Consolidated Financial Statements

Consolidated Income Statement

for the fiscal year		2019/20	2018/19[1]
in thousands of CHF	Notes		
Revenue from sales and services	**1.1**	**6,893,146**	**7,309,036**
Cost of goods sold		(5,829,445)	(6,111,829)
Gross profit		**1,063,701**	**1,197,207**
Marketing and sales expenses		(140,773)	(149,337)
General and administration expenses		(416,465)	(434,129)
Other income	1.3	4,820	6,716
Other expense	1.3	(28,131)	(19,269)
Operating profit (EBIT)[2]	**1.1**	**483,152**	**601,188**
Finance income	3.8	6,978	10,879
Finance expense	3.8	(109,425)	(159,299)
Profit before income tax		**380,705**	**452,768**
Income tax expense	6.1	(69,211)	(84,037)
Net profit for the year		**311,494**	**368,731**
of which attributable to:			
shareholders of Barry Callebaut AG		316,054	370,280
non-controlling interests	3.2	(4,560)	(1,549)
Earnings per share			
Basic earnings per share (CHF/share)	3.3	57.66	67.57
Diluted earnings per share (CHF/share)	3.3	57.46	67.21

1 Certain items previously classified under “Other income” and “Other expense” are now classified under the functional areas to which they relate. Prior-year comparatives have been reclassified accordingly (leading to lower “Other income” of CHF –22.8 million and “Other expense” of CHF –5.8 million with an offset in respective functional lines). There was no impact on the reported “Revenue from sales and services” and “Operating profit (EBIT)” as a result of these reclassifications.

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

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the fiscal year		2019/20	2018/19
in thousands of CHF	Notes		
Net profit for the year		**311,494**	**368,731**
Cash flow hedges	3.7	16,708	(19,909)
Tax effect on cash flow hedges	3.7 / 6.2	(2,815)	5,669
Currency translation adjustments		(224,197)	(39,462)
Items that may be reclassified subsequently to the income statement		**(210,304)**	**(53,702)**
Remeasurement of defined benefit plans	4.2	31,917	(63,897)
Tax effect on remeasurement of defined benefit plans	6.2	(1,931)	20,625
Items that will never be reclassified to the income statement		**29,986**	**(43,272)**
Other comprehensive income for the year, net of tax		**(180,318)**	**(96,974)**
Total comprehensive income for the year		**131,176**	**271,757**
of which attributable to:			
shareholders of Barry Callebaut AG		136,050	273,135
non-controlling interests		(4,874)	(1,378)

Consolidated Financial Statements

Consolidated Balance Sheet

Assets

as of August 31,		2020	2019
in thousands of CHF	Notes		
Current assets			
Cash and cash equivalents	3.4	1,385,976	557,827
Short-term deposits		6,251	1,549
Trade receivables and other current assets	2.5	610,785	815,783
Inventories	2.4	1,909,917	1,803,674
Income tax receivables		62,099	62,977
Derivative financial assets	3.7	365,984	616,284
Total current assets		**4,341,012**	**3,858,094**
Non-current assets			
Property, plant and equipment	2.1	1,491,753	1,498,878
Right-of-use assets	2.2	186,948	–
Intangible assets	2.3	985,684	1,026,331
Employee benefit assets	4.2	14,888	4,924
Deferred tax assets	6.2	83,546	86,869
Other non-current assets		37,279	33,036
Total non-current assets		**2,800,098**	**2,650,038**
Total assets		**7,141,110**	**6,508,132**

Liabilities and equity

as of August 31,		2020	2019
in thousands of CHF	Notes		
Current liabilities			
Bank overdrafts	3.5	103,603	132,638
Short-term debt	3.5	461,375	197,003
Short-term lease liabilities	3.5	36,543	–
Trade payables and other current liabilities	2.6	1,119,643	1,127,511
Income tax liabilities		100,829	60,079
Derivative financial liabilities	3.7	528,492	741,383
Provisions	2.7	19,894	20,381
Total current liabilities		**2,370,379**	**2,278,995**
Non-current liabilities			
Long-term debt	3.5	2,006,328	1,534,453
Long-term lease liabilities	3.5	150,325	–
Employee benefit liabilities	4.2	154,041	184,562
Provisions	2.7	6,314	4,929
Deferred tax liabilities	6.2	79,999	80,283
Other non-current liabilities		18,457	11,298
Total non-current liabilities		**2,415,464**	**1,815,525**
Total liabilities		**4,785,843**	**4,094,520**
Equity			
Share capital	3.2	110	110
Retained earnings and other reserves		2,353,387	2,399,182
Total equity attributable to the shareholders of Barry Callebaut AG		**2,353,497**	**2,399,292**
Non-controlling interests	3.2	1,770	14,320
Total equity		**2,355,267**	**2,413,612**
Total liabilities and equity		**7,141,110**	**6,508,132**

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from operating activities

for the fiscal year		2019/20	2018/19
in thousands of CHF	Notes		
Net profit for the year		311,494	368,731
Income tax expense	6.1	69,211	84,037
Depreciation, amortization and impairment	2.1/2.2/2.3	230,186	176,384
Interest expense/(interest income)	3.8	95,337	137,752
Loss/(gain) on sale of property, plant and equipment, net	1.3	1,194	1,241
Increase/(decrease) of employee benefit obligations		(5,490)	(10,766)
Equity-settled share-based payments	4.1	12,512	15,043
Change in working capital:		20,866	33,013
Inventories cocoa beans		(86,818)	65,913
Inventories other		(112,459)	(160,058)
Write down of inventories	2.4	40,039	44,600
Inventory fair value adjustment		(64,570)	57,017
Derivative financial assets/liabilities		47,579	(36,998)
Trade receivables and other current assets		117,412	80,568
Trade payables and other current liabilities		79,683	(18,029)
Provisions less payments	2.7	4,492	(8,669)
Other non-cash effective items		2,881	(7,014)
Cash generated from operating activities		**742,683**	**789,752**
Interest paid		(94,116)	(139,657)
Income taxes paid		(55,019)	(94,347)
Net cash flow from operating activities		**593,548**	**555,748**

Consolidated Financial Statements

Consolidated Cash Flow Statement

Cash flows from investing activities

for the fiscal year		2019/20	2018/19
in thousands of CHF	Notes		
Purchase of property, plant and equipment	2.1	(233,430)	(218,360)
Proceeds from sale of property, plant and equipment		2,804	4,970
Purchase of intangible assets	2.3	(47,464)	(61,216)
Proceeds from sale of intangible assets		311	322
Acquisition of subsidiaries/businesses net of cash acquired	5.1	(12,750)	(33,983)
Purchase of short-term deposits		(7,070)	(536)
Proceeds from sale of short-term deposits		1,682	245
Sale/(purchase) of other non-current assets		102	(1,933)
Interest received		6,533	10,479
Net cash flow from investing activities		**(289,282)**	**(300,012)**

Cash flows from financing activities

for the fiscal year		2019/20	2018/19
in thousands of CHF	Notes		
Proceeds from the issue of short-term debt	3.5	423,348	98,530
Repayment of short-term debt	3.5	(141,721)	(533,033)
Proceeds from the issue of long-term debt	3.5	1,593,050	677,579
Repayment of long-term debt	3.5	(1,075,336)	(281,459)
Payment of lease liabilities	3.5	(38,164)	–
Dividend paid to shareholders of Barry Callebaut AG	3.2	(142,710)	(131,501)
Purchase of treasury shares	3.5	(27,332)	(22,781)
Dividends paid to non-controlling interests	3.2	–	(17)
Effect of changes in non-controlling interests		(9,110)	–
Net cash flow from financing activities		**582,025**	**(192,682)**
Effect of exchange rate changes on cash and cash equivalents		(29,107)	(15,781)
Net increase/(decrease) in cash and cash equivalents		**857,184**	**47,273**
Cash and cash equivalents at beginning of year		425,189	377,916
Cash and cash equivalents at end of year		1,282,373	425,189
Net increase/(decrease) in cash and cash equivalents		**857,184**	**47,273**
Cash and cash equivalents	3.4	1,385,976	557,827
Bank overdrafts	3.5	(103,603)	(132,638)
Cash and cash equivalents as defined for the cash flow statement	**3.4**	**1,282,373**	**425,189**

