Half-Year Results 2017/18

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

BARRY CALLEBAUT

Half-Year Results 2017/18 in brief

- Sales volume growth +8.0%
- Sales revenue of CHF 3.5 billion, –1.8% in local currencies (+0.3% in CHF)
- Operating profit[1] (EBIT) up +20.6% in local currencies (+24.6% in CHF)
- Net profit[1] up +32.9% in local currencies (+37.5% in CHF)
- Mid-term guidance confirmed[2]

	EMEA	Americas	Asia Pacific	Global Cocoa
Volume growth vs. prior year in tonnes	+9.6%	+5.5%	+15.5%	+6.2%
EBIT growth[1] vs. prior year in local currencies	+12.1%	+9.2%	+15.6%	+130.5%

1 On a recurring basis (excluding the one-off impact from comparable prior year period)
2 On average for the 4-year period 2015/16 to 2018/19: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events

Letter to Shareholders

Dear Shareholders,

We had a very strong performance in the first six months of the current fiscal year. Our **sales volume** increased by +8.0%, which is significantly above the global confectionery market growth rate of +2.5%[1]. The second-quarter volumes increased by +8.1%. The strong volume growth was supported by all key growth drivers: Gourmet & Specialties, Outsourcing and Emerging Markets, as well as the gradual recovery in market demand.

Sales revenue declined by –1.8% in local currencies to CHF 3,549.9 million, mainly due to the impact of lower cocoa and other raw material prices, which, based on our cost-plus model, are for the majority of our business passed on to customers.

Profitable growth

Operating profit (EBIT) improved by +12.3% in local currencies and amounted to CHF 276.8 million, as a result of the increased gross profit. The increase of recurring EBIT was +20.6% in local currencies. On a recurring basis, we improved our EBIT per tonne by +11.6% in local currencies to CHF 271.

Net profit for the period was up +17.6% in local currencies to CHF 173.0 million. This was due to the strong increase in EBIT, as well as to lower net finance costs and despite higher income tax expenses due to a one-off impact of tax reforms in Belgium and the US. On a recurring basis, the net profit for the period was up +32.9% in local currencies.

Further strengthening our pillars of growth

We continue to consistently outperform the market by strengthening our strategic pillars.

Expansion

The integration of the recent acquisition of D'Orsogna Dolciaria in Italy, in October 2017, and Gertrude Hawk Ingredients in the US, in December 2017, further expanding our value-adding Specialties & Decorations business, is well on track. Furthermore, to keep serving our customers optimally, we invested in the expansion of our global chocolate production capacity in Region EMEA, Region Americas as well as Singapore.

Innovation

Since its launch in September 2017, the fourth type of chocolate: Ruby, is hitting the consumer market. The first consumer-facing Ruby products were introduced in Japan and South Korea, closely followed by the announcement of Callebaut's first Ruby variety. Furthermore, inspired by wine, coffee and craft beer categories, we introduced a sensory language and tasting ritual for chocolate in January 2018. In addition, our sugar-reduced solutions are enticing customers and growing by double-digits.

Sustainability

We launched our first Forever Chocolate pilot in Indonesia. This is the first in a series of five pilot programs planned in cocoa origin countries that are intended to test theories of change in the quest to accelerate sustainable cocoa production. The focus of the pilots is on increasing the income of farmers, eradicating child labor and becoming carbon positive. We are partnering with Dutch Wageningen University & Research which is providing our Group with robust, scientific support to establish the baseline and analytical framework against which outcomes can be assessed.

1 Source: Nielsen Chocolate confectionary sales in volume, August 2017 to January 2018 – 25 countries

Letter to Shareholders

Outlook

We continue to see healthy market dynamics. We have good visibility in our portfolio and together with the diligent execution of our "smart growth" strategy, we feel confident to deliver on our 4-year guidance[2].

April 11, 2018

Patrick De Maeseneire
Chairman of the Board

Antoine de Saint-Affrique
Chief Executive Officer

2 On average for the 4-year period 2015/16–2018/19: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events

Letter to Shareholders

"Our strong performance reflects the consistent execution of our long-term strategy."

Patrick De Maeseneire, Chairman of the Board

"We have good visibility in our portfolio and feel confident to deliver on our 4-year guidance."

Antoine de Saint-Affrique, CEO

Key Figures (unaudited)

Consolidated Income Statement

for the 6-month period ended February 28,		Change (%) in local currencies	Change (%) in CHF	2018	2017
Sales volume	Tonnes		8.0%	1,022,565	946,782
Sales revenue	CHF m	(1.8%)	0.3%	3,549.9	3,538.7
Gross profit	CHF m	15.5%	19.2%	553.0	464.0
EBITDA[1]	CHF m	12.3%	16.0%	359.4	309.9
EBITDA (recurring[2])	CHF m	13.8%	22.4%	359.4	293.6
Operating profit (EBIT)	CHF m	12.3%	16.1%	276.8	238.4
Operating profit (EBIT) (recurring[2])	CHF m	20.6%	24.6%	276.8	222.1
EBIT per tonne (recurring[2])[3]	CHF	11.6%	15.4%	270.7	234.6
Net profit for the period[4]	CHF m	17.6%	21.7%	173.0	142.1
Net profit for the period (recurring[2])	CHF m	32.9%	37.5%	173.0	125.8
Free cash flow[5]	CHF m	–	–	39.0	(32.1)

