Half-Year Results 2016/17

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

BARRY CALLEBAUT

Half-Year Results 2016/17 in brief

- Volume growth picking up in Q2 +3.5%, fueled by key growth drivers, resulting in above-market[1] growth in the first half of the fiscal year +1.4%
- Sales revenue up +2.5% in local currencies to CHF 3.5 billion
- Strong operating profit (EBIT) improvement of +19.3% in local currencies, of which +11.1% recurring; net profit up +32.6% in local currencies of which +18.9% recurring
- Mid-term guidance confirmed[2]

	EMEA	Americas	Asia Pacific	Global Cocoa
Volume growth vs. prior year in tonnes	+4.4%	+0.4%	+14.6%	(5.0%)
EBIT growth vs. prior year in local currencies	+13.6%	+11.1%	+12.7%	+76.8%

1 Source: Nielsen, Global Chocolate Confectionery Market -2.1% in volume August 2016 – January 2017.
2 On average for the 3-year period 2015/16 to 2017/18: 4-6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events.

Letter to Shareholders

Dear Shareholders,

We keep delivering on our "smart growth" agenda. Sales volume growth picked up to +3.5% in the second quarter (first quarter –0.4%) and we reached a volume growth of +1.4% in the first six months of fiscal year 2016/17. This contrasts with a decline of the global chocolate confectionery market by –2.1%[1]. We significantly improved our profitability as a result of our ongoing focus on product and customer mix, as well as the successful implementation of our Cocoa Leadership program. At the same time, we continue to focus on free cash flow and returns.

Volume growth picking up, significant profit improvement

Sales volume in chocolate accelerated in the second quarter to +4.9%, reaching +3.5% for the first 6 months. This growth was fueled particularly by Outsourcing, but also Gourmet & Specialties and Emerging Markets. In cocoa we completed the intentional phase-out of less profitable contracts, which led to a decline of –5.0%. Overall, the Group's sales volume increased +1.4% to 946,782 tonnes.

Sales revenue grew above volume by +2.5% in local currencies (+3.3% in CHF) to CHF 3,538.7 million, due to a better product mix and partly offset by lower raw material prices.

Operating profit (EBIT) improved by +19.3% in local currencies (+18.8% in CHF) as a result of the good gross profit and amounted to CHF 238.4 million. Excluding the non-recurring acquisition-related income of CHF 16.3 million the EBIT increase was +11.1% in local currencies.

Net profit was up +32.6% in local currencies to CHF 142.1 million due to the strong increase in EBIT, lower net finance costs and despite a higher effective tax rate. Excluding the non-recurring effect it was up +18.9% in local currencies.

The seasonality from the cocoa main crop is reflected in the free cash flow, which was CHF –29.0 million for the 6-month period. On a 12-month rolling basis, free cash flow was CHF 154.6 million.

Further implementing our proven strategy

We made again good progress in the implementation of our long-term strategy, which is key to continuously outperforming the market.

Expansion

On December 31, 2016, we completed the acquisition of the chocolate production facility of Mondelēz International in Halle, Belgium. The transaction also includes a long-term agreement for the supply of an additional 30,000 tonnes of liquid chocolate per year to Mondelēz International. The opening of our first chocolate factory in Indonesia was also an important milestone.

Innovation

We completed more than 700 R&D projects and launched a number of new products, including a new range of chocolate and fruit fillings with low water activity. Our subsidiary la Morella nuts extended its portfolio with a new range of organically grown Mediterranean nuts.

Sustainability

In November 2016, we launched our new sustainability strategy "Forever Chocolate", with the ambition to have 100% sustainable chocolate by 2025. "Forever Chocolate"

1 Nielsen, August 2016 – January 2017

Letter to Shareholders

includes four targets that we expect to achieve by 2025 and that address the biggest sustainability challenges in the chocolate supply chain: child labor, farmer poverty, carbon and forest footprint and sustainable sourcing.

Outlook

We will continue to execute our "smart growth" strategy. Whilst markets remain volatile, we have built a healthy chocolate portfolio and expect the good momentum to continue. We will also further pursue the implementation of our Cocoa Leadership program. On this basis, we confirm our mid-term guidance[2].

