	Athens	100	EUR	25,000
India	Barry Callebaut India Private Ltd.	Maharashtra	100	INR	292,299,040
	D'Orsogna Sweet Ingredients Private Ltd.	Maharashtra	100	INR	93,546,460
Indonesia	P.T. Barry Callebaut Comextra Indonesia	Makassar	60	USD	31,460,000
	P.T. Barry Callebaut Indonesia	Bandung	100	IDR	66,213,000,000
	P.T. Papandayan Cocoa Industries	Bandung	100	USD	40,000,000
Italy	Barry Callebaut Italia S.p.A.	Assago	100	EUR	104,000
	Barry Callebaut Manufacturing Italia S.p.A.	Milano	100	EUR	2,646,841
	Dolphin S.r.l.	Milano	100	EUR	110,000
	D'Orsogna Dolciaria S.r.l.[2]	San Vito Chietino	100	EUR	5,000,000
Japan	Barry Callebaut Japan Ltd.	Amagasaki	100	JPY	835,000,000

Notes to the Consolidated Financial Statements

Country	Subsidiary	Municipality of registration	%-owned	Currency	Capital
Korea	Barry Callebaut Chocolate Asia Pacific Pte. Ltd., Korea Branch	Seoul	100	KRW	–
Malaysia	Barry Callebaut Malaysia Sdn Bhd	Petaling Jaya	100	USD	11,119,936
	Barry Callebaut Manufacturing Malaysia Sdn Bhd	Johor Bahru	100	USD	10,000,000
	Barry Callebaut Services Asia Pacific Sdn Bhd	Petaling Jaya	100	MYR	500,000
Mexico	Barry Callebaut Chocolates, S. de R.L. de CV	Nuevo Leon	100	MXN	3,000
	Barry Callebaut Cocoa Management Services SA de CV	Mexico City	100	MXN	100,000
	Barry Callebaut Mexico Distributors SA de CV	Escobedo N.L.	100	MXN	108,950,000
	Barry Callebaut Mexico, S. de R.L. de CV	Monterrey	100	MXN	13,027,200
	Barry Callebaut Servicios, SA de CV	Mexico City	100	MXN	–
	DCMX Cocoa, SA de CV	Mexico City	100	MXN	1,304,967
Morocco	Barry Callebaut Maroc SARLAU	Casablanca	100	MAD	280,000
Nigeria	BC Nigeria Cocoa & Chocolate Limited	Lagos	100	NGN	10,000,000
Philippines	Cocoa Ingredients (Philippines) Inc.	Makati City	100	USD	200,000
Poland	Barry Callebaut Manufacturing Polska Sp. z o.o.	Lodz	100	PLN	10,000,000
	Barry Callebaut Polska Sp. z o.o.	Lodz	100	PLN	50,000
	Barry Callebaut SSC Europe Sp. z.o.o.	Lodz	100	PLN	2,000,000
Russia	Barry Callebaut NL Russia LLC	Moscow-Chekhov	100	RUB	864,510,182
	CJSC Inforum-Prom	Kasimov	100	RUB	100,000
Serbia	Barry Callebaut South East Europe d.o.o.	Belgrade	100	RSD	1,185,539
Sierra Leone	Bio United Ltd.	Freetown	100	SLL	114,000,000
Singapore	Barry Callebaut Chocolate Asia Pacific Pte. Ltd.	Singapore	100	USD	80,121,785
	Barry Callebaut Cocoa Asia Pacific Pte. Ltd.	Singapore	100	USD	558,130,320
South Africa	Barry Callebaut South Africa (Pty) Ltd.	Johannesburg	100	ZAR	–
Spain	Barry Callebaut Ibérica SL	Barcelona	100	EUR	25,000
	Barry Callebaut Manufacturing Ibérica SA	Gurb	100	EUR	987,600
	La Morella Nuts SA	Castellvell del Camp	100	EUR	344,553
Sweden	ASM Foods AB	Mjölby	100	SEK	2,000,000
	Barry Callebaut Sweden AB	Kågeröd	100	EUR	11,428
Tanzania	Biolands International Ltd.	Moshi	100	TZS	40,000,000
Thailand	Barry Callebaut Thailand Company Ltd.	Bangkok	100	USD	5,000,000
The Netherlands	Barry Callebaut Cocoa Netherlands B.V.	Zundert	100	EUR	18,000
	Barry Callebaut Decorations B.V.	Zundert	100	EUR	18,242
	Barry Callebaut Nederland B.V.	Zundert	100	EUR	21,435,000
	Dings-Decor B.V.	Nuth	70	EUR	22,689
	Hoogenboom Benelux B.V.	Zundert	100	EUR	18,152
Turkey	Barry Callebaut Eurasia Gida Sanayi Ve Ticaret Ltd. Sti.	Istanbul	100	TRL	183,000,000
United Arab Emirates	Barry Callebaut Eurasia Gida Sanayi Ve Ticaret Ltd. Sti., Dubai Branch	Dubai	100	AED	–
USA	Barry Callebaut North America Holding Inc.	Wilmington, DE	100	USD	1,003
	Barry Callebaut USA Holding Inc.	Wilmington, DE	100	USD	1,001
	Barry Callebaut U.S.A. LLC	Wilmington, DE	100	USD	–
	Barry Callebaut USA Service Company Inc.	Wilmington, DE	100	USD	1,000