Consolidated Balance Sheet

as of February 28,			2018	2017
Total assets	CHF m	4.6%	6,186.5	5,912.3
Net working capital[6]	CHF m	(16.0%)	1,174.7	1,398.4
Non-current assets	CHF m	7.1%	2,547.0	2,378.4
Net debt	CHF m	(16.9%)	1,208.4	1,454.9
Shareholders' equity[7]	CHF m	9.7%	2,217.6	2,021.6

Shares

for the 6-month period ended February 28,			2018	2017
Share price (end of period)	CHF	43.7%	1,867.0	1,299.0
EBIT per share[8]	CHF	16.1%	50.4	43.4
Basic earnings per share[9]	CHF	22.4%	31.5	25.7
Cash earnings per share[10]	CHF	–	7.1	(5.8)

Other

as of February 28,	2018	2017
Employees	11,262	10,343

1 EBIT + depreciation of property, plant and equipment + amortization of intangibles
2 On a recurring basis (excluding the one-off impact from comparable prior-year period)
3 EBIT/sales volume
4 Incl. non-controlling interest
5 Net cash flow from operating activities./.Net cash flow from investing activities (adjusted for acquisitions and disposals of subsidiaries)
6 Includes current assets, liabilities and provisions related to commercial activities
7 Total equity attributable to the shareholders of the parent company
8 EBIT/basic shares outstanding
9 Based on the net profit attributable to the shareholders of the parent company/basic shares outstanding
10 Free cash flow/basic shares outstanding

Key Figures (unaudited)

By Region

for the 6-month period ended February 28,		Change (%) in local currencies	Change (%) in CHF	2018	2017
EMEA					
Sales volume	Tonnes		9.6%	471,120	429,867
Sales revenue	CHF m	0.4%	7.3%	1,577.8	1,470.9
EBITDA (recurring)	CHF m	12.9%	20.6%	204.5	169.5
Operating profit (EBIT) (recurring)	CHF m	12.1%	19.8%	175.0	146.1
Americas					
Sales volume	Tonnes		5.5%	265,904	252,068
Sales revenue	CHF m	0.0%	(1.9%)	825.5	841.1
EBITDA	CHF m	11.3%	9.8%	103.2	94.0
Operating profit (EBIT)	CHF m	9.2%	7.6%	84.5	78.5
Asia Pacific					
Sales volume	Tonnes		15.5%	54,121	46,872
Sales revenue	CHF m	4.6%	2.7%	189.5	184.5
EBITDA	CHF m	15.4%	14.2%	29.1	25.5
Operating profit (EBIT)	CHF m	15.6%	15.8%	24.2	20.9
Global Cocoa					
Sales volume	Tonnes		6.2%	231,420	217,975
Sales revenue	CHF m	(7.6%)	(8.2%)	957.1	1,042.2
EBITDA	CHF m	55.6%	57.9%	73.7	46.6
Operating profit (EBIT)	CHF m	130.5%	132.0%	45.7	19.7

By Product Group

for the 6-month period ended February 28,		Change (%) in local currencies	Change (%) in CHF	2018	2017
Sales volume					
Cocoa Products	Tonnes		6.2%	231,420	217,975
Food Manufacturers Products	Tonnes		8.8%	665,763	611,713
Gourmet & Specialties Products	Tonnes		7.1%	125,382	117,094
Sales revenue					
Cocoa Products	CHF m	(13.8%)	(8.2%)	957.1	1,042.2
Food Manufacturers Products	CHF m	1.1%	3.2%	1,987.4	1,925.8
Gourmet & Specialties Products	CHF m	1.8%	6.1%	605.4	570.7

Strong performance in the first six months

Half-year results for fiscal year 2017/18

Consolidated Income Statement[1]

Strong volume growth, supportive market and product mix translate into significant profitability increase

Sales volume reached 1,022,565 tonnes. Volume growth momentum remained strong also in the second quarter at +8.1%, leading to a total increase of +8.0% for the first half of fiscal year 2017/18. This is significantly above the volume growth of the underlying market, which was +2.5% according to Nielsen. The growth was broad-based with contributions from all Regions and product groups and in particular fueled by the Group's key growth drivers Outsourcing, Emerging Markets and Gourmet & Specialties.

Sales revenue declined –1.8% in local currencies (+0.3% in CHF) to CHF 3,549.9 million. The positive effect from volume growth was more than offset by lower prices for raw materials and cocoa based products, which the Group largely passes on to its customers based on its cost plus business model.

Gross profit amounted to CHF 553.0 million, corresponding to an increase of +15.5% in local currencies (+19.2% in CHF). The increase, which is significantly above volume growth, was fueled by a good product and customer mix, as well as a more supportive market environment.

Marketing and sales expenses grew by +10.6% to CHF 76.0 million as the Group further invested in promoting its global Gourmet brands, enlarging the related distribution and sales networks worldwide. At the same time, the Group expanded its sales network for specialty products to Food Manufacturers.

General and administration expenses increased by +16.4% to CHF 202.8 million. This increase was driven by the Group's overall business growth and continued investments in structures and processes as well as scope effects from acquisitions.