April 12, 2017

Patrick De Maeseneire
Chairman of the Board

Antoine de Saint-Affrique
Chief Executive Officer

2 On average for the 3-year period 2015/16-2017/18: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events.

Letter to Shareholders

"The consistent implementation of our proven strategy is key to continuously outperforming the market."

Patrick De Maeseneire, Chairman of the Board

"Whilst markets remain volatile, we have built a healthy chocolate portfolio and expect the good momentum to continue."

Antoine de Saint-Affrique, CEO

Key Figures (unaudited)

Consolidated Income Statement

for the 6-month period ended February 28/29,		Change (%) in local currencies	Change (%) in CHF	2017	2016
Sales volume	Tonnes		1.4%	946,782	933,327
Sales revenue	CHF m	2.5%	3.3%	3,538.7	3,424.3
Gross profit	CHF m	6.2%	6.0%	464.0	437.9
EBITDA[1]	CHF m	14.7%	14.4%	309.9	270.9
Operating profit (EBIT)	CHF m	19.3%	18.8%	238.4	200.7
Operating profit (EBIT) excl. non-recurring effect	CHF m	11.1%	10.6%	222.1	200.7
EBIT per tonne[2]	CHF	17.6%	17.1%	251.8	215.0
Net profit for the period[3]	CHF m	32.6%	31.7%	142.1	107.9
Net profit for the period excl. non-recurring effect	CHF m	18.9%	16.6%	125.8	107.9
Free cash flow[4]	CHF m	(112.8%)	(113.2%)	(29.0)	220.4

Consolidated Balance Sheet

as of February 28/29,			2017	2016
Total assets	CHF m	7.3%	5,912.3	5,509.9
Net working capital[5]	CHF m	1.2%	1,398.4	1,382.3
Non-current assets	CHF m	5.6%	2,378.4	2,253.3
Net debt	CHF m	(5.4%)	1,454.9	1,538.2
Shareholders’ equity[6]	CHF m	12.8%	2,021.6	1,792.3

Shares

for the 6-month period ended February 28/29,			2017	2016
Share price (end of period)	CHF	23.5%	1,299.0	1,052.0
EBIT per share[7]	CHF	18.8%	43.4	36.6
Basic earnings per share[8]	CHF	32.8%	25.7	19.4
Cash earnings per share[9]	CHF	(110.0%)	(5.3)	52.8

Other

as of February 28/29,	2017	2016
Employees	10,343	9,778

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

Key Figures (unaudited)

By Region

for the 6-month period ended February 28/29,		Change (%) in local currencies	Change (%) in CHF	2017	2016
EMEA					
Sales volume	Tonnes		4.4%	429,867	411,881
Sales revenue	CHF m	5.8%	4.7%	1,470.9	1,405.0
EBITDA	CHF m	13.0%	11.6%	185.8	166.4
Operating profit (EBIT)	CHF m	13.6%	12.5%	162.4	144.4
Americas					
Sales volume	Tonnes		0.4%	252,068	251,151
Sales revenue	CHF m	1.3%	2.9%	841.1	817.4
EBITDA	CHF m	7.2%	8.0%	94.0	87.0
Operating profit (EBIT)	CHF m	11.1%	11.5%	78.5	70.4
Asia Pacific					
Sales volume	Tonnes		14.6%	46,872	40,888
Sales revenue	CHF m	11.6%	14.0%	184.5	161.8
EBITDA	CHF m	13.7%	14.8%	25.5	22.2
Operating profit (EBIT)	CHF m	12.7%	13.6%	20.9	18.4
Global Cocoa					
Sales volume	Tonnes		(5.0%)	217,975	229,407
Sales revenue	CHF m	(2.5%)	0.2%	1,042.2	1,040.1
EBITDA	CHF m	23.6%	23.6%	46.6	37.7
Operating profit (EBIT)	CHF m	76.8%	74.3%	19.7	11.3