1 Barry Callebaut has some dormant companies. These are Barry Callebaut Produktions Deutschland GmbH, Barry Callebaut Holding (UK) Ltd., Barry Callebaut Nigeria, Adis Holding Inc., Barry Callebaut Cocoa USA Inc. and Gor Trade LLC.
Selbourne Food Services Sdn Bhd and Omnigest SAS were liquidated during the fiscal year 2018/19.

2 Barry Callebaut Decorations Italy S.r.l. was merged with D'Orsogna Dolciaria S.r.l.

Notes to the Consolidated Financial Statements

Accounting policies

Scope of consolidation/ subsidiaries	The Consolidated Financial Statements of the Group include all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies which it controls. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Non-controlling interests are shown as a component of equity in the balance sheet, and the share of the net profit attributable to non-controlling interests is shown as a component of the net profit for the year in the Consolidated Income Statement. Newly acquired companies are consolidated from the date control is transferred (the effective date of acquisition), using the acquisition method. Subsidiaries disposed of are included up to the effective date of disposal. All intragroup balances and unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the Consolidated Financial Statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Notes to the Consolidated Financial Statements

5.4 Related parties

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

as of August 31,	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.

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

in thousands of CHF	Nature of cost/revenue	2018/19	2017/18
Other operating expenses charged by related parties		**(817)**	**(1,000)**
Jacobs Holding AG	Management services	(817)	(1,000)

as of August 31,		2019	2018
in thousands of CHF			
Other payables to related parties		**–**	**105**
Jacobs Holding AG		–	105

Compensation of key management personnel

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

in million CHF	2018/19	2017/18
Short-term employee benefits	16.2	17.4
Post-employment benefits	2.4	2.0
Share-based payments	11.9	10.3
Total	**30.5**	**29.7**

Further details related to the requirements of the Swiss Transparency law (Art. 663b^{bis} and 663c Swiss Code of Obligations) are disclosed in Notes 2.8, 3.5 and 3.6 in the Financial Statements of Barry Callebaut AG and in the Remuneration Report.