Other income in the amount of CHF 11.8 million was recorded, compared to CHF 29.8 million in the comparable prior year period. The prior year included the non-recurring income resulting from an acquisition in the amount of CHF 16.3 million. Apart from this, as in the prior year this position includes operating, but non-sales-related income, such as sales of waste products, insurance reimbursements and third-party income from the Group's Training Center.

1 Comparables refer to the prior year period unless otherwise stated

Financial review

Other expenses decreased from CHF 12.4 million in the prior year period to CHF 9.3 million, as there were less acquisition-related costs this year. As in the prior year, the position also includes severance payments, litigation costs and some other non-recurring items.

Operating profit (EBIT) improved by +12.3% in local currencies (+16.1% in CHF) to CHF 276.8 million as a result of the increased gross profit. Excluding the non-recurring acquisition-related positive effect of CHF 16.3 million in 2016/17, the recurring EBIT increase was +20.6% in local currencies (+24.6% in CHF). On this adjusted basis, the Group improved its recurring EBIT per tonne to CHF 271, i.e. by +11.6% in local currencies (+15.4% in CHF).

Finance income increased from CHF 1.3 million to CHF 2.9 million, which is attributable to higher interest income.

Finance costs declined from CHF 63.3 million to CHF 52.2 million, which is due to lower interest expenses in light of the repayment of the EUR 350 million 6% Senior Notes in July 2017 and lower average net debt.

Income tax expenses increased to CHF 54.6 million, compared to CHF 34.4 million in the prior year period. This is on the one hand due to a significantly increased profit before tax. On the other hand, the tax reforms in Belgium and the US enacted in late December 2017 led to a one-time non-cash expense of CHF 10.1 million (4.5%) mostly due to a revaluation of deferred tax assets and liabilities to the newly enacted tax rates. The expense also includes a new current tax liability arising from the move to a territorial system in the U.S. Consequently the Group's reported effective tax rate increased to 24.0%, up from 19.5% in the comparable period (adjusted for the above-mentioned one-time effect, the effective tax rate remained at prior year level of 19.5%).

Net profit for the period was up +17.6% in local currencies (+21.7% in CHF) to CHF 173.0 million, due to the strong increase in EBIT and lower net finance costs and despite significantly higher income tax expenses as mentioned above. On a recurring basis, the net profit for the period was up +32.9% in local currencies (+37.5% in CHF).

Consolidated Balance Sheet and financing structure[2]

Net working capital and net debt decreased versus prior year

Net working capital decreased by –16.0% from CHF 1,398.4 million in the prior year period to CHF 1,174.7 million. The value of inventories stayed at prior level, as the growth-related impact was offset by lower average raw material prices. The same largely applies to trade receivables and other current assets as well as to trade payables and other current liabilities. The reduction in net working capital is largely due to the lower net derivative financial assets and liabilities.

Compared to the end of August 2017, when the net working capital amounted to CHF 1,129.5 million, inventories, trade receivables and other current assets increased due to seasonality and the Group's growth. This effect was largely offset by higher trade payables and other current liabilities as well as the lower net amount related to derivative financial assets and liabilities.

Net debt amounted to CHF 1,208.4 million, down by –16.9% from CHF 1,454.9 million in the prior year period due to the lower financing needs for working capital and the generated free cash flow, which was partly used to repay debt. The increase compared to the CHF 1,110.9 million in August 2017 relates to financing needs for the working capital increase caused by seasonality.

2 Comparables refer to the prior year period unless otherwise stated

Financial review

Total assets grew by 4.6% from CHF 5,912.3 million in the prior year period to CHF 6,186.5 million, mainly as a result of investments in property, plant and equipment and higher derivative financial assets. The latter continue to be at high levels and are largely offset by derivative financial liabilities, which reflects the Group's hedging approach and the recent volatility of cocoa-related prices.

Total equity attributable to the shareholders of the parent company increased to CHF 2,217.6 million compared to CHF 2,021.6 million in the prior year period. Compared to August 31, 2017, shareholders' equity increased by CHF 38.8 million. The increase versus both comparable periods largely corresponds to the excess of net profit for the period over the dividend payout to shareholders recorded during the period, which was partly offset by currency translation impacts.

Consolidated Cash Flow Statement[3]

Continuously strong free cash flow – positively impacted by lower cocoa bean prices

Net cash flow from operating activities amounted to an inflow of CHF 115.3 million compared to CHF 59.7 million in the prior year period. The increase is mainly due to the increased profitability and the positive effect from working capital changes as mentioned above, partly offset by a higher cash-out for taxes.

Net cash flow from investing activities came in at CHF –206.1 million compared to CHF –88.8 million in the prior year. This position includes the Group's investments in property, plant & equipment and intangibles amounting to CHF –105.9 million. The increase versus prior year is largely related to the cash-out for acquisitions in the amount of CHF –129.8 million.

As a result, **free cash flow** for the 6-month period under review increased to CHF 39.0 million compared to CHF –32.1 million in the prior year (prior to acquisition-related changes in cash flow).

Net cash from financing activities amounted to CHF –6.4 million compared to CHF –70.0 million in the prior year. The lower cash-out is mainly related to a stable net debt in the period under review compared to some repayment of debt out of the generated free cash flow in the comparable prior year period.