By Product Group

for the 6-month period ended February 28/29,		Change (%) in local currencies	Change (%) in CHF	2017	2016
Sales volume					
Cocoa Products	Tonnes		(5.0%)	217,975	229,407
Food Manufacturers Products	Tonnes		1.6%	611,713	601,858
Gourmet & Specialties Products	Tonnes		14.7%	117,094	102,062
Sales revenue					
Cocoa Products	CHF m	(2.5%)	0.2%	1,042.2	1,040.1
Food Manufacturers Products	CHF m	2.8%	2.9%	1,925.8	1,871.5
Gourmet & Specialties Products	CHF m	11.1%	11.3%	570.7	512.7

Financial review

Volume growth picking up, significant profit improvement

Half-year results for fiscal year 2016/17

Consolidated Income Statement[1]

Sales volume reached 946,782 tonnes, an increase of +1.4% for the first half of fiscal year 2016/17. Volume growth gained momentum in the second quarter, increasing to +3.5%. This growth was fuelled by the Group's key growth drivers Outsourcing, Emerging Markets and Gourmet & Specialties. Overall this resulted in above-market growth for the first half of fiscal year 2016/17. The Group's chocolate business grew +3.5% to which all regions contributed. On the other hand, the Group's Global Cocoa business recorded a volume decline of –5.0% due to the completion of the intentional phase out of less profitable contracts in cocoa.

Sales revenue grew above volume by +2.5% in local currencies (+3.3% in CHF) to CHF 3,538.7 million, due to a better product mix, partly offset by lower raw material prices which the Group largely passes on to its customers based on its cost plus business model.

Gross profit amounted to CHF 464.0 million, corresponding to +6.2% in local currencies (+6.0% in CHF). The increase, which is significantly above volume growth, was fuelled by a good product and customer mix, the successful execution of the Cocoa Leadership program and a more supportive cocoa products market.

Marketing and sales expenses grew by 4.1% to CHF 68.7 million, as the Group further invested in promoting its global Gourmet brands and in expanding the distribution and sales networks, in particular in emerging markets. The Group also broadened its range of specialty products in the Food Manufacturers business.

General and administration expenses increased by 3.9% to CHF 174.3 million. This increase was driven by the Group's overall business growth and continued investments in structures and processes.

Other income of CHF 29.8 million was recorded, compared to CHF 3.4 million in the comparable period. The current year was affected by the non-recurring income resulting from the acquisition of a business in the amount of CHF 18.7 million. Apart from this, the position as in the prior year includes operating, but non-sales-related income, such as sales of waste products, insurance refunds and third-party income from the Group's Training Center.

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

Financial review

Other expenses augmented from CHF 6.8 million in the prior year period to CHF 12.4 million. The increase is partly due to the CHF 2.4 million one-time costs related to the acquisition of a business. As in prior year, the position also includes severance payments and litigation costs and some other non-recurring items.

Operating profit (EBIT) amounted to CHF 238.4 million, improved by +19.3% in local currencies (+18.8% in CHF) as a result of the good gross profit. EBIT per tonne increased by 17.6% in local currencies to CHF 251.8 (+17.1% in CHF).

Excluding the non-recurring positive effect of CHF 16.3 million related to the acquisition of a business as mentioned above, the EBIT increase in local currencies was +11.1%. On this adjusted basis, the Group achieved a recurring EBIT per tonne of CHF 234.6, which is an increase of +10.0% in local currencies (+9.1% in CHF).

Finance income decreased from CHF 1.8 million to CHF 1.3 million.

Finance costs declined from CHF 69.9 million to CHF 63.3 million, which is due to lower interest expenses and the absence of exchange losses related to the hedging of debt in foreign currencies which had affected the prior year comparable.

Income tax expenses amounted to CHF 34.4 million compared to CHF 24.7 million in the prior year period. The Group's effective tax rate increased to 19.5% from 18.6% in the comparable period. While prior year's tax rate benefitted from the first time recognition of tax loss carry-forwards, such effect did not repeat to the same extent in the current period. This impact was partly offset by the effects of lower non tax-effective losses and the remeasurement of tax provisions.

Net profit for the period was up +32.6% in local currencies (+31.7% in CHF) to CHF 142.1 million, due to the strong increase in EBIT and lower net finance costs and despite a higher effective tax rate. Excluding the non-recurring positive effect mentioned above, it was up +18.9% in local currencies.