Consolidated Financial Statements

Consolidated Statement of Changes in Equity

Attributable to the shareholders of Barry Callebaut AG	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustment	Total[1]	Non-controlling interests	Total equity
in thousands of CHF								
as of August 31, 2018	**110**	**(20,920)**	**2,924,938**	**(16,256)**	**(618,076)**	**2,269,796**	**15,715**	**2,285,511**
Adjustment on initial application of IFRS 15	–	–	(4,121)	–	–	(4,121)	–	(4,121)
as of September 1, 2018	**110**	**(20,920)**	**2,920,817**	**(16,256)**	**(618,076)**	**2,265,675**	**15,715**	**2,281,390**
Currency translation adjustments	–	–	–	–	(39,622)	(39,622)	160	(39,462)
Effect of cash flow hedges	–	–	–	(19,909)	–	(19,909)	–	(19,909)
Tax effect on cash flow hedges	–	–	–	5,669	–	5,669	–	5,669
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**(14,240)**	**(39,622)**	**(53,862)**	**160**	**(53,702)**
Remeasurement of defined benefit plans	–	–	(63,907)	–	–	(63,907)	10	(63,897)
Tax effect on remeasurement of defined benefit plans	–	–	20,624	–	–	20,624	1	20,625
Items that will never be reclassified to the income statement	**–**	**–**	**(43,283)**	**–**	**–**	**(43,283)**	**11**	**(43,272)**
Other comprehensive income, net of tax	**–**	**–**	**(43,283)**	**(14,240)**	**(39,622)**	**(97,145)**	**171**	**(96,974)**
Net profit for the year	–	–	370,280	–	–	370,280	(1,549)	368,731
Total comprehensive income for the year	**–**	**–**	**326,997**	**(14,240)**	**(39,622)**	**273,135**	**(1,378)**	**271,757**
Hedge reserve transferred to initial carrying amount of the hedged item	**–**	**–**	**–**	**(279)**	**–**	**(279)**	**–**	**(279)**
Dividend to shareholders	–	–	(131,501)	–	–	(131,501)	(17)	(131,518)
Purchase of treasury shares	–	(22,781)	–	–	–	(22,781)	–	(22,781)
Equity-settled share-based payments	–	24,195	(9,152)	–	–	15,043	–	15,043
Total contributions and distributions	**–**	**1,414**	**(140,653)**	**–**	**–**	**(139,239)**	**(17)**	**(139,256)**
as of August 31, 2019	**110**	**(19,506)**	**3,107,161**	**(30,775)**	**(657,698)**	**2,399,292**	**14,320**	**2,413,612**
Impact of first-time adoption of IFRIC 23[2]	–	–	(23,463)	–	–	(23,463)	–	(23,463)
as of September 1, 2019	**110**	**(19,506)**	**3,083,698**	**(30,775)**	**(657,698)**	**2,375,829**	**14,320**	**2,390,149**
Currency translation adjustments	–	–	–	–	(223,919)	(223,919)	(278)	(224,197)
Effect of cash flow hedges	–	–	–	16,708	–	16,708	–	16,708
Tax effect on cash flow hedges	–	–	–	(2,815)	–	(2,815)	–	(2,815)
Items that may be reclassified subsequently to the income statement	**–**	**–**	**–**	**13,893**	**(223,919)**	**(210,026)**	**(278)**	**(210,304)**
Remeasurement of defined benefit plans	–	–	31,953	–	–	31,953	(36)	31,917
Tax effect on remeasurement of defined benefit plans	–	–	(1,931)	–	–	(1,931)	–	(1,931)
Items that will never be reclassified to the income statement	**–**	**–**	**30,022**	**–**	**–**	**30,022**	**(36)**	**29,986**
Other comprehensive income, net of tax	**–**	**–**	**30,022**	**13,893**	**(223,919)**	**(180,004)**	**(314)**	**(180,318)**
Net profit for the year	–	–	316,054	–	–	316,054	(4,560)	311,494
Total comprehensive income for the year	**–**	**–**	**346,076**	**13,893**	**(223,919)**	**136,050**	**(4,874)**	**131,176**
Hedge reserve transferred to initial carrying amount of the hedged item	**–**	**–**	**–**	**(852)**	**–**	**(852)**	**–**	**(852)**
Dividend to shareholders	–	–	(142,710)	–	–	(142,710)	–	(142,710)
Purchase of treasury shares	–	(27,332)	–	–	–	(27,332)	–	(27,332)
Equity-settled share-based payments	–	23,533	(11,021)	–	–	12,512	–	12,512
Total contributions and distributions	**–**	**(3,799)**	**(153,731)**	**–**	**–**	**(157,530)**	**–**	**(157,530)**
Movements of non-controlling interests	–	–	–	–	–	–	(7,676)	(7,676)
Total changes in ownership interests	**–**	**–**	**–**	**–**	**–**	**–**	**(7,676)**	**(7,676)**
as of August 31, 2020	**110**	**(23,305)**	**3,276,043**	**(17,734)**	**(881,617)**	**2,353,497**	**1,770**	**2,355,267**

1 Attributable to the shareholders of Barry Callebaut AG.
2 Refer to "IFRIC 23 – Uncertainty over Income Tax Treatments" section on page 50.

Notes to the Consolidated Financial Statements

Basis of Preparation

A. Organization and business activity

Barry Callebaut AG (the "Company") was incorporated on December 13, 1994, under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. These Consolidated Financial Statements comprise the Company and its subsidiaries (together referred to as the "Group"). The former ultimate parent Jacobs Holding AG reduced its ownership in Barry Callebaut AG to 40.1% (August 31, 2019: 50.1%).

The Group is the world's leading manufacturer of high-quality chocolate and cocoa products – from sourcing and processing cocoa beans to producing the finest chocolates, including chocolate fillings, decorations and compounds.

B. Basis of presentation

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

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain items for which IFRS requires another measurement basis, in which case this is explicitly stated in the accounting policies. Significant accounting policies relevant to the understanding of the Consolidated Financial Statements are included in the corresponding notes. The Group has consistently applied its accounting policies to all periods presented in these Consolidated Financial Statements, with the exception of items described in section "D. Introduction of new standards and interpretations in 2019/20" and the reclassification of certain items from the Other income and Other expense lines to the functional lines to which they relate (see Note 1.3).

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

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

Management commentary in the section "Financial Review" on pages 18–22 include comments on the financial impact of the COVID-19 crisis on the Consolidated Financial Statements of the Group.

C. Use of judgment and estimates

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

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

Information related to judgments made in applying accounting policies that have the most significant effects on the amounts recognized in the Consolidated Financial Statements, together with assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending August 31, 2020, are included in the following notes:

Notes to the Consolidated Financial Statements

Note 2.2	IFRS 16: Determination of the lease term for options to extend or terminate the lease
Note 2.3	Intangible assets – Impairment testing for CGUs containing goodwill: Key assumptions used for value-in-use calculations
Note 2.7	Provisions: Recognition of provisions
Note 4.2	Employee benefit obligations – Measurement of defined benefit obligations: Actuarial assumptions
Note 5.1	Acquisitions: Fair value measurement
Note 6	Income Taxes: Recognition and measurement of current and deferred tax liabilities and assets for uncertain tax positions Availability of future taxable profits against which tax loss carry forwards can be utilized

D. Introduction of new standards and interpretations in 2019/20

The Group has adopted new standards, amendments and interpretations to the existing International Financial Reporting Standards (IFRS) with a date of initial application, being September 1, 2019. With the exception of IFRS 16 – Leases (IFRS 16) and IFRIC 23 – Uncertainty over Income Tax Treatments (IFRIC 23), which are disclosed below, these adoptions did not have any material impact on the current reporting period.

Notes to the Consolidated Financial Statements

The following table presents the adjustments recognized for each individual position of the Consolidated Balance Sheet.