3 Comparables refer to the prior year period unless otherwise stated

Consolidated Interim Financial Statements

Consolidated Income Statement (unaudited)

for the 6-month period ended February 28,	2018	2017
in thousands of CHF		
Revenue from sales and services	**3,549,948**	**3,538,747**
Cost of goods sold	(2,996,903)	(3,074,729)
Gross profit	**553,045**	**464,018**
Marketing and sales expenses	(75,991)	(68,730)
General and administration expenses	(202,816)	(174,317)
Other income	11,848	29,844
Other expenses	(9,266)	(12,391)
Operating profit (EBIT)	**276,820**	**238,423**
Finance income	2,926	1,337
Finance costs	(52,152)	(63,326)
Share of result of equity-accounted investees, net of tax	7	–
Profit before income taxes	**227,601**	**176,434**
Income tax expenses	(54,569)	(34,374)
Net profit for the period	**173,032**	**142,060**
of which attributable to:		
shareholders of the parent company	173,004	141,155
non-controlling interest	28	905
Earnings per share		
Basic earnings per share (CHF/share)	31.49	25.73
Diluted earnings per share (CHF/share)	31.31	25.64

Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income (unaudited)

for the 6-month period ended February 28,	2018	2017
in thousands of CHF		
Net profit for the period	**173,032**	**142,060**
Currency translation adjustments	(29,663)	2,146
Cash flow hedges	7,005	(6,304)
Tax effect on cash flow hedges	(3,105)	(1,663)
Items that may be reclassified subsequently to the income statement	**(25,763)**	**(5,821)**
Remeasurement of defined benefit plans	(2,105)	18,009
Tax effect on remeasurement of defined benefit plans	2,035	(4,188)
Items that will never be reclassified to the income statement	**(70)**	**13,822**
Other comprehensive (loss)/income for the period, net of tax	**(25,833)**	**8,001**
Total comprehensive income for the period	**147,199**	**150,061**
of which attributable to:		
shareholders of the parent company	147,216	149,194
non-controlling interest	(17)	867

Consolidated Interim Financial Statements

Consolidated Balance Sheet (unaudited)

Assets

as of	Feb 28, 2018	Aug 31, 2017	Feb 28, 2017
in thousands of CHF			
Current assets			
Cash and cash equivalents	350,173	399,292	377,638
Short-term deposits	1,458	121	7,422
Trade receivables and other current assets	1,016,182	754,523	990,750
Inventories	1,499,823	1,317,761	1,496,926
Income tax receivables	26,053	30,377	13,608
Derivative financial assets	745,852	573,770	647,533
Total current assets	**3,639,541**	**3,075,844**	**3,533,877**
Non-current assets			
Property, plant and equipment	1,431,058	1,385,773	1,344,377
Equity-accounted investees	472	502	465
Intangible assets	1,000,290	926,150	927,529
Deferred tax assets	86,973	102,319	95,077
Long-term deposits	–	–	5,750
Other non-current assets	28,199	43,485	5,183
Total non-current assets	**2,546,992**	**2,458,229**	**2,378,381**
Total assets	**6,186,533**	**5,534,073**	**5,912,258**

Liabilities and equity

as of	Feb 28, 2018	Aug 31, 2017	Feb 28, 2017
in thousands of CHF			
Current liabilities			
Bank overdrafts	69,408	21,264	53,347
Short-term debt	314,940	318,272	653,597
Trade payables and other current liabilities	1,355,563	1,206,688	1,313,346
Income tax liabilities	43,264	52,050	62,831
Derivative financial liabilities	687,173	259,805	356,709
Provisions	23,463	19,917	23,409
Total current liabilities	**2,493,811**	**1,877,996**	**2,463,239**
Non-current liabilities			
Long-term debt	1,175,808	1,170,743	1,138,724
Employee benefit obligations	139,109	151,342	161,045
Provisions	30,745	30,275	42,730
Deferred tax liabilities	94,570	93,633	63,169
Other non-current liabilities	20,035	16,439	5,917
Total non-current liabilities	**1,460,267**	**1,462,432**	**1,411,585**
Total liabilities	**3,954,078**	**3,340,428**	**3,874,824**
Equity			
Share capital	110	40,014	40,014
Retained earnings and other reserves	2,217,437	2,138,706	1,981,629
Total equity attributable to the shareholders of the parent company	**2,217,547**	**2,178,720**	**2,021,643**
Non-controlling interest	14,908	14,925	15,791
Total equity	**2,232,455**	**2,193,645**	**2,037,434**
Total liabilities and equity	**6,186,533**	**5,534,073**	**5,912,258**

Consolidated Interim Financial Statements

Consolidated Statement of Cash Flows (unaudited)

Cash flows from operating activities

for the 6-month period ended February 28,	2018	2017
in thousands of CHF		
Profit before income taxes	227,601	176,434
Recognition of negative goodwill on acquisitions	–	(18,734)
Depreciation, amortization and impairment	82,553	71,446
Interest expenses/(interest income)	41,495	53,121
Loss/(gain) on sale of property, plant and equipment, net	(5)	(27)
Increase (decrease) of employee benefit obligations	(4,155)	2,610
Share of loss/(profit) of equity-accounted investees, net of tax	(7)	–
Change in working capital:	(148,401)	(178,528)
Inventories	(172,732)	10,538
Derivative financial assets/liabilities	251,232	(139,520)
Trade receivables and other current assets	(270,087)	(114,992)
Trade payables and other current liabilities	43,186	65,445
Provisions less payments	(2,250)	1,690
Other non-cash-effective items	(10,830)	(5,800)
Cash generated from operating activities	**186,001**	**102,212**
(Interest paid)	(27,305)	(25,536)
(Income taxes paid)	(43,351)	(16,938)
Net cash from operating activities	**115,345**	**59,738**