Consolidated Balance Sheet and financing structure[2]

Net working capital overall stable – net debt decreased versus prior year

Net working capital increased by 1.2% from CHF 1,382.3 million in the prior year period to CHF 1,398.4 million slightly below the Group's growth. Inventories declined in value despite the fact that prior year was affected by positive one-off effects related to the weak crop in certain origin countries. In contrast, the net derivative financial assets showed a strong increase. Both movements were mainly the result of the lower bean price in combination with the Group's hedging approach. The increase of trade payables and other liabilities compensated for the increase of receivables and other current assets. Compared to the end of August 2016, when the net working capital amounted to CHF 1,374.2 million, inventories decreased and net derivative financial assets increased strongly also as a result of the aforementioned recent cocoa price developments. On the other hand the increase in trade receivables and other current assets was more than offset by the increase in trade payables and other current liabilities.

Net debt amounted to CHF 1,454.9 million, down by 5.4% from CHF 1,538.2 million in the prior year period as a result of debt repayment out of the generated cash flow. It was almost at the same level as the CHF 1,452.8 million at the end of August as repayments of short term debt were balanced by the reduction of cash and cash equivalents.

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

Financial review

Total assets grew by 7.3% from CHF 5,509.9 million in the prior year period to CHF 5,912.3 million mainly as a result of investments into property, plant and equipment and higher derivative financial assets arising from hedging the Group's exposures. These assets were exceptionally high in light of the strong volatility on the cocoa market in recent months.

Shareholders' equity increased to CHF 2,021.6 million compared to CHF 1,792.3 million in the prior year period. Compared to August 31, 2016, shareholders' equity increased by CHF 65.3 million. The increase versus both comparable periods largely corresponds to the excess of net profit for the period over the dividend to the shareholders recorded during the period.

Consolidated Cash Flow Statement[3]

Continued focus on free cash flow – temporary effects of seasonality of cocoa crop and time lag effect related to hedging of raw materials

Operating cash flow before working capital changes increased by 10.8 % to CHF 321.2 million.

Net cash flow from operating activities amounted to an inflow of CHF 59.7 million compared to CHF 312.4 million in the prior year period. The strong decrease is mainly due to the working capital changes as mentioned above, partly attributable to seasonality and partly to the time lag effect from hedging the raw materials related to the group's contract portfolio in the current volatile environment.

Net cash flow from investing activities came in at CHF –88.8 million, a reduction of cash outflow by 3.5 % compared to CHF –92.0 million in prior year. This is mainly the result of improved cash flows related to deposits and other investing activities, while the discipline related to capital expenditures for property, plant and equipment and intangible assets was maintained.

As a result, **free cash flow** for the 6-month period under review decreased to CHF –29.0 million. This is partly due to the seasonality of the cocoa main crop whereas the prior period comparable cash inflow of CHF 220.4 million included non-recurring positive effects. On the other hand, as explained above, the effect from the hedging of raw materials related to the contract portfolio in the current volatile environment is expected to materialize in the form of a positive effect on cash flows only with a time lag when these contracts are executed. The free cash flow on a rolling 12-months basis amounts to CHF 154.6 million.

Net cash from financing activities of CHF –70.0 million was recorded compared to CHF –52.3 million in the prior year period. The decrease is mainly related to repayment of debt out of the generated operating cash flow.

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 28/29,	2017	2016
in thousands of CHF		
Revenue from sales and services	**3,538,747**	**3,424,296**
Cost of goods sold	(3,074,729)	(2,986,408)
Gross profit	**464,018**	**437,888**
Marketing and sales expenses	(68,730)	(65,995)
General and administration expenses	(174,317)	(167,805)
Other income	29,844	3,401
Other expenses	(12,391)	(6,802)
Operating profit (EBIT)	**238,423**	**200,686**
Finance income	1,337	1,832
Finance costs	(63,326)	(69,901)
Profit before income taxes	**176,434**	**132,617**
Income tax expenses	(34,374)	(24,739)
Net profit for the period	**142,060**	**107,878**
of which attributable to:		
shareholders of the parent company	141,155	106,764
non-controlling interest	905	1,113
Earnings per share		
Basic earnings per share (CHF/share)	25.73	19.46
Diluted earnings per share (CHF/share)	25.64	19.37