Notes to the Consolidated Financial Statements

6 Taxes

6.1 Income taxes

Income tax expense

in thousands of CHF	2018/19	2017/18
Current income tax expenses	(66,837)	(64,696)
Deferred income tax expenses	(17,200)	(30,821)
Total income tax expenses	**(84,037)**	**(95,517)**

Reconciliation of income taxes

in thousands of CHF	2018/19	2017/18
Profit before income taxes	**452,768**	**452,876**
Expected income tax expenses at weighted average applicable tax rate	(84,029)	(93,972)
Non-tax deductible expenses	(9,145)	(5,682)
Tax-deductible items not qualifying as an expense under IFRS	4,926	6,570
Tax-exempt income	17,743	12,968
Income recognized for tax declarations purposes only	(5,012)	(3,863)
Prior-period-related items	(6,073)	5,271
Changes in tax rates	(529)	(9,427)
Losses carried forward not yet recognized as deferred tax assets	(10,233)	(9,493)
Tax relief on losses carried forward formerly not recognized as deferred tax assets	8,314	2,111
Total income taxes	**(84,037)**	**(95,517)**

For the reconciliation above the weighted average applicable tax rate was 18.6% in 2018/19 (2017/18: 20.7%).

The weighted average applicable tax rate has, year-on-year, decreased mainly due to changes in the country mix of profit before taxes and reduced corporate tax rates in certain tax jurisdictions, including Belgium and the US. The prior year income tax expense of CHF 95.5 million included a one-time, non-cash expense of CHF 12.9 million resulting from the tax reforms in Belgium and in the US, mostly related to the revaluation of the deferred tax assets and liabilities to the newly enacted tax rates at the date of enactment. The prior year one-time tax charge consisted of a deferred tax expense of CHF 9.7 million for Belgium, a deferred tax expense of CHF 2.7 million for USA and a current tax expense of CHF 0.5 million arising from the move to a territorial system in the US.

The Group's effective tax rate in 2018/19 is 18.6% (2017/18: 18.2% on an adjusted basis, excluding the one-off negative impact from the tax reforms in Belgium and in the US).

The tax relief on losses carried forward previously not recognized as deferred tax assets of CHF 8.3 million (2017/18: CHF 2.1 million) consists of CHF 4.0 million tax relief of utilization on tax losses carried forward previously not recognized (2017/18: CHF 1.7 million) and CHF 4.3 million of tax losses recognized for the first time in 2018/19 (2017/18: CHF 0.4 million).

Notes to the Consolidated Financial Statements

6.2 Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities

in thousands of CHF	Inventories	Property, plant, equipment/ intangible assets	Other assets	Provisions	Other liabilities	Tax loss carry-forwards	Total
as of September 1, 2017	**5,052**	**(51,879)**	**(28,565)**	**(1,339)**	**16,305**	**88,611**	**28,185**
Charged to the income statement	(9,261)	(1,639)	41,594	440	(7,977)	(53,978)	(30,821)
Recognized in other comprehensive income	–	–	(326)	–	(2,243)	–	(2,569)
Effect of acquisitions	(178)	(768)	–	–	–	–	(946)
Effect of disposals	–	–	–	–	–	–	–
Currency translation effects	375	1,003	(681)	(749)	423	566	938
Reclassifications	–	–	–	–	–	–	–
as of August 31, 2018	**(4,012)**	**(53,283)**	**12,022**	**(1,648)**	**6,509**	**35,199**	**(5,213)**
Adjustment on initial application of IFRS 15[1]	1,345	–	–	–	–	–	**1,345**
as of September 1, 2018	**(2,667)**	**(53,283)**	**12,022**	**(1,648)**	**6,509**	**35,199**	**(3,868)**
Charged to the income statement	61	(20,997)	13,382	1,054	(3,803)	(6,898)	(17,200)
Recognized in other comprehensive income	–	–	635	(2)	25,675	–	26,308
Effect of acquisitions	–	(27)	39	–	(29)	–	(17)
Effect of disposals	–	52	1	–	1,314	–	1,367
Currency translation effects	200	1,105	(137)	(13)	(485)	(673)	(4)
Reclassifications	13,603	(5,735)	(3,565)	–	(4,303)	–	(0)
as of August 31, 2019	**11,197**	**(78,885)**	**22,377**	**(609)**	**24,877**	**27,628**	**6,586**

1 Refer to Introduction of new standards in 2018/19, IFRS 15 – Revenue from Contracts with Customers page 50.

For fiscal year 2018/19, deferred tax income recognized in other comprehensive income amounted to CHF 26.3 million (2017/18: deferred tax expenses of CHF 2.6 million) and this relates to remeasurement of defined benefit plans of CHF 20.6 million (2017/18: deferred tax expenses of CHF 0.7 million) and to cash flow hedging reserves CHF 5.7 million (2017/18: deferred tax expenses of CHF 1.9 million).