Consolidated Balance Sheet Impact

in thousands of CHF	Aug 31, 2019	Transition adjustment IFRS 16	Transition adjustment IFRIC 23	Sep 1, 2019
Current assets				
Cash and cash equivalents	557,827	–	–	557,827
Short-term deposits	1,549	–	–	1,549
Trade receivables and other current assets	815,783	(3,154)	–	812,629
Inventories	1,803,674	–	–	1,803,674
Income tax receivables	62,977	–	–	62,977
Derivative financial assets	616,284	–	–	616,284
Total current assets	**3,858,094**	**(3,154)**	**–**	**3,854,940**
Non-current assets				
Property, plant and equipment	1,498,878	(4,728)	–	1,494,150
Right-of-use assets	–	211,232	–	211,232
Intangible assets	1,026,331	–	–	1,026,331
Employee benefit assets	4,924	–	–	4,924
Deferred tax assets	86,869	–	–	86,869
Other non-current assets	33,036	–	–	33,036
Total non-current assets	**2,650,038**	**206,504**	**–**	**2,856,542**
Total assets	**6,508,132**	**203,350**	**–**	**6,711,482**
Current liabilities				
Bank overdrafts	132,638	–	–	132,638
Short-term debt	197,003	(603)	–	196,400
Short-term lease liabilities	–	37,143	–	37,143
Trade payables and other current liabilities	1,127,511	(1,760)	–	1,125,751
Income tax liabilities	60,079	–	23,463	83,542
Derivative financial liabilities	741,383	–	–	741,383
Provisions	20,381	–	–	20,381
Total current liabilities	**2,278,995**	**34,780**	**23,463**	**2,337,238**
Non-current liabilities				
Long-term debt	1,534,453	(635)	–	1,533,818
Long-term lease liabilities	–	169,205	–	169,205
Employee benefit liabilities	184,562	–	–	184,562
Provisions	4,929	–	–	4,929
Deferred tax liabilities	80,283	–	–	80,283
Other non-current liabilities	11,298	–	–	11,298
Total non-current liabilities	**1,815,525**	**168,570**	**–**	**1,984,095**
Total liabilities	**4,094,520**	**203,350**	**23,463**	**4,321,333**
Equity				
Share capital	110	–	–	110
Retained earnings and other reserves	2,399,182	–	(23,463)	2,375,719
Total equity attributable to the shareholders of Barry Callebaut AG	**2,399,292**	**–**	**(23,463)**	**2,375,829**
Non-controlling interests	14,320	–	–	14,320
Total equity	**2,413,612**	**–**	**(23,463)**	**2,390,149**
Total liabilities and equity	**6,508,132**	**203,350**	**–**	**6,711,482**

Notes to the Consolidated Financial Statements

IFRS 16 – Leases

The Group applied IFRS 16 – Leases using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at September 1, 2019. Therefore, the comparative information has not been restated and continues to be reported under IAS 17 and related interpretations.

Effect of transition for the twelve-month reporting period ended on August 31, 2020

As a lessee, the Group enters lease arrangements mainly for land, warehouses, offices, factory facilities and motor vehicles. Under previous accounting policies, the Group classified the majority of lease contracts as operating leases, where a significant portion of the risks and rewards of ownership were retained by the lessor. Rentals payable under an operating lease were charged to the income statement on a straight-line basis over the term of the lease. Assets and liabilities were only recognized to the extent that there was a timing difference between actual lease payments and the expense recognized. Under previous accounting policies, only a minority of lease agreements was classified by the Group as finance leases, whenever the terms of the lease transferred substantially all the risks and rewards of ownership to the lessee.

The new accounting standard IFRS 16 – Leases introduced a single, on-balance-sheet accounting model for lessees and requires lessees to recognize a lease liability and a corresponding right-of-use asset in the balance sheet for most lease agreements. The nature of underlying expenses changed, as the Group now recognizes depreciation expense for right-of-use assets and interest expense for lease liabilities. Furthermore under IFRS 16 – Leases, the principal portion of lease payments is reflected as cash outflow from financing activities while the interest paid on lease liabilities is presented as part of interest paid within cash flow from operating activities.

On transition to IFRS 16 – Leases, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases and therefore applied IFRS 16 – Leases only to contracts that were previously identified as leases. For leases classified as operating leases under IAS 17, lease liabilities were generally measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as of September 1, 2019. Right-of-use assets were measured at an amount equal to the lease liability on transition, adjusted by the amount of prepaid or accrued lease payments recognized in the balance sheet immediately before the date of initial application.

The Group used the following practical expedients when applying IFRS 16 – Leases for the first time to leases previously classified as operating leases, and:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low-value assets;
- excluded initial direct costs from the measurement of the right-of-use assets at the date of initial application;
- used hindsight when determining the lease term;
- relied on its assessment of whether leases are onerous applying IAS 37;
- applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

A number of leases of items of property, plant and equipment previously were classified as finance leases under IAS 17. For these finance leases, the carrying amounts of the right-of-use assets and the lease liabilities at September 1, 2019, were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date and were reclassified from property, plant and equipment to right-of-use assets (CHF 4.7 million), and from financial debt to lease liabilities (CHF 1.2 million).

Notes to the Consolidated Financial Statements

When measuring the lease liabilities for leases that were classified as operating leases, the weighted average incremental borrowing rate applied at the date of initial application was 2.5%.

The following table provides a reconciliation from the undiscounted future operating lease commitments disclosed in the Consolidated Financial Statements 2018/19 (Note 3.6 – "Capital and lease commitments and guarantees") to the lease liabilities recognized at September 1, 2019:

in thousands of CHF	Total
Operating lease commitments at August 31, 2019, as disclosed under IAS 17	**150,822**
Recognition exemption for leases with less than 12 months of lease term at transition	(4,620)
Recognition exemption for leases of assets of low value	(1,001)
Extension options reasonably certain to be exercised	88,733
Effect of discounting	(28,824)
Finance lease liabilities recognized as of August 31, 2019	1,238
Total lease liabilities recognized at September 1, 2019	**206,348**
of which:	
Current lease liabilities	**37,143**
Non-current lease liabilities	**169,205**

IFRS 16 – Leases, impact for the twelve month reporting period ended August 31, 2020

In accordance with IFRS 16 – Leases, the Group has recognized CHF 186.9 million of right-of-use assets and CHF 186.8 million of lease liabilities (of which short-term amounts to CHF 36.5 million and long-term amounts to CHF 150.3 million) as of August 31, 2020.

During the financial year ended on August 31, 2020, the Group has recognized depreciation expense on right-of-use assets in the amount of CHF 40.6 million and interest expense on lease liabilities in the amount of CHF 4.8 million. The implementation of the new accounting standard IFRS 16 – Leases led to a decrease in operating expense by CHF –2.0 million and an increase in financial expenses of CHF 4.8 million for the financial year ended August 31, 2020. The Group's net profit for the period decreased by CHF –2.8 million due to the transition to IFRS 16 – Leases.

Under IFRS 16 – Leases, the principal portion of lease payments are reflected as cash outflows from financing activities. Interest paid on lease liabilities is presented as part of interest paid within cash flow from operating activities. Payments relating to the applicable exemption for short-term leases and leases of low-value assets are still shown as cash flows from operating activities. During the reporting period ended on August 31, 2020, the Group recognized CHF 43.0 million of lease payments. The implementation of IFRS 16 led to an increase of the cash flow from operating activities by CHF 38.2 million and a decrease in the cash flow from financing activities by CHF –38.2 million for the current period ended August 31, 2020.