Consolidated Interim Financial Statements

Consolidated Statement of Comprehensive Income (unaudited)

for the 6-month period ended February 28/29,	2017	2016
in thousands of CHF		
Net profit for the period	**142,060**	**107,878**
Currency translation adjustments	2,146	25,618
Cash flow hedges	(6,304)	(19,218)
Tax effect on cash flow hedges	(1,663)	9,566
Items that may be reclassified subsequently to the income statement	**(5,821)**	**15,966**
Remeasurement of defined benefit plans	18,009	(23,433)
Tax effect on remeasurement of defined benefit plans	(4,188)	176
Items that will never be reclassified to the income statement	**13,822**	**(23,256)**
Other comprehensive (loss)/income for the period, net of tax	**8,001**	**(7,291)**
Total comprehensive income for the period	**150,061**	**100,587**
of which attributable to:		
shareholders of the parent company	149,194	99,529
non-controlling interest	867	1,058

Consolidated Interim Financial Statements

Consolidated Balance Sheet (unaudited)

Assets

as of	Feb 28, 2017	Aug 31, 2016	Feb 29, 2016
in thousands of CHF			
Current assets			
Cash and cash equivalents	377,638	456,800	282,528
Short-term deposits	7,422	50	1,104
Trade receivables and other current assets	990,750	928,776	907,398
Inventories	1,496,926	1,623,807	1,695,212
Income tax receivables	13,608	12,099	4,147
Derivative financial assets	647,533	318,303	366,151
Total current assets	**3,533,877**	**3,339,835**	**3,256,540**
Non-current assets			
Property, plant and equipment	1,344,377	1,262,227	1,221,075
Equity-accounted investees	465	627	967
Intangible assets	927,529	927,289	907,674
Deferred tax assets	95,077	105,916	115,684
Long-term deposits	5,750	–	–
Other non-current assets	5,183	4,909	7,915
Total non-current assets	**2,378,381**	**2,300,968**	**2,253,315**
Total assets	**5,912,258**	**5,640,803**	**5,509,855**

Liabilities and equity

as of	Feb 28, 2017	Aug 31, 2016	Feb 29, 2016
in thousands of CHF			
Current liabilities			
Bank overdrafts	53,347	25,314	22,764
Short-term debt	653,597	731,340	598,317
Trade payables and other current liabilities	1,313,346	1,145,481	1,242,724
Income tax liabilities	62,831	44,519	55,738
Derivative financial liabilities	356,709	310,368	327,104
Provisions	23,409	18,874	8,493
Total current liabilities	**2,463,239**	**2,275,896**	**2,255,140**
Non-current liabilities			
Long-term debt	1,138,724	1,153,027	1,200,702
Employee benefit obligations	161,045	176,531	173,764
Provisions	42,730	5,475	5,238
Deferred tax liabilities	63,169	53,711	62,112
Other non-current liabilities	5,917	4,952	5,251
Total non-current liabilities	**1,411,585**	**1,393,696**	**1,447,067**
Total liabilities	**3,874,824**	**3,669,592**	**3,702,207**
Equity			
Share capital	40,014	102,093	102,093
Retained earnings and other reserves	1,981,629	1,854,194	1,690,226
Total equity attributable to the shareholders of the parent company	**2,021,643**	**1,956,287**	**1,792,319**
Non-controlling interest	15,791	14,924	15,329
Total equity	**2,037,434**	**1,971,211**	**1,807,648**
Total liabilities and equity	**5,912,258**	**5,640,803**	**5,509,855**