Recognized deferred tax assets and liabilities

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

as of August 31,	2019			2018		
in thousands of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Inventories	19,560	(8,363)	11,197	8,107	(12,119)	(4,012)
Property, plant and equipment/Intangible assets	12,246	(91,131)	(78,885)	15,689	(68,972)	(53,283)
Other assets	33,651	(11,274)	22,377	21,382	(9,360)	12,022
Provisions	732	(1,341)	(609)	781	(2,429)	(1,648)
Other liabilities	44,841	(19,964)	24,877	26,312	(19,803)	6,509
Tax losses carried forward	27,628	–	27,628	35,199	–	35,199
Tax assets/(liabilities)	**138,658**	**(132,072)**	**6,586**	**107,469**	**(112,682)**	**(5,213)**
Set off within same tax jurisdiction	(51,789)	51,789	–	(41,790)	41,790	–
Reflected in the balance sheet	**86,869**	**(80,283)**	**6,586**	**65,679**	**(70,892)**	**(5,213)**

Notes to the Consolidated Financial Statements

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

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

as of August 31,	2019	2018
in thousands of CHF		
Expiry:		
Within 1 year	981	14,043
After 1 up to 2 years	1,194	2,468
After 2 up to 3 years	597	2,937
After 3 up to 10 years	31,655	28,609
After 10 years	393	4,220
Unlimited	370,670	393,219
Total unrecognized tax losses carried forward	**405,490**	**445,496**

Tax losses carried forward utilized during the year 2018/19 were CHF 98.9 million (2017/18: CHF 153.5 million). The related tax relief amounted to CHF 20.8 million, of which CHF 16.8 million were already recognized as a deferred tax asset in the previous year (2017/18: CHF 34.8 million of which CHF 33.1 million were already recognized as a deferred tax asset in the previous year) and CHF 4.0 million that were previously not recognized (2017/18 : CHF 1.7 million).

As at August 31, 2019, the Group had unutilized tax losses carried forward of approximately CHF 542.9 million (2018: approximately CHF 586.5 million) available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 137.5 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 27.6 million (2017/18: CHF 141.3 million recognized resulting in a deferred tax asset of CHF 35.2 million). The net decrease of CHF 7.6 million in the deferred tax asset on recognized tax losses carried forward consists of CHF 4.3 million tax relief on the first-time recognition of prior year tax losses carried forward, CHF 5.5 million recognition of current year tax losses carried forward and CHF 16.8 million utilization of tax losses already recognized as a deferred tax asset in prior year, CHF 0.1 million increase due to tax rate changes and CHF 0.7 million negative impact relating to currency translation adjustments.

Notes to the Consolidated Financial Statements

Accounting policies	
Taxes	Current income taxes are recognized based on taxable income, whereas other taxes such as non-recoverable taxes withheld on management fees and royalties received or paid are reported under “Other expenses.” Non-recoverable withholding taxes are only accrued if distribution by subsidiary companies is foreseen. Income taxes are calculated in accordance with the tax regulations in effect in each country. The Group determines the expected income tax rate by weighing the applicable tax rates in the jurisdictions concerned based on the mix of the profit before taxes per jurisdiction. The applicable expected tax rate per company is the domestic corporate income tax rate applicable to the profit before taxes of the company for the respective fiscal year. Deferred income taxes are recognized using the balance sheet liability method. Deferred income tax applies to all temporary differences arising between the tax values of assets and liabilities and their values in the Consolidated Financial Statements. Deferred tax liabilities related to the investments in subsidiaries and joint ventures are not recognized to the extent the Group is able to control the timing of the reversal of these temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

7 Other Disclosures

7.1 Subsequent events

Approval of the Financial Statements

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 4, 2019, and are subject to approval by the Annual General Meeting of Shareholders on December 11, 2019.