Cash flows from investing activities

for the 6-month period ended February 28,	2018	2017
in thousands of CHF		
Purchase of property, plant and equipment	(92,646)	(82,683)
Proceeds from sale of property, plant and equipment	3,377	2,253
Purchase of intangible assets	(13,269)	(14,243)
Acquisition of subsidiaries/businesses net of cash acquired	(129,808)	3,041
Purchase of short-term deposits	(68)	(2,349)
Proceeds from sale of short-term deposits	80	5,929
Sale/(purchase) of other non-current assets	16,284	(2,054)
Interest received	9,918	1,322
Net cash flow from investing activities	**(206,132)**	**(88,784)**

Consolidated Interim Financial Statements

Cash flows from financing activities

for the 6-month period ended February 28,	2018	2017
in thousands of CHF		
Proceeds from the issue of short-term debt	–	83,342
Repayment of short-term debt	(2,191)	(146,846)
Proceeds from the issue of long-term debt	1,610	–
Repayment of long-term debt	–	(1,682)
Purchase of treasury shares	(5,866)	(5,161)
Effect of changes in non-controlling interests	43	397
Net cash flow from financing activities	**(6,404)**	**(69,950)**
Effect of exchange rate changes on cash and cash equivalents	(72)	(8,199)
Net increase (decrease) in cash and cash equivalents	**(97,263)**	**(107,195)**
Cash and cash equivalents at beginning of year	378,028	431,487
Cash and cash equivalents at end of year	280,765	324,292
Net increase (decrease) in cash and cash equivalents	**(97,263)**	**(107,195)**
Cash and cash equivalents	350,173	377,638
Bank overdrafts	(69,408)	(53,347)
Cash and cash equivalents as defined for the cash flow statement	**280,765**	**324,292**

Consolidated Interim Financial Statements

Consolidated Statement of Changes in Equity (unaudited)

Attributable to the shareholders of the parent company	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustment	Total	Non-controlling interest	Total equity
in thousands of CHF								
as of September 1, 2016	**102,093**	**(12,950)**	**2,394,678**	**13,914**	**(541,448)**	**1,956,287**	**14,924**	**1,971,211**
Currency translation adjustments	–	–	–	–	2,184	2,184	(38)	2,146
Effect of cash flow hedges	–	–	–	(6,304)	–	(6,304)	–	(6,304)
Tax effect on cash flow hedges	–	–	–	(1,663)	–	(1,663)	–	(1,663)
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**(7,967)**	**2,184**	**(5,783)**	**(38)**	**(5,821)**
Remeasurement of defined benefit plans	–	–	18,009	–	–	18,009	–	18,009
Tax effect on remeasurement of defined benefit plans	–	–	(4,188)	–	–	(4,188)	–	(4,188)
Items that will never be reclassified to the income statement	**–**	**–**	**13,822**	**–**	**–**	**13,822**	**–**	**13,822**
Other comprehensive income, net of tax	**–**	**–**	**13,822**	**(7,967)**	**2,184**	**8,039**	**(38)**	**8,001**
Net profit for the period	–	–	141,155	–	–	141,155	905	142,060
Total comprehensive income for the period	**–**	**–**	**154,977**	**(7,967)**	**2,184**	**149,194**	**867**	**150,061**
Dividend to shareholders	(62,079)	–	(22,998)	–	–	(85,077)	–	(85,077)
Movements of non-controlling interest	–	–	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	(5,161)	–	–	–	(5,161)	–	(5,161)
Equity-settled share-based payments	–	14,714	(8,314)	–	–	6,400	–	6,400
as of February 28, 2017	**40,014**	**(3,397)**	**2,518,343**	**5,947**	**(539,264)**	**2,021,643**	**15,791**	**2,037,434**
as of September 1, 2017	**40,014**	**(15,105)**	**2,696,936**	**(12,312)**	**(530,813)**	**2,178,720**	**14,925**	**2,193,645**
Currency translation adjustments	–	–	–	–	(29,618)	(29,618)	(45)	(29,663)
Effect of cash flow hedges	–	–	–	7,005	–	7,005	–	7,005
Tax effect on cash flow hedges	–	–	–	(3,105)	–	(3,105)	–	(3,105)
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**3,900**	**(29,618)**	**(25,718)**	**(45)**	**(25,763)**
Remeasurement of defined benefit plans	–	–	(2,105)	–	–	(2,105)	–	(2,105)
Tax effect on remeasurement of defined benefit plans	–	–	2,035	–	–	2,035	–	2,035
Items that will never be reclassified to the income statement	**–**	**–**	**(70)**	**–**	**–**	**(70)**	**–**	**(70)**
Other comprehensive income, net of tax	**–**	**–**	**(70)**	**3,900**	**(29,618)**	**(25,788)**	**(45)**	**(25,833)**
Net profit for the period	–	–	173,004	–	–	173,004	28	173,032
Total comprehensive income for the period	**–**	**–**	**172,934**	**3,900**	**(29,618)**	**147,216**	**(17)**	**147,199**
Dividend to shareholders	(39,904)	–	(69,873)	–	–	(109,777)	–	(109,777)
Movements of non-controlling interest	–	–	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	(5,866)	–	–	–	(5,866)	–	(5,866)
Equity-settled share-based payments	–	17,008	(9,754)	–	–	7,254	–	7,254
as of February 28, 2018	**110**	**(3,963)**	**2,790,243**	**(8,412)**	**(560,431)**	**2,217,547**	**14,908**	**2,232,455**