Consolidated Interim Financial Statements

Condensed Consolidated Statement of Cash Flows (unaudited)

for the 6-month period ended February 28/29, in thousands of CHF	2017	2016
Profit before income taxes	176,434	132,617
Non-cash items of income and expenses	144,718	157,197
Operating cash flow before working capital changes	**321,152**	**289,814**
(Increase)/decrease in working capital	(218,940)	58,060
(Interest paid)	(25,536)	(31,912)
(Income taxes paid)	(16,938)	(3,596)
Net cash from operating activities	**59,738**	**312,366**
Purchase of property, plant and equipment	(82,683)	(73,602)
Proceeds from sale of property, plant and equipment	2,253	1,092
Purchase of intangible assets	(14,243)	(17,649)
Proceeds from sale of intangible assets	65	236
Acquisition of subsidiaries/businesses net of cash acquired	3,041	–
Other investing cash flows	2,783	(2,056)
Net cash flow from investing activities	**(88,784)**	**(91,980)**
Proceeds from the issue of short-term debt	83,342	36,746
Repayment of short-term debt	(146,846)	(84,595)
Other financing cash flows	(6,446)	(4,406)
Net cash flow from financing activities	**(69,950)**	**(52,255)**
Effect of exchange rate changes on cash and cash equivalents	(8,199)	(252)
Net increase (decrease) in cash and cash equivalents	**(107,195)**	**167,879**
Cash and cash equivalents at beginning of period	431,487	91,885
Cash and cash equivalents at end of period	324,292	259,764
Net increase (decrease) in cash and cash equivalents	**(107,195)**	**167,879**
Cash and cash equivalents	377,638	282,528
Bank overdrafts	(53,347)	(22,764)
Cash and cash equivalents as defined for the cash flow statement	**324,292**	**259,764**

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, 2015	**102,093**	**(11,581)**	**2,284,431**	**(9,867)**	**(592,233)**	**1,772,843**	**14,271**	**1,787,114**
Currency translation adjustments	–	–	–	–	25,673	25,673	(55)	25,618
Effect of cash flow hedges	–	–	–	(19,218)	–	(19,218)	–	(19,218)
Tax effect on cash flow hedges	–	–	–	9,566	–	9,566	–	9,566
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**(9,652)**	**25,673**	**16,021**	**(55)**	**15,966**
Remeasurement of defined benefit plans	–	–	(23,433)	–	–	(23,433)	–	(23,433)
Tax effect on remeasurement of defined benefit plans	–	–	176	–	–	176	–	176
Items that will never be reclassified to the income statement	**–**	**–**	**(23,257)**	**–**	**–**	**(23,257)**	**–**	**(23,257)**
Other comprehensive income, net of tax	**–**	**–**	**(23,257)**	**(9,652)**	**25,673**	**(7,236)**	**(55)**	**(7,291)**
Net profit for the period	–	–	106,764	–	–	106,764	1,113	107,878
Total comprehensive income for the period	**–**	**–**	**83,507**	**(9,652)**	**25,673**	**99,529**	**1,058**	**100,587**
Dividend to shareholders	–	–	(79,588)	–	–	(79,588)	–	(79,588)
Movements of non-controlling interest	–	–	–	–	–	–	–	–
Capital increase	–	–	–	–	–	–	–	–
Purchase of treasury shares	–	(6,860)	–	–	–	(6,860)	–	(6,860)
Equity-settled share-based payments	–	13,822	(7,427)	–	–	6,395	–	6,395
as of February 29, 2016	**102,093**	**(4,619)**	**2,280,923**	**(19,519)**	**(566,560)**	**1,792,318**	**15,329**	**1,807,648**
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**

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, 2017.

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 2015/16.

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 contains a single model that applies to contracts with customers and two approaches to recognizing revenue: Revenue may be recognized over time, in a manner that best reflects the Company's performance, or at a point in time, when control of the good or service is transferred to the customer. For complex transactions with multiple components and/or variable amounts of consideration, or when the work is carried out under contract for an extended period of time, applying the standard may lead to revenue being accelerated or deferred in comparison with current requirements. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. IFRS 15 will become effective for financial year 2018/19. An initial assessment of the potential impact from the standard has been made, based on which the Group is currently not expecting any significant impact on the Consolidated Financial Statements.

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

For consolidation purposes, assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated to Swiss francs using period-end rates of exchange. Income and expenses are translated at the average rates of exchange for the period. Differences arising from the translation of Financial Statements using the above method are recorded as cumulative translation adjustments in other comprehensive income.