Notes to the Consolidated Financial Statements

Accounting policies	
Definition of a lease	At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.
Recognition and measurement of a lease	The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate defined on a Group level, specific to the currency of the lease contract. Lease payments included in the initial measurement of the lease liability include for example fixed payments and variable payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date. The lease liability is subsequently measured at amortized cost using the effective interest method, decreased by lease payments made. The lease liability is remeasured in case of changes in future lease payments (i.e. index-based rents) or any changes in the assessments of extension or termination options. For such remeasurements, a corresponding adjustment generally is made to the right-of-use asset. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred, an estimate of costs for restoration obligations, payments made at or before the commencement date and less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term or the end of the useful life of the underlying asset (determined on the same basis as those of property, plant and equipment). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies judgment to determine the lease terms for lease contracts that include renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of right-of-use assets and lease liabilities recognized in the balance sheet.
Short-term leases and leases of low-value assets	The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

IFRIC 23 – Uncertainty over Income Tax Treatments

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

The Group has adopted IFRIC 23 – Uncertainty over Income Tax Treatments – for the financial year starting September 1, 2019. Uncertain tax positions in the Group have been structurally identified and inventorised for all open fiscal years, applying the clarifications included in IFRIC 23 on recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments.

For those uncertain tax treatments for which the Group concluded that it is probable that the relevant taxation authorities will not accept the uncertain tax treatment in the tax return, the Group has reflected the effect of the uncertainty in the measurement of the current and deferred tax liabilities (assets) in these Consolidated Financial Statements by using either of the following methods, depending on which method better predicts the resolution of the uncertainty:

- the single most likely amount of the outcome;
- the expected value, which is the sum of the probability weighted amounts in a range of possible outcomes.

The underlying assumption that the tax authorities have full knowledge of all relevant information has been fully considered.

Applying the guidance of IFRIC 23 as of September 1, 2019, for the first time, the Group identified uncertain tax positions with the cumulative effect of CHF 26.6 million, of which CHF 23.5 million have been recognized as an adjustment to the opening balance of the Group's retained earnings as per September 1, 2019.

Impact on Consolidated Financial Statements

Consolidated Income Statement Impact

The Group's Consolidated Income Statement for 2019/20 has not been affected by the first-time application of IFRIC 23.

Consolidated Retained Earnings Impact

The IFRIC 23 adoption as per September 1, 2019 had a negative effect on the Group's retained earnings of CHF –23.5 million.

Consolidated Cash Flow Statement Impact

The Group's Consolidated Cash Flow Statement for 2019/20 has not been affected by the first-time application of IFRIC 23.

Notes to the Consolidated Financial Statements

E. Introduction of new standards and interpretations in 2020/21 and later

The following amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after September 1, 2020, and have not been applied in preparing these Consolidated Financial Statements. The Group has performed an assessment of the new standards and interpretations with planned application in fiscal year 2020/21. Based on this assessment, the Group does not expect the new standards and interpretations will have a material impact on the Consolidated Financial Statements.

	Effective date	Planned application by the Group in fiscal year
Amendments to standards and interpretations		
Amendments to References to Conceptual Framework in IFRS Standards	January 1, 2020	Fiscal year 2020/21
Definition of a Business (Amendments to IFRS 3)	January 1, 2020	Fiscal year 2020/21
Definition of Material (Amendments to IAS 1 and IAS 8)	January 1, 2020	Fiscal year 2020/21
Interest Rate Benchmark Reform – Phase 1 (Amendments to IFRS 9, IAS 39 and IFRS 7)	January 1, 2020	Fiscal year 2020/21
COVID-19-Related Rent Concessions (Amendment to IFRS 16)	June 1, 2020	Fiscal year 2020/21
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)	January 1, 2022	Fiscal year 2022/23
Annual Improvements to IFRS Standards 2018 – 2020	January 1, 2022	Fiscal year 2022/23
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	January 1, 2022	Fiscal year 2022/23
Reference to the Conceptual Framework (Amendments to IFRS 3)	January 1, 2022	Fiscal year 2022/23
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023	Fiscal year 2023/24

Notes to the Consolidated Financial Statements

1 Operating Performance

1.1 Segment information

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

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

The segment Global Cocoa is responsible for the procurement of ingredients for chocolate production (mainly cocoa; sugar, dairy and nuts are also common ingredients) and the Group's cocoa-processing business. Approximately 56% of the revenues of Global Cocoa are generated with the other segments of the Group.

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

Financial information by reportable segments

2019/20 in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenue from external customers	2,915,805	1,759,526	400,229	1,817,586	6,893,146	–	–	6,893,146
Revenue from transactions with other operating segments of the Group	115,190	3,424	31	2,324,052	2,442,697	–	(2,442,697)	–
Revenue from sales and services	**3,030,995**	**1,762,950**	**400,260**	**4,141,638**	**9,335,843**	**–**	**(2,442,697)**	**6,893,146**
Operating profit (EBIT)	**269,085**	**182,378**	**42,726**	**87,123**	**581,312**	**(98,160)**	**–**	**483,152**
Depreciation and amortization	**(79,935)**	**(52,598)**	**(12,818)**	**(71,050)**	**(216,401)**	**(4,581)**	**–**	**(220,982)**
Impairment	**(1,377)**	**(1,141)**	**(11)**	**(6,535)**	**(9,064)**	**(140)**	**–**	**(9,204)**
Interest income						**6,697**		**6,697**
Interest expense						**(94,664)**		**(94,664)**
Total assets	**2,055,960**	**1,096,108**	**243,023**	**2,846,779**	**6,241,870**	**1,427,740**	**(528,500)**	**7,141,110**
Additions to property, plant, equipment and intangible assets, excluding acquisitions of subsidiaries/businesses	(108,735)	(52,829)	(15,690)	(102,433)	(279,687)	(3,437)	–	(283,124)
Additions to right-of-use assets, excluding acquisitions of subsidiaries/businesses	(9,200)	(12,087)	(2,085)	(10,096)	(33,468)	(1,247)	–	(34,715)

Notes to the Consolidated Financial Statements

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

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

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

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

Additional entity-wide disclosures

Information on geographical regions

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

	2019/20	2018/19	2019/20	2018/19
in thousands of CHF	Revenue		Non-current assets	
US	1,265,168	1,376,449	434,746	390,463
Germany	519,899	502,727	98,824	85,089
UK	468,978	461,950	58,611	47,605
France	397,119	429,903	82,716	74,869
Belgium	375,389	439,929	501,690	480,588
Mexico	374,579	407,361	15,386	17,659
Brazil	351,592	395,753	69,392	75,566
Poland	311,394	293,206	85,687	88,245
Switzerland	59,888	65,848	51,072	43,527
Rest of EMEA	1,638,996	1,745,037	619,662	536,979
Rest of Americas	355,320	346,183	160,977	156,438
Asia Pacific	774,824	844,690	518,835	545,118
Total	**6,893,146**	**7,309,036**	**2,697,598**	**2,542,148**

Notes to the Consolidated Financial Statements

Information on Product Groups

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

Segment information by Product Group

in thousands of CHF	2019/20	2018/19[1]
Cocoa Products	1,817,586	1,948,581
Food Manufacturers	4,117,213	4,220,809
Gourmet & Specialties	958,347	1,139,646
Revenue from external customers	**6,893,146**	**7,309,036**

1 Certain Gourmet & Specialties customers have been shifted to the Food Manufacturers Product Group to better serve them. The minor reallocation represented less than 2% of sales revenues in the twelve months of fiscal year 2018/19.

In fiscal year 2019/20, the biggest single customer contributed CHF 807.9 million or 11.7 % of total revenues reported across various regions (2018/19: CHF 761.0 million or 10.4%). No other single customer contributed more than 10% of total consolidated revenue.

Notes to the Consolidated Financial Statements

Accounting policies

Revenue recognition

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

Revenue is measured based on the contractually agreed transaction price at the amount, which the Group expects to receive in exchange for transferring promised goods or services to the customer.

Revenue is generally recognized at the point in time, when control of the goods has been transferred to the customer, which is upon delivery or shipment of the goods, according to the applicable Incoterms. The payment terms are typically between 30 and 90 days.

The Group recognizes revenue over time for highly customized products for which the Group has no alternative use. The nature of the Group's business means that the production of these goods and its delivery occur in immediate succession. The revenue for these products is recognized over time using the output method 'units delivered'.

Appropriate provisions are made for all additional costs to be incurred in connection with the sales, including the cost related to returns of goods, which do not meet agreed specifications and quality-related claims.