Consolidated Interim Financial Statements

Summary of Accounting Policies

General information

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

These condensed unaudited Consolidated Interim Financial Statements were approved for issue by the Board of Directors on April 10, 2018.

Basis of presentation and accounting policies

The condensed Consolidated Interim Financial Statements have been prepared in accordance with IAS 34 – Interim Financial Reporting. The accounting policies applied in these condensed Consolidated Interim Financial Statements correspond to those pertaining to the most recent annual Consolidated Financial Statements for the fiscal year 2016/17.

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

Changes in accounting policies

IFRS 15 – Revenue Recognition

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

The Group has reviewed its typical commercial arrangements with customers applying the five-step model. As of now, it has been tentatively concluded that the new valuation and recognition rules will not have any material impact on the consolidated result or the financial positions.

The Group will adopt IFRS 15 for the financial year starting on September 1, 2018, using the cumulative effect method.

IFRS 16 – Leasing

The new standard was issued on January 13, 2016, and will replace IAS 17 – Leases. The biggest change introduced by the new standard is that leases will be brought onto companies' balance sheets, increasing the visibility of their assets and liabilities. IFRS 16 removes the classification of leases as either operating leases or finance leases, treating all leases as finance leases. Short-term leases (less than 12 months) and leases of low-value assets (such as personal computers) are exempt from the requirements. IFRS 16 will become effective for financial year 2019/20. The standard may be relevant to the Consolidated Financial Statements. The Group is currently assessing the impact of the adoption.

Other amendments to IFRS/IAS

A number of other standards have been amended on miscellaneous points. Some of these amendments are effective for this fiscal year, but did not have a material impact on the Group's Financial Statements.

Consolidated Interim Financial Statements

Use of judgment and estimates

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

Foreign currency translation of foreign operations

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

Major foreign exchange rates

for the 6-month period ended February 28	2018		2017	
	Closing rate	Average rate	Closing rate	Average rate
BRL	0.2894	0.3009	0.3233	0.3082
EUR	1.1498	1.1595	1.0679	1.0777
GBP	1.3064	1.3069	1.2535	1.2511
RUB	0.0167	0.0168	0.0173	0.0161
USD	0.9395	0.9693	1.0051	0.9976
XOF/XAF (unit 1,000)	1.7082	1.7090	1.6119	1.6383

Consolidated Interim Financial Statements

1 Segment information

Financial information by reportable segments

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

for the 6-month period ended February 28, 2017 in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total Segments	Corporate	Group
Revenues from external customers	**1,470,928**	**841,142**	**184,464**	**1,042,213**	**3,538,747**	**–**	**3,538,747**
Operating profit (EBIT)	**162,426**	**78,545**	**20,940**	**19,649**	**281,559**	**(43,136)**	**238,423**

Revenue by geographic regions is stated by customer location.

Segment Information by Product Group

for the 6-month period ended February 28, in thousands of CHF	2018	2017
Cocoa Products	957,149	1,042,213
Food Manufacturers	1,987,439	1,925,844
Gourmet & Specialties	605,360	570,690
Revenues from external customers	**3,549,948**	**3,538,747**

Consolidated Interim Financial Statements

2 Acquisitions

Acquisitions in 2017/18

D'Orsogna Dolciaria

On October 5, 2017, Barry Callebaut completed the acquisition of D'Orsogna Dolciaria, a family-owned Italian business-to-business company founded in 1957 and headquartered in San Vito, in the Abruzzo region. D'Orsogna Dolciaria is a leading supplier of high-quality decoration and inclusion solutions mainly for Food Manufacturers and Gourmet, in particular for ice-cream, dairy and bakery products. It has three state-of-the-art production sites in Italy, India and Canada and employs around 300 people. The transaction was successfully closed and the Group acquired 100% of the outstanding shares.

The acquisition allows Barry Callebaut to expand the existing offering of specialty and inclusions products with amaretti, meringues, cookies, glazings, toppings and other products for ice cream, yoghurts, snacks and chocolate decorations.