Major foreign exchange rates

for the 6-month period ended February 28/29	2017		2016	
	Closing rate	Average rate	Closing rate	Average rate
EUR	1.0679	1.0777	1.0891	1.0898
GBP	1.2535	1.2511	1.3817	1.4780
USD	1.0051	0.9976	0.9965	0.9901

Consolidated Interim Financial Statements

1 Segment information

Financial information by reportable segments

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**

for the 6-month period ended February 29, 2016 in thousands of CHF	Europe	Americas	Asia Pacific	Global Cocoa	Total Segments	Corporate	Group
Net revenue	**1,404,958**	**817,350**	**161,832**	**1,040,155**	**3,424,296**	**–**	**3,424,296**
Operating profit (EBIT)	**144,415**	**70,353**	**18,388**	**11,365**	**244,522**	**(43,836)**	**200,686**

Revenue by geographic regions is stated by customer location.

Segment Information by Product Group

for the 6-month period ended February 28/29, in thousands of CHF	2017	2016
Cocoa Products	1,042,213	1,040,155
Food Manufacturers	1,925,844	1,871,519
Gourmet & Specialties	570,690	512,622
Revenues from external customers	**3,538,747**	**3,424,296**

Consolidated Interim Financial Statements

2 Acquisitions

Acquisitions in 2016/17

On September 15, 2016, Barry Callebaut Group announced its intention to acquire and integrate the chocolate production facility of Mondelēz International in Halle, Belgium and to enter into a long-term agreement for the supply of additional 30,000 tonnes of liquid chocolate per year to Mondelēz International.

The transaction was successfully closed on December 31, 2016, when the Group acquired 100 % of the outstanding shares in Mondelēz Belgium Production BVBA.

The consideration transferred was CHF 5.2 million, thereof CHF 5.0 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 2.4 million were expensed (included in Other expenses).

in thousands of CHF	Dec 31, 2016
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	9,274
Property, plant and equipment and other non-current assets	72,991
Current provisions and other current liabilities	(13,937)
Non-current provisions and other non-current liabilities	(44,383)
Total identifiable net assets	**23,945**
Negative goodwill (badwill)	(18,734)
Total consideration at fair value	**5,211**
thereof:	
Cash paid	5,033
Consideration deferred	178

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

The negative goodwill (badwill) of CHF 18.7 million arising from the acquisition is mainly the result of differences between the value at which property, plant and equipment were acquired and their fair value assessed by the Group. It also reflects investment needs as well as additional costs and inefficiencies 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.

Since January 1, 2017 the acquired business contributed CHF 20.0 million to revenues from sales and services and CHF 0.2 million to net profit. Had it been consolidated from September 1, 2016, it would have contributed revenues from sales and services of CHF 54.3 million and net profit for the fiscal year of CHF 0.4 million to the Consolidated Income Statement.

Consolidated Interim Financial Statements

Acquisitions in 2015/16

On November 5, 2015, Barry Callebaut Group closed an agreement to acquire Nyonkopa Cocoa Buying Company Limited in Ghana. Nyonkopa is among the top ten private Licensed Buying Companies in Ghana authorized by the Ghana Cocoa Board (COCOBOD) to buy cocoa from farmers and to sell it to the Cocoa Marketing Company of the COCOBOD. The COCOBOD oversees the cocoa sector in Ghana, including quality control, sales and marketing.

Nyonkopa will be integrated into the Biolands Group, Barry Callebaut's direct sourcing organization, so far present in Côte d'Ivoire and Tanzania.

The consideration transferred was CHF 0.7 million, thereof CHF 0.2 million fully paid in cash and CHF 0.5 million paid in May 2016, after agreed Key Performance Indicators have been achieved.

The acquisition-related costs, in the amount of CHF 0.1 million were expensed (included in General and administration expenses).

in thousands of CHF	Feb 29, 2016
Recognized amounts of identifiable assets acquired and liabilities assumed	
Current assets	720
Non-current assets	78
Current liabilities	(1,154)
Non-current liabilities	–
Total identifiable net assets	**(356)**
Goodwill	1,038
Total consideration at fair value	**682**
thereof:	
Cash paid	198
Consideration deferred	484

The goodwill of CHF 1.1 million arising from the acquisition is attributable to the value created by the integration of the business into the Group's existing business, such as improved access to Ghanaian farmers at farm level and the possibility to source directly from them and provide the farmers with farm services. This is in line with Barry Callebaut's strategy to make cocoa farming more sustainable and attractive to farmers and the approach to focus on farmer productivity and community development. The goodwill has been allocated to Region Global Cocoa.