Type of commercial agreement	Commercial principle
Contract business	**Partnership agreements/Umbrella agreement** The Group enters into long-term partnership/umbrella agreements of between 3 to 10 years supported by a framework agreement between the Group and the customer governing the conduct of business, payment terms, rights to goods and services. Partnership agreements typically includes legally enforceable annual volume purchase commitments. Legally enforceable firm purchase commitments are agreed for delivery periods of typically 3–6 months. **Volume agreements** The customer commits to legally enforceable firm purchase commitments for certain volumes of specified goods. The conduct of business is ordinarily governed by Group's general terms and conditions.
Price list business	Based on forecasted sales and raw materials prices, the Group establishes a price list for the products in its portfolio. The price list then applies to sales for a period of typically 6–12 months.

Segment reporting

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

Notes to the Consolidated Financial Statements

1.2 Research and Development expenses

in thousands of CHF	2019/20	2018/19
Total Research and Development expenses	**(32,170)**	**(30,029)**

Research and Development expenses not qualifying for capitalization are directly charged to the Consolidated Income Statement and are reported under "Marketing and sales expenses" and "General and administration expenses". The part qualifying for capitalization is reported as addition under internally generated assets in Note 2.3 – "Intangible assets".

1.3 Other income and expense

Composition of other income

in thousands of CHF	2019/20	2018/19[1]
Rental income	641	623
Income from sustainability initiatives	1,919	337
Other	2,260	5,756
Total other income	**4,820**	**6,716**

1 Certain items previously classified under Other income are now classified under the functional areas to which they relate. Prior-year comparatives have been reclassified accordingly (leading to lower Other income of CHF –22.8 million with an offset in respective functional lines).

In the fiscal year 2019/20, the gain on disposal of property, plant and equipment in the amount of CHF 0.3 million (2018/19: CHF 0.2 million) was netted against the loss on disposal of property, plant and equipment presented in the following table.

Composition of other expense

in thousands of CHF	2019/20	2018/19
Restructuring costs	(1,931)	–
Litigations and claims[2]	(9,589)	(5,201)
Loss on sale of property, plant and equipment	(1,194)	(1,241)
Impairment of property, plant and equipment (Note 2.1)	(7,560)	(1,240)
Impairment of intangibles (Note 2.3)	(1,644)	(1,284)
Impairment of financial instruments	(4,134)	(3,095)
Acquisition related costs (Note 5.1)	(223)	(1,270)
Other	(1,856)	(5,938)
Total other expense	**(28,131)**	**(19,269)**

2 Income from Litigations and claims have been netted against related expense leading to lower Other expense of CHF –5.8 million.

Certain other income and expense transactions were reclassified to their related function in the Consolidated Income Statement. Incidental revenue generating activities are presented net where this presentation reflects the substance of the transactions (e.g. Group training centers).

Notes to the Consolidated Financial Statements

2 Operating Assets and Liabilities

2.1 Property, plant and equipment

2019/20	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of September 1, 2019	**674,084**	**1,998,869**	**140,673**	**111,171**	**2,924,797**
Business combinations (Note 5.1)	143	2,802	38	–	2,983
Additions[1]	7,984	31,300	2,089	194,287	235,660
Disposals	(3,888)	(8,416)	(5,797)	(609)	(18,710)
Currency translation adjustments	(38,438)	(108,776)	(5,446)	(9,260)	(161,920)
Reclassifications from under construction	32,221	87,723	6,703	(126,647)	–
Other reclassifications[2]	693	20,147	(19,897)	(88)	855
as of August 31, 2020	**672,799**	**2,023,649**	**118,363**	**168,854**	**2,983,665**
Accumulated depreciation and impairment losses					
as of September 1, 2019	**292,523**	**1,037,783**	**100,313**	**28**	**1,430,647**
Depreciation	21,088	105,665	8,791	–	135,544
Impairment (Note 1.3)	7,072	947	(459)	–	7,560
Disposals	(3,291)	(6,389)	(5,032)	–	(14,712)
Currency translation adjustments	(13,376)	(50,974)	(3,733)	–	(68,083)
Other reclassifications[2]	568	3,355	(2,967)	–	956
as of August 31, 2020	**304,584**	**1,090,387**	**96,913**	**28**	**1,491,912**
Net as of August 31, 2020	**368,215**	**933,262**	**21,450**	**168,826**	**1,491,753**

1 Cash outflow amounted to CHF 233.4 million. CHF 0.1 million is related to purchases of property, plant and equipment that were acquired in the prior period. Additions of CHF 2.4 million were granted and are non-cash relevant.
2 Reclassified to “Intangible assets” (CHF 0.1 million).

Notes to the Consolidated Financial Statements

2018/19	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of September 1, 2018	**589,088**	**1,875,655**	**161,481**	**140,298**	**2,766,523**
Business combinations (Note 5.1)	2,524	8,558	270	154	11,506
Additions[1]	19,697	80,606	6,417	109,910	216,630
Disposals	(2,082)	(5,254)	(4,620)	(2,055)	(14,011)
Currency translation adjustments	(10,191)	(29,118)	(2,279)	(1,668)	(43,256)
Reclassifications from under construction	22,536	102,036	4,039	(128,611)	–
Other reclassifications[2]	55,783	(30,673)	(24,782)	(6,907)	(6,579)
as of August 31, 2019	**677,355**	**2,001,810**	**140,526**	**111,122**	**2,930,813**
Accumulated depreciation and impairment losses					
as of September 1, 2018	**240,131**	**1,004,628**	**100,851**	**28**	**1,345,638**
Depreciation	22,711	97,762	11,673	–	132,146
Impairment (Note 1.3)	–	1,165	74	–	1,240
Disposals	(1,623)	(3,808)	(2,368)	–	(7,800)
Currency translation adjustments	(4,709)	(18,088)	(2,404)	–	(25,202)
Other reclassifications[2]	36,739	(43,162)	(7,666)	–	(14,088)
as of August 31, 2019	**293,249**	**1,038,497**	**100,161**	**28**	**1,431,935**
Net as of August 31, 2019	**384,105**	**963,313**	**40,365**	**111,094**	**1,498,878**

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

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

Impairment losses of CHF 7.6 million were recognized in "Property, plant and equipment" in fiscal year 2019/20 (2018/19: CHF 1.2 million).

Repair and maintenance expenses for the fiscal year 2019/20 amounted to CHF 75.3 million (2018/19: CHF 84.8 million).

As at August 31, 2019, assets held under finance leases amounted to CHF 4.7 million and related liabilities are reported under Note 3.5.4 – "Obligations under finance leases". On initial application of IFRS 16 and in accordance with the applicable transition provisions, these assets were reclassified to and included in the opening balance of right-of-use assets as presented in Note 2.2 – "Right-of-use assets".

As at August 31, 2020, no non-currents assets were pledged as security for financial liabilities (2019: nil).

Notes to the Consolidated Financial Statements

Accounting policies

Property, plant and equipment

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

Estimated useful lives of major classes of depreciable assets are:

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

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

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

Borrowing costs

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

Notes to the Consolidated Financial Statements

2.2 Right-of-use assets

The Group leases land and buildings for use as office and warehouse space. Lease contracts are entered on an individual basis and contain a wide range of different terms and conditions. Lease terms are typically fixed for a period of three to ten years. In many cases, lease contracts for buildings contain extension options, which provide operational flexibility and security. Such options are considered individually to determine whether the Group is reasonably certain to exercise the option. Furthermore, the Group maintains a fleet of leased cars with an average lease term of three years and lease vehicles with an average lease term of seven years. Lease term for hardware is an average of five years.

2019/20	Land and buildings	Plant and machinery	Office equipment and motor vehicles	Total
in thousands of CHF				
At cost				
as of September 1, 2019[1]	**183,834**	**3,828**	**23,570**	**211,232**
Business combinations (Note 5.1)	3,951	–	–	3,951
Additions	22,331	212	12,172	34,715
Disposals	(884)	(247)	(3,154)	(4,285)
Lease modifications	(5,525)	–	–	(5,525)
Currency translation adjustments	(12,908)	312	(1,088)	(13,684)
as of August 31, 2020	**190,799**	**4,105**	**31,500**	**226,404**
Accumulated depreciation and impairment losses				
as of September 1, 2019	**–**	**–**	**–**	**–**
Depreciation	30,141	678	9,791	40,610
Disposals	(293)	(45)	(755)	(1,093)
Lease modifications	–	–	–	–
Currency translation adjustments	(531)	476	(6)	(61)
as of August 31, 2020	**29,317**	**1,109**	**9,030**	**39,456**
Net as of August 31, 2020	**161,482**	**2,996**	**22,470**	**186,948**

1 Refer to "Introduction of new standards and interpretations in 2019/20" section on pages 46–49 for further details on the effect of the initial application of IFRS 16 – Leases.