The consideration transferred was CHF 48.6 million, fully paid in cash. The acquisition-related costs in the amount of CHF 0.8 million were expensed and included in general and administration expenses (of which CHF 0.6 million were already expensed in fiscal year 2016/17).

in thousands of CHF	Feb 28, 2018
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash acquired	7,375
Current assets (other than cash)	20,995
Property, plant and equipment and other non-current assets	27,311
Current provisions and other current liabilities	(37,368)
Non-current provisions and other non-current liabilities	(15,751)
Total identifiable net assets	**2,562**
Goodwill	46,066
Total consideration at fair value	**48,628**
thereof:	
Cash paid	48,628
Consideration deferred	–

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

The goodwill of CHF 46.1 million arising from the acquisition is attributable to the integration of the business into the Group's existing business as well as for strengthening Barry Callebaut's range of specialty products. This allows the Group to further develop its Food Manufacturers and Gourmet & Specialties business by getting access to the latest process technology, increasing innovation power, expanding the product offering and by leveraging on the Group's global footprint. The goodwill has been allocated to Region EMEA.

Since October 5, 2017, the acquired business contributed CHF 19.6 million to revenues from sales and services and CHF 0.1 million to net profit. Had it been consolidated from September 1, 2017, it would have contributed revenues from sales and services of CHF 23.9 million and net profit for the fiscal year of CHF 0.1 million to the Consolidated Income Statement.

Consolidated Interim Financial Statements

Gertrude Hawk Chocolates

On December 4, 2017, Barry Callebaut completed the acquisition of Gertrude Hawk Ingredients, the largest division of Gertrude Hawk Chocolates, a family-owned company founded in 1936 in Scranton, Pennsylvania. The ingredients division has a state-of-the-art factory in Scranton, Pennsylvania, and employs around 370 people. By creating new and innovative technology and processes to make ice cream and baking inclusions, Gertrude Hawk Ingredients has become a leader in the ingredients market.

With the acquisition, Barry Callebaut will further extend its role in decoration and inclusion products for Food Manufacturers and Gourmet, particularly in the North American market, expanding its portfolio with new technologies for shell molding, panning, enrobing and with solutions for shaped inclusions and peanut butter chips, a very popular product in North America.

The consideration transferred was CHF 88.6 million, fully paid in cash. The acquisition-related costs in the amount of CHF 1.1 million were expensed and included in general & administration expenses (of which CHF 1.0 million were already expensed in fiscal year 2016/17).

in thousands of CHF	Feb 28, 2018
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash acquired	–
Current assets (other than cash)	28,973
Property, plant and equipment and other non-current assets	22,969
Current provisions and other current liabilities	(1,346)
Non-current provisions and other non-current liabilities	–
Total identifiable net assets	**50,596**
Goodwill	37,959
Total consideration at fair value	**88,555**
thereof:	
Cash paid	88,555
Consideration deferred	–

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

The goodwill of CHF 38.0 million arising from the acquisition is attributable to the integration of the business into the Group's existing business as well as for strengthening Barry Callebaut's range of specialty products. This allows the Group to further develop its Food Manufacturers and Gourmet & Specialties business by getting access to the latest process technology, increasing innovation power, expanding the product offering and by leveraging on the Group's global footprint. The goodwill has been allocated to Region Americas. The goodwill recognized is expected to be deductible for income tax purposes.

Since December 4, 2017, the acquired business contributed CHF 21.0 million to revenues from sales and services and CHF 0.2 million to net profit. Had it been consolidated from September 1, 2017, it would have contributed revenues from sales and services of CHF 42.0 million and net profit for the fiscal year of CHF 0.4 million to the Consolidated Income Statement.

Consolidated Interim Financial Statements

Acquisitions in 2016/17

On December 31, 2016, Barry Callebaut Group closed the acquisition of the chocolate production facility of Mondelēz International in Halle, Belgium, and entered into a long-term agreement for the supply of additional 30,000 tonnes of liquid chocolate per year to Mondelēz International. The Group acquired 100% of the outstanding shares in Mondelēz Belgium Production BVBA.

The consideration transferred was CHF 5.3 million, thereof CHF 5.1 million fully paid in cash. The remaining CHF 0.2 million will be paid out in two tranches, the first one due in January 2018, and the last one in January 2019. The deferred consideration is not subject to any conditions.

The acquisition-related costs in the amount of CHF 1.9 million were expensed (inluded in other expenses).

in thousands of CHF	Aug 31, 2017
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	7,840
Receivables and other current assets	7,442
Property, plant & equipment	43,259
Intangible assets	142
Deferred tax assets	2,468
Other non-current assets	14,066
Total assets	**75,217**
Other current liabilities	(4,312)
Provisions (current and non-current)	(35,518)
Employee benefit obligations	(5,117)
Deferred tax liabilities	(4,969)
Total liabilities	**(49,916)**
Total identified net assets	**25,301**
Negative goodwill (badwill)	(19,960)
Total consideration at fair value	**5,341**
thereof:	
Cash paid	5,162
Consideration deferred	179

The negative goodwill (badwill) of CHF 20.0 million arising from the acquisition reflects investment needs as well as additional costs and inefficiencies to be incurred by integrating the plant into the factory network and standards of Barry Callebaut, elements which have also been considered in the business plan underlying the acquisition. The negative goodwill (badwill) is included in other income and is allocated to the region EMEA.

Since January 1, 2017, the acquired business contributed CHF 68.2 million to revenues from sales and services and CHF 1.6 million to net profit. Had it been consolidated from September 1, 2016, it would have contributed revenues from sales and services of CHF 102.3 million and net profit for the fiscal year of CHF 2.5 million to the Consolidated Income Statement.

The purchase price allocation is final.