The revenue included in the Consolidated Income Statement since November 5, 2015, contributed by Nyonkopa was CHF 19.9 million. Nyonkopa has also contributed CHF 0.9 million to net profit over the same period. Had Nyonkopa been consolidated from September 1, 2015, it would have contributed revenue of CHF 20.3 million and net profit for the fiscal year of CHF 0.8 million to the Consolidated Income Statement.

Consolidated Interim Financial Statements

3 Other selected explanatory financial information

Fair value hierarchy of financial instruments measured at fair value

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

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

as of February 28, 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	–	377,638	–	–	377,638	377,638
Short-term deposits	–	7,422	–	–	7,422	7,422
Trade receivables	139,681	348,114	–	–	487,794	487,794
Derivative financial assets	647,533	–	–	–	647,533	647,533
Long-term deposits	–	5,750	–	–	5,750	5,750
Other assets	–	141,607	–	–	141,607	141,607
Total assets	**787,214**	**880,531**	**–**	**–**	**1,667,745**	**1,667,745**
Bank overdrafts	–	–	–	53,347	53,347	53,347
Short-term debt	–	–	–	653,597	653,597	662,305
Trade payables	–	–	–	647,735	647,735	647,735
Derivative financial liabilities	–	–	356,709	–	356,709	356,709
Long-term debt	–	–	–	1,138,724	1,138,724	1,266,345
Other liabilities	–	–	–	527,773	527,773	527,773
Total liabilities	**–**	**–**	**356,709**	**3,021,175**	**3,377,884**	**3,514,214**

as of August 31, 2016	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	–	456,800	–	–	456,800	456,800
Short-term deposits	–	50	–	–	50	50
Trade receivables	77,538	359,066	–	–	436,604	436,604
Derivative financial assets	318,303	–	–	–	318,303	318,303
Long-term deposits	–	–	–	–	–	–
Other assets	–	212,972	–	–	212,972	212,972
Total assets	**395,841**	**1,028,888**	**–**	**–**	**1,424,729**	**1,424,729**
Bank overdrafts	–	–	–	25,314	25,314	25,314
Short-term debt	–	–	–	731,340	731,340	751,634
Trade payables	–	–	–	552,339	552,339	552,339
Derivative financial liabilities	–	–	310,368	–	310,368	310,368
Long-term debt	–	–	–	1,153,027	1,153,027	1,309,037
Other liabilities	–	–	–	434,574	434,574	434,574
Total liabilities	**–**	**–**	**310,368**	**2,896,594**	**3,206,962**	**3,383,266**

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, 2017	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	139,681	139,681
Derivative financial assets	129,732	517,801	–	647,533
Short-term debt	662,305	–	–	662,305
Derivative financial liabilities	115,630	241,079	–	356,709
Long-term debt	1,257,474	8,871	–	1,266,345

as of August 31, 2016	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	77,538	77,538
Derivative financial assets	67,580	250,723	–	318,303
Short-term debt	751,634	–	–	751,634
Derivative financial liabilities	24,557	285,811	–	310,368
Long-term debt	1,294,054	14,983	–	1,309,037

From the value of derivative financial assets and derivative financial liabilities as of February 28, 2017, CHF 10.4 million and CHF 77.3 million , respectively, relates to the fair value of executory contracts measured at fair value using the fair value option (2016: CHF 122.2 million and CHF 29.7 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, 2017, 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 as of August 31, 2016.

Dividends/Capital reduction and repayment

By resolution of the Annual General Meeting on December 7, 2016, the shareholders approved the proposed payment of CHF 15.50 per share, effected through a dividend payment from reserves from capital contributions (CHF 4.19) and a capital reduction through par value repayment (CHF 11.31). The respective payment to the shareholders took place on March 2, 2017. 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, 2017
9-month key sales figures 2016/17

November 8, 2017
Full-year results 2016/17, Zurich

December 13, 2017
Annual General Meeting of Shareholders 2016/17, 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 2015/16. 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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