Acceptance of Swiss tax reform (TRAF) by the canton of Zurich

The Swiss electorate has accepted a tax reform by majority vote at the public referendum on May 19, 2019 (TRAF). TRAF is a comprehensive reform package requiring changes to be made to tax laws on federal and cantonal level. While the changes to federal laws accepted in May set the boundaries for cantonal tax laws, cantons have significant discretion in determining their specific implementation of TRAF. Thus, the legislative procedures for both the federal reform and the cantonal reform basically need to be substantively completed for TRAF to be considered substantively enacted. Barry Callebaut's Swiss operations are domiciled in the canton of Zurich, which has not substantively completed their cantonal tax law processes on August 31, 2019. As a result, Barry Callebaut has not considered TRAF substantively enacted as per the end of the reporting period.

On September 1, 2019, the canton of Zurich held a public referendum on the changes to the cantonal tax laws which was accepted by the electorate. Thus, the relevant cantonal tax law processes have been substantively enacted in September 2019 which is treated as a non-adjusting event for the Annual Report 2018/19.

Key changes to cantonal tax laws in Zurich are the abolition of cantonal privileges for holding companies, domicile companies and mixed companies. During a transitional phase, entities who were subject to abolished privileges have the possibility to make use of transitional measures. The canton has reduced the income tax rate to a combined rate of roughly 19.7% as of 2021. New measures such as an R&D deduction and patent box have been introduced.

Whilst there is a degree of uncertainty arising from the implementation of the comprehensive changes to the cantonal tax law, the Group does not expect a material impact on the effective tax rate of the Group's Consolidated Financial Statements during the transition period.

Barry Callebaut will reflect the impacts of TRAF for financial reporting purposes in the first half of fiscal year 2019/20.

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

Notes to the Consolidated Financial Statements

7.2 Other accounting policies

Foreign currency transactions

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

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

Foreign currency translation

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

Major foreign exchange rates

	2018/19		2017/18	
	Closing rate	Average rate	Closing rate	Average rate
BRL	0.2368	0.2573	0.2311	0.2855
EUR	1.0892	1.1254	1.1305	1.1623
GBP	1.2013	1.2733	1.2617	1.3136
RUB	0.0148	0.0151	0.0142	0.0163
USD	0.9851	0.9932	0.9709	0.9749
XOF/XAF (unit 1,000)	1.6605	1.7156	1.6789	1.7186

Government grants

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

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

Statutory Auditor's Report

To the General Meeting of Barry Callebaut AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Barry Callebaut AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 August 2019 and the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 43 to 129) give a true and fair view of the consolidated financial position of the Group as at 31 August 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

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

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

Key Audit Matters

Existence and Valuation of Inventory

Derivative Financial Instruments and Hedge Accounting

Valuation of Goodwill

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

Existence and Valuation of Inventory

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 1,803.7 million as of 31 August 2019.

Inventory consists of physical items and is managed globally by using own capacities, third party warehouses and logistics services providers.

Inventory is measured at the lower of cost and net realisable value, except for inventory that qualifies as the hedged item in a fair value hedge relationship (cocoa and non-cocoa commodities, semi-finished and finished products). These inventories are measured at cost, adjusted for the hedging gain or loss on the hedged item.

We focused on this area because of its size, the assumptions used in the valuation, volatility of raw material prices and the complexity of the supply chain, which are relevant when determining the amounts recorded, including the elimination of unrealized profits on inventory.

Our response

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

- Obtaining an understanding over the supply chain and testing selected key controls over the recognition and measurement of inventory;
- For a sample of warehouse locations, observe the stock-take procedures and assessing their adequacy, performing independent stock counts and reconciling the amounts to the accounting records, and reconciling third party confirmations to the accounting records;
- Testing on a sample basis the accuracy of cost for inventory by verifying purchase prices and actual production costs, and testing the net realisable value by comparing actual cost with relevant market data;
- Testing on a sample basis the application and accuracy of hedge accounting and the underlying fair values;
- Evaluating the adequacy of the intercompany profit elimination on inventory and related derivative financial instruments by assessing the methodology applied based on our knowledge and understanding of the Group;
- Testing the model and recalculating the amounts used in determining the amounts to be eliminated from inventory and related derivative financial instruments.