The following expenses related to the Group's leasing activities are recognized in the income statement:

2019/20	
in thousands of CHF	
Expense relating to short-term leases	5,775
Expense relating to leases of low-value assets	796
Expense relating to variable lease payments not included in the measurement of lease liabilities	229
Lease-related expenses	**6,800**
Depreciation of right-of-use assets	40,610
Interests expenses on lease liabilities	4,796
Total amount recognized in the income statement	**52,206**

In fiscal year 2019/20, the Group's total cash outflow for lease payments was CHF 43.0 million, including interest paid.

Notes to the Consolidated Financial Statements

Accounting policies	
Definition of a lease	At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.
Recognition and measurement of a lease	The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate defined on a Group level, specific to the currency of the lease contract. Lease payments included in the initial measurement of the lease liability include for example fixed payments and variable payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date. The lease liability is subsequently measured at amortized cost using the effective interest method, decreased by lease payments made. The lease liability is remeasured in case of changes in future lease payments (i.e. index-based rents) or any changes in the assessments of extension or termination options. For such remeasurements a corresponding adjustment generally is made to the right-of-use asset. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, plus any initial direct costs incurred, an estimate of costs for restoration obligations, payments made at or before the commencement date and less any lease incentives received. The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the lease term or the end of the useful life of the underlying asset (determined on the same basis as those of property, plant and equipment). In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The Group applies judgment to determine the lease terms for lease contracts that include renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of right-of-use assets and lease liabilities recognized in the balance sheet.
Short-term leases and leases of low-value assets	The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low-value assets. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Notes to the Consolidated Financial Statements

2.3 Intangible assets

2019/20	Goodwill	Brand names and licenses	Internally generated intangible assets	Other / Under development	Total
in thousands of CHF					
At cost					
as of September 1, 2019	**859,630**	**71,821**	**470,197**	**58,931**	**1,460,579**
Business combination (Note 5.1)	60	–	–	–	60
Additions	–	333	22,226	24,905	47,464
Disposals	–	(9,964)	(9,793)	(1,804)	(21,561)
Currency translation adjustments	(36,911)	(1,043)	(13,462)	(3,246)	(54,662)
Reclassifications from under development	–	8	32,300	(32,308)	–
Other reclassifications[1]	–	802	1,023	(1,714)	111
as of August 31, 2020	**822,779**	**61,957**	**502,491**	**44,764**	**1,431,991**
Accumulated amortization and impairment losses					
as of September 1, 2019	**–**	**57,745**	**344,055**	**32,448**	**434,248**
Amortization	–	4,461	35,587	4,780	44,828
Impairment (Note 1.3)	–	–	1,505	139	1,644
Disposals	–	(9,964)	(9,880)	(1,406)	(21,250)
Currency translation adjustments	–	(538)	(10,691)	(1,954)	(13,183)
Other reclassifications[1]	–	802	336	(1,118)	20
as of August 31, 2020	**–**	**52,506**	**360,912**	**32,889**	**446,307**
Net as of August 31, 2020	**822,779**	**9,451**	**141,579**	**11,875**	**985,684**

1 Reclassified from “Property, plant and equipment”.

2018/19	Goodwill	Brand names and licenses	Internally generated intangible assets	Other / Under development	Total
in thousands of CHF					
At cost					
as of September 1, 2018	**830,974**	**78,700**	**432,917**	**39,917**	**1,382,509**
Business combination (Note 5.1)	31,565	525	–	–	32,091
Additions	–	5	18,223	42,988	61,216
Disposals	–	(20)	(773)	(399)	(1,192)
Currency translation adjustments	(3,024)	(800)	(9,784)	(1,901)	(15,510)
Reclassifications from under development	–	43	15,921	(15,964)	–
Other reclassifications[2]	114	(6,632)	13,693	(5,711)	1,465
as of August 31, 2019	**859,630**	**71,821**	**470,197**	**58,931**	**1,460,579**
Accumulated amortization and impairment losses					
as of September 1, 2018	**–**	**57,745**	**304,446**	**28,808**	**390,998**
Amortization	–	3,457	33,678	4,579	41,714
Impairment (Note 1.3)	–	16	778	490	1,284
Disposals	–	(16)	(206)	(141)	(362)
Currency translation adjustments	–	(694)	(7,037)	(630)	(8,361)
Other reclassifications[1]	–	(2,763)	12,396	(659)	8,974
as of August 31, 2019	**–**	**57,745**	**344,055**	**32,448**	**434,248**
Net as of August 31, 2019	**859,630**	**14,076**	**126,142**	**26,482**	**1,026,331**

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

Notes to the Consolidated Financial Statements

Additions and reclassification from under development to internally generated intangible assets amounted to CHF 54.5 million in fiscal year 2019/20 (2018/19: CHF 34.1 million). This mainly included costs related to various projects of internally generated software and amounted to CHF 51.6 million (2018/19: CHF 29.4 million). This also included costs related to the development of recipes and innovations of CHF 2.9 million that were recorded under internally generated intangible assets (2018/19: CHF 4.7 million). Additions to other intangible assets mainly included projects under development.

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

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 822.8 million (2018/19: CHF 859.6 million). The allocation to the segments is as follows:

as of August 31,	2020	2019
in million CHF		
Global Cocoa	437.3	461.8
EMEA	301.4	307.9
Americas	79.4	85.1
Asia Pacific	4.7	4.8
Total	**822.8**	**859.6**

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

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

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

The annual impairment tests did not result in a need to recognize impairment losses in fiscal year 2019/20.

Notes to the Consolidated Financial Statements

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

Key assumptions used for value-in-use calculations

	2020		2019	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Global Cocoa	9.2%	0.8%	9.0%	1.4%
EMEA	7.9%	0.2%	7.8%	1.2%
Americas	7.6%	1.5%	8.4%	1.1%
Asia Pacific	7.5%	1.9%	8.1%	3.0%

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

Accounting policies

Goodwill

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

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

Research and Development costs

Research costs are expensed as incurred.

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

Notes to the Consolidated Financial Statements

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

2.4 Inventories

as of August 31,	2020	2019
in thousands of CHF		
Cocoa beans stocks	772,030	693,036
Semi-finished and finished products	953,859	908,770
Other raw materials and packaging materials	184,028	201,868
Total inventories	**1,909,917**	**1,803,674**

As at August 31, 2020, the value of cocoa and chocolate inventories designated in a hedging relationship amounted to CHF 1,187.4 million (2018/19: CHF 1,063.2 million), on which a fair value hedge adjustment of CHF 2.2 million was recorded (2018/19: CHF –60.8 million). For further detail of hedged inventories refer to Note 3.7.9 – “Effect of hedge accounting on the financial position and performance.”

In 2019/20, materials used of CHF 4,796.5 million (2018/19: CHF 5,108.9 million) were recognized as an expense during the year and included in “Cost of goods sold.”

In fiscal year 2019/20, inventory write-downs of CHF 40.0 million were recognized as expenses (2018/19: CHF 44.6 million).

There were no inventories pledged in fiscal years 2019/20 and 2018/19.