Consolidated Interim Financial Statements

3 Other selected explanatory financial information

Income taxes

Tax reforms in Belgium und the US have led to a one-time, non-cash expense of CHF 10.1 million, mostly due to a revaluation of the deferred tax assets and liabilities to the newly enacted tax rates at the date of enactment (for both reforms, in late December 2017). The expense also includes a new current tax liability arising from the move to a territorial system in the US.

Fair value hierarchy of financial instruments measured at fair value

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

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

as of February 28, 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	–	350,173	–	–	350,173	350,173
Short-term deposits	–	1,458	–	–	1,458	1,458
Trade receivables	122,338	430,880	–	–	553,218	553,218
Derivative financial assets	745,852	–	–	–	745,852	745,852
Other current assets[1]	–	202,857	–	–	202,857	202,857
Other non-current assets[2]	–	7,393	–	–	7,393	7,393
Total assets	**868,190**	**992,761**	**–**	**–**	**1,860,951**	**1,860,951**
Bank overdrafts	–	–	–	69,408	69,408	69,408
Short-term debt	–	–	–	314,940	314,940	314,940
Trade payables	–	–	–	578,138	578,138	578,138
Derivative financial liabilities	–	–	687,173	–	687,173	687,173
Long-term debt	–	–	–	1,175,808	1,175,808	1,322,602
Other current liabilities[3]	–	–	–	573,014	573,014	573,014
Total liabilities	**–**	**–**	**687,173**	**2,711,307**	**3,398,480**	**3,545,275**

1 Other current assets contain accrued income, loans and other receivables and other current financial assets
2 Other non-current assets contain long-term deposits and financial assets related to long-term partnership agreements
3 Other current liabilities contain accrued expenses and other payables

Consolidated Interim Financial Statements

as of August 31, 2017	Financial assets (mandatorily) measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities (mandatorily) measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
in thousands of CHF						
Cash and cash equivalents	–	399,292	–	–	399,292	399,292
Short-term deposits	–	121	–	–	121	121
Trade receivables	94,287	314,521	–	–	408,808	408,808
Derivative financial assets	573,770	–	–	–	573,770	573,770
Other current assets[1]	–	74,743	–	–	74,743	74,743
Other non-current assets[2]	–	12,674	–	–	12,674	12,674
Total assets	**668,057**	**801,351**	**–**	**–**	**1,469,408**	**1,469,408**
Bank overdrafts	–	–	–	21,264	21,264	21,264
Short-term debt	–	–	–	318,272	318,272	318,272
Trade payables	–	–	–	680,673	680,673	680,673
Derivative financial liabilities	–	–	259,805	–	259,805	259,805
Long-term debt	–	–	–	1,170,743	1,170,743	1,327,102
Other current liabilities[3]	–	–	–	347,364	347,364	347,364
Total liabilities	**–**	**–**	**259,805**	**2,538,316**	**2,798,121**	**2,954,480**

1 Other current assets contain accrued income, loans and other receivables and other current financial assets
2 Other non-current assets contain long-term deposits and financial assets related to long-term partnership agreements
3 Other current liabilities contain accrued expenses and other payables

Consolidated Interim Financial Statements

Fair value hierarchy of financial instruments

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

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

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

as of February 28, 2018	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	122,338	122,338
Derivative financial assets	404,795	341,057	–	745,852
Derivative financial liabilities	390,216	296,957	–	687,173

as of August 31, 2017	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	94,287	94,287
Derivative financial assets	174,133	399,638	–	573,770
Derivative financial liabilities	37,389	222,416	–	259,805

From the value of derivative financial assets and derivative financial liabilities as of February 28, 2018, CHF 150.4 million and CHF 77.9 million, respectively, relates to the fair value of executory contracts measured at fair value using the fair value option (2017: CHF 10.4 million and CHF 77.3 million). The fair value of each executory contract measured at fair value using the fair value option was calculated using the methods described in Level 2.

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

During the 6-month period ended February 28, 2018, there were no transfers between the levels.

Consolidated Interim Financial Statements

Contingencies

Barry Callebaut is not aware of any new significant litigations or other contingent liabilities compared to the situation on August 31, 2017.

Dividends/Capital reduction and repayment

By resolution of the Annual General Meeting on December 13, 2017, the shareholders approved the proposed payment of CHF 20.00 per share, effected through a dividend payment out of voluntary retained earnings (CHF 12.73) and a capital reduction through par value repayment (CHF 7.27). As of February 28, 2018 the respective liability is recorded as other current liability and payment to the shareholders took place on March 2, 2018. The Company does not intend to pay any interim dividend.

4 Subsequent events

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

Contacts & Financial Calendar

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Financial calendar

July 13, 2018
9-month key sales figures 2017/18

November 7, 2018
Full-year results 2017/18, Zurich

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

Forward-looking statement
Certain statements in this report regarding the business of the Barry Callebaut Group are of a forward-looking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe", "estimate", "intend", "may", "will", "expect", "project" and similar expressions as they relate to the Company. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect the Barry Callebaut Group's future financial results are discussed in the Annual Report 2016/17. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures, as well as changes in tax regimes and regulatory developments. The reader is cautioned to not unduly rely on these forward-looking statements. The Barry Callebaut Group does not undertake to publish any update or revision of any forward-looking statements.

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