For further information on Inventory refer to the following:

- Notes to the Consolidated Financial Statements – 2.3 Inventories (page 66)

Derivative Financial Instruments and Hedge Accounting

Key Audit Matter

The Group reports derivative financial assets at fair value of CHF 616.3 million and derivative financial liabilities at fair value of CHF 741.4 million as of 31 August 2019.

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

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

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

Our response

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

— Obtaining an understanding of the risk management policies and testing key controls for the use, the recognition and the measurement of derivative financial instruments;

— Reconciling derivative financial instruments data to third party confirmations;

— Comparing input data used in the Group's valuation models to independent sources and externally available market data;

— Comparing valuation of derivative financial instruments with market data or results from alternative, independent valuation models;

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

— Considering the appropriateness of disclosures in relation to financial risk management, derivative financial instruments and hedge accounting.

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

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

— Notes to the Consolidated Financial Statements – 3.7 Financial risk management (pages 78 to 104)

Valuation of Goodwill

Key Audit Matter	**Our response**
The Group reports goodwill totalling CHF 859.6 million as of 31 August 2019, arising from past business combinations. Management has to assess goodwill for impairment on a yearly basis using a discounted cash flow model to determine the value in use of goodwill balances. This requires the use of a number of key assumptions and judgments, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates applied. Furthermore, in case of business combinations occurring during the reporting period, management applies judgement in allocating the goodwill to the appropriate cash-generating units (CGUs). We focused on this area in light of the amounts involved and the level of judgement and estimation required.	Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment testing, the appropriateness of the assumptions, and the methodology used by management to prepare its cash flow forecasts. We involved our own valuation specialists to support our procedures. In particular, we performed the following: — Gaining an understanding and assessing the reasonableness of business plans by comparing the assumptions to prior year; — Comparing business plan data against budgets and the mid-term plan as approved by the Board of Directors; — Recalculating independently the value in use; — Challenging the robustness of the key assumptions used to determine the value in use, cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible; — Conducting sensitivity analysis, taking into account the Group's historical forecasting accuracy; and — Comparing the sum of net asset value to the market capitalisation of the Group. We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on Goodwill refer to the following:

— Notes to the Consolidated Financial Statements – 2.2 Intangible assets (pages 63 to 66)

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, 4 November 2019

Financial Statements of Barry Callebaut AG

Income Statement

for the fiscal year	2018/19	2017/18
in thousands of CHF		
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**

Financial Statements of Barry Callebaut AG

Balance Sheet

Assets

as of August 31, in thousands of CHF	2019	2018
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	2019	2018
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).

Financial Statements of Barry Callebaut AG

Notes to the Financial Statements

1 Principles

1.1 General aspects

These financial statements have been prepared in accordance with the provisions of the 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.

Financial Statements of Barry Callebaut AG

2 Information on balance sheet and income statement items

2.1 Prepaid expenses and accrued income

Short-term prepaid expenses and accrued income 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,	Maturity	Interest	2019	2018
in thousands of CHF				
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**

Financial Statements of Barry Callebaut AG

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. 1bis 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).

Financial Statements of Barry Callebaut AG

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**

Financial Statements of Barry Callebaut AG

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.

Financial Statements of Barry Callebaut AG

3.5 Shareholdings of the Board of Directors and the Executive Commitee

Shareholdings of the Board of Directors

Number of shares as of August 31,		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 Steenbergen	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.

Financial Statements of Barry Callebaut AG

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.

Statutory Auditor's Report

To the General Meeting of Barry Callebaut AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barry Callebaut AG, which comprise the balance sheet as at 31 August 2019, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 136 to 144) for the year ended 31 August 2019 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

— Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 4 November 2019