Accounting policies

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

Notes to the Consolidated Financial Statements

2.5 Trade receivables and other current assets

as of August 31,	2020	2019
in thousands of CHF		
Trade receivables	387,404	449,196
Accrued income	22,643	32,689
Loans and other receivables	12,257	63,945
Other current financial assets	16,655	18,823
Receivables representing financial assets	**438,959**	**564,653**
Prepayments	57,655	72,443
Other current non-financial assets	1,802	1,540
Other tax receivables and receivables from government	112,369	177,147
Other receivables	**171,826**	**251,130**
Total trade receivables and other current assets	**610,785**	**815,783**

The Group runs asset-backed securitization programs, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The amount of the receivables sold net of discounts as at August 31, 2020, was CHF 323.8 million (2019: CHF 365.4 million). This amount was derecognized from the balance sheet. The amount is the combination of the gross value of the receivables sold of CHF 340.9 million (CHF 380.7 million as of August 31, 2019) and the discount applicable of CHF 17.1 million (CHF 15.3 million as of August 31, 2019).

Net amounts payable to these programs amounted to CHF 85.8 million as at August 31, 2020 (2019: CHF 71.2 million), consisting of the balance of receivables collected before the next rollover date of CHF 102.9 million (2019: CHF 86.5 million), less the discount on receivables sold of CHF 17.1 million (2019: CHF 15.3 million). These amounts are included in Note 2.6 – “Trade payables and other current liabilities” on a net basis.

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

Trade receivables with the fair value of CHF 75.9 million (and CHF 76.0 million nominal amount) as at August 31, 2020 (2019: fair value CHF 84.4 million, nominal amount CHF 84.6 million), are held for realization through sale under the asset-backed securitization programs and are therefore classified as measured at fair value through profit or loss. All other trade receivables, accrued income, loans, other receivables and other current financial assets are measured at amortized cost.

Interest expense paid under the asset-backed securitization programs amounted to CHF 4.2 million in fiscal year 2019/20 (2018/19: CHF 5.3 million) and is reported under interest expense.

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

Notes to the Consolidated Financial Statements

Accounting policies

Trade receivables

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

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

Other financial assets

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

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

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

Allowance for impairment losses of financial assets

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

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

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

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

Notes to the Consolidated Financial Statements

2.6 Trade payables and other current liabilities

as of August 31, in thousands of CHF	2020	2019
Trade payables	652,379	632,152
Accrued expenses	102,681	110,635
Other payables	188,759	202,782
Payables representing financial liabilities	**943,819**	**945,569**
Accrued wages and social security	119,700	126,489
Other taxes and payables to governmental authorities	51,951	51,495
Deferred income	4,173	3,958
Other liabilities	**175,824**	**181,942**
Total trade payables and other current liabilities	**1,119,643**	**1,127,511**

The Group has payables related to asset-backed securitization programs, see Note 2.5 – "Trade receivables and other current assets". Other payables also consist of outstanding ledger balances with commodity brokers.

Accounting policies

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

2.7 Provisions

in thousands of CHF	Restructuring	Litigation & claims	Other	Total
as of September 1, 2019	**470**	**6,924**	**17,916**	**25,310**
Additions	1,931	5,147	12,857	19,935
Use of provisions	(865)	(1,111)	(8,987)	(10,963)
Release of unused provisions	–	(3,514)	(966)	(4,480)
Currency translation adjustments	(104)	(331)	(3,159)	(3,594)
as of August 31, 2020	**1,432**	**7,115**	**17,661**	**26,208**
of which:				
Current	**1,432**	**5,610**	**12,852**	**19,894**
Non-current	**–**	**1,505**	**4,809**	**6,314**

Restructuring

As at August 31, 2020, the restructuring provisions are mainly related to the closure of the cocoa factory in Makassar, Indonesia.

Litigation & claims

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

Notes to the Consolidated Financial Statements

Provisions have been made, where quantifiable, for probable outflows not covered by insurance. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as of August 31, 2020. Any payments to be made will depend upon the date on which legally binding decrees and decisions are issued.

Other provisions

Other provisions include amounts that have been provided to cover the negative outcome of onerous contracts. The total provision for onerous contracts amounted to CHF 7.9 million as at August 31, 2020 (2019: CHF 10.6 million), and is expected to be fully utilized during the coming twelve months. The non-current portion was partially carried on from previous fiscal year and covers different types of risk, including non-income tax risks and warranties, and the majority is expected to be used within three years.

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

Notes to the Consolidated Financial Statements

3 Capital and Financial Risk Management

3.1 Capital management

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

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

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

3.2 Equity

Share

as of August 31,	2020	2019	2018
in thousands of CHF			
Share capital is represented by 5,488,858 (2019: 5,488,858; 2018: 5,488,858) authorized and issued shares of each CHF 0.02 fully paid in (2019: 0.02; 2018: 0.02)	110	110	110

Share capital and dividends

The issued share capital is divided into 5,488,858 registered shares with a nominal value of CHF 0.02 (2019: CHF 0.02). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind. The Company has one class of shares, which carries no right to a fixed dividend.

By resolution of the Annual General Meeting on December 11, 2019, the shareholders approved the proposed distribution of dividends in the amount of CHF 26.00 per share, effected through a dividend payment of CHF 142.7 million. The respective payments to the shareholders took place on January 8, 2020.

During the fiscal year 2018/19, the payout of CHF 24.00 per share was effected through a dividend payment out of retained earnings in the amount of CHF 131.5 million. The respective payments took place on January 9, 2019.

Treasury shares

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The book value of the treasury shares as at August 31, 2020, amounted to CHF 23.3 million (2019: CHF 19.5 million).

The fair value of the treasury shares as at August 31, 2020, amounted to CHF 25.7 million (2019: CHF 22.9 million). As at August 31, 2020, the number of outstanding shares amounted to 5,476,021 (2019: 5,477,560) and the number of treasury shares to 12,837 (2019: 11,298). During this fiscal year, 14,840 shares have been purchased, 13,301 transferred to employees and members of the Board of Directors under the employee stock ownership program (2018/19: 13,200 purchased; 13,563 transferred).

Notes to the Consolidated Financial Statements

Retained earnings

As at August 31, 2020, retained earnings contain legal reserves of CHF 23.3 million (2019: CHF 19.5 million), which are not distributable to the shareholders pursuant to Swiss law.

Hedging reserves

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

Cumulative translation adjustment (CTA)

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

Movements in non-controlling interests

in thousands of CHF	2019/20	2018/19
as of September 1,	**14,320**	**15,715**
Non-controlling share of profit/(loss)	(4,560)	(1,549)
Dividend paid to non-controlling shareholders	–	(17)
Change in non-controlling interests	(7,676)	–
Non-controlling share of other comprehensive income	(314)	171
as of August 31,	**1,770**	**14,320**

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

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

Notes to the Consolidated Financial Statements

3.3 Earnings per share

in CHF	2019/20	2018/19
Basic earnings per share from continuing operations (CHF/share)	57.66	67.57
Diluted earnings per share (CHF/share)	57.46	67.21

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

in thousands of CHF	2019/20	2018/19
Profit for the year attributable to shareholders of the parent company, used as numerator for basic earnings per share adjusted for net loss from discontinued operations	**316,054**	**370,280**
After-tax effect of income and expenses on dilutive potential ordinary shares	–	–
Adjusted net profit for the year used as numerator for diluted earnings per share	**316,054**	**370,280**

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

	2019/20	2018/19
Number of shares issued	5,488,858	5,488,858
Weighted average number of treasury shares held	(7,414)	(9,134)
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	**5,481,444**	**5,479,724**
Dilution potential of equity-settled share-based payments	18,927	29,697
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	**5,500,371**	**5,509,421**

3.4 Cash and cash equivalents

Cash and cash equivalents amounted to CHF 1,386.0 million as of August 31, 2020 (prior year CHF 557.8 million), and they comprise of cash on hand, checks, bank balances and unrestricted bank deposit balances with an original maturity of 90 days or less. Bank overdrafts amounted to CHF 103.6 million as of August 31, 2020 (prior year CHF 132.6 million), and are repayable on demand, forming an integral part of the Group’s cash management, are included as a component of cash and cash equivalents for the purpose of the Consolidated Cash Flow Statement.

Notes to the Consolidated Financial Statements

3.5 Financial liabilities

3.5.1 Bank overdrafts and short-term debt

as of August 31,	2020	2019
in thousands of CHF	Carrying amounts	
Bank overdrafts	**103,603**	**132,638**
Commercial paper	400,796	136,702
Short-term debt	60,083	54,336
Short-term portion of long-term debt (Note 3.5.2)	482	5,349
Finance lease obligations	–	603
Other	14	13
Short-term debt	**461,375**	**197,003**
Short-term lease liabilities	**36,543**	**–**
Short-term financial liabilities	**601,521**	**329,641**

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

as of August 31,	2020			2019		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR	415,697	(0.46%)	0.74%	139,416	(0.11%)	7.00%
XOF	104,158	4.25%	5.80%	128,049	4.25%	5.25%
BRL	26,890	3.75%	9.01%	42,631	6.65%	7.29%
USD	24,741	1.03%	3.00%	39	2.09%	2.09%
CLP	9,759	1.20%	4.14%	7,103	3.10%	4.77%
INR	4,364	6.84%	8.50%	4,888	7.05%	9.19%
CHF	3,744	(0.79%)	0.92%	–	–	–
TRL	2,663	6.50%	17.29%	–	–	–
Other	9,505	0.22%	9.30%	7,515	1.41%	7.70%
Total	**601,521**			**329,641**		

3.5.2 Long-term debt

as of August 31,	2020	2019	2020	2019
in thousands of CHF	Carrying amounts		Fair values	
Senior Notes	837,225	872,993	910,472	977,244
Schuldscheindarlehen	1,103,551	658,406	1,103,551	658,406
Less current portion (Note 3.5.1)	(482)	(5,349)	(482)	(5,349)
Other Loans	66,034	8,403	66,034	8,403
Total long-term debt	**2,006,328**	**1,534,453**	**2,079,575**	**1,638,704**
Long-term lease liabilities	**150,325**	**–**	**150,325**	**–**
Long-term financial liabilities	**2,156,653**	**1,534,453**	**2,229,900**	**1,638,704**

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

On June 20, 2013, the Group issued a 5.5% Senior Note with maturity in 2023 for an amount of USD 400 million. The Senior Note was issued at a price of 98.122% and includes a coupon step-up clause of 0.25% (limited to 1.00% per annum) per downgraded notch per rating agency. The coupon currently amounts to 5.5% (2018/19: 5.5%)

Notes to the Consolidated Financial Statements

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

On October 3, 2019, the Group extended the maturity of its EUR 750 million Revolving Credit Facility to June 2024. On March 24, 2020, the Group amended its EUR 750 million Revolving Credit Facility into a EUR 1,000 million Revolving Credit Facility with maturity in 2024. Due to the uncertainty in the financial markets caused by the COVID-19 outbreak, the Group took the precautionary measure on March 31, 2020, to draw the EUR 1,000 million Revolving Credit Facility in full to safeguard liquidity. The outstanding amount of EUR 1,000 million was fully repaid at the end of July 2020 hereby using available cash as well as proceeds from the CHF 450 million equivalent Schuldscheindarlehen issued that same month. Consequently, there were no outstanding amounts under the Revolving Credit Facility as per August 31, 2020.

On February 13, 2019, the Group issued a EUR 600 million equivalent Schuldscheindarlehen. An amount of EUR 191 million with maturity in 2026, an amount of EUR 254 million with maturity in 2027 and an amount of EUR 22 million with maturity in 2029 were raised in euros. An amount of CHF 11 million with maturity in 2026, an amount of CHF 131 million with maturity in 2027 and an amount of CHF 10 million with maturity in 2029 were raised in Swiss francs. The weighted average interest rate at issuance date is 1.47% p.a.[1]

On May 27, 2020, the Group issued a EUR 60 million Private Placement with maturity in 2022.

On July 27, 2020, the Group issued a CHF 450 million equivalent Schuldscheindarlehen. An amount of EUR 145.5 million with maturity in 2025, an amount of EUR 72.5 million with maturity in 2027, an amount of EUR 127.5 million with maturity in 2028, and an amount of EUR 57 million with maturity in 2030 were raised in euros. An amount of CHF 15 million with maturity in 2025, an amount of CHF 5 million with maturity 2027 were raised in Swiss francs. The weighted average interest rate at issuance is 1.68% p.a.[2]

The USD 400 million Senior Note, the EUR 450 million Senior Note, the EUR 1,000 million Revolving Credit Facility, the EUR 600 million equivalent Schuldscheindarlehen, the EUR 60 million Private Placement, the CHF 450 million equivalent Schuldscheindarlehen all rank pari passu. The Senior Notes, the Revolving Credit Facility, the Private Placement as well as the two Schuldscheindarlehen issuances are guaranteed by Barry Callebaut AG.

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

1 The floating rate tranches, which represent 56% of the total transaction amount, have a 6-month-IBOR base rate floored at 0%.
2 The floating rate tranches, which represent 35% of the total transaction amount, have a 6-month-IBOR base rate floored at 0%.

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as of August 31,	2020	2019
in thousands of CHF		
2020/21	–	2,013
2021/22	93,305	282
2022/23	379,311	388,281
2023/24	496,257	485,365
2024/25 (and thereafter for 2019)	183,974	658,512
2025/26 (and thereafter for 2020)	1,003,806	–
Long-term financial liabilities	**2,156,653**	**1,534,453**

The weighted average maturity of the long-term financial liabilities (i.e. without any portion falling due in less than 12 months) decreased from 5.9 years to 5.4 years.

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

as of August 31,	2020			2019		
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
EUR[1]	1,478,353	1.20%	2.38%	991,789	1.20%	2.38%
EUR[2]	32,845	0.90%	8.51%	2,840	0.90%	6.00%
USD	431,193	1.03%	5.50%	388,258	5.50%	5.50%
CHF	175,315	0.04%	1.60%	151,480	1.10%	1.29%
XOF	6,922	4.35%	5.80%	–	–	–
SGD	6,264	1.13%	3.21%	–	–	–
SEK	5,299	0.47%	1.75%	–	–	–
Other	20,462	0.22%	17.29%	86	4.93%	5.18%
Long-term financial liabilities	**2,156,653**			**1,534,453**		

1 Includes: Senior Note, Schuldscheindarlehen, Private Placement.
2 Includes: Long-term lease liabilities, Other long-term debts.

Notes to the Consolidated Financial Statements

3.5.3 Changes in liabilities and equity from financing activities

	Short-term debt	Long-term debt	Lease liabilities	Retained earnings	Share capital	Treasury shares	Non-controlling interests	Total
in thousands of CHF	Financial liabilities			Equity				
as of September 1, 2018	**619,797**	**1,168,798**	**–**	**2,920,817**	**110**	**(20,920)**	**15,715**	**4,704,318**
Cash flows from financing activities	**(434,503)**	**396,120**	**–**	**(131,501)**	**–**	**(22,781)**	**(17)**	**(192,682)**
Proceeds from the issue of short-term debt	98,530	–	–	–	–	–	–	98,530
Repayment of short-term debt	(533,033)	–	–	–	–	–	–	(533,033)
Proceeds from the issue of long-term debt	–	677,579	–	–	–	–	–	677,579
Repayment of long-term debt	–	(281,459)	–	–	–	–	–	(281,459)
Dividend payment	–	–	–	(131,501)	–	–	–	(131,501)
Purchase of treasury shares	–	–	–	–	–	(22,781)	–	(22,781)
Dividends paid to non-controlling interests	–	–	–	–	–	–	(17)	(17)
Other changes related to liabilities	**11,709**	**(30,465)**	**–**	**–**	**–**	**–**	**–**	**(18,756)**
Amortized structuring fee	–	3,997	–	–	–	–	–	3,997
Change in accrued finance expense other	–	610	–	–	–	–	–	610
Interest expense	115,697	–	–	–	–	–	–	115,697
Interest paid	(115,549)	–	–	–	–	–	–	(115,549)
Foreign exchange movements	5,774	(29,285)	–	–	–	–	–	(23,511)
Reclassification	5,787	(5,787)	–	–	–	–	–	–
Other changes related to equity	**–**	**–**	**–**	**317,844**	**–**	**24,195**	**(1,378)**	**340,661**
as of August 31, 2019	**197,003**	**1,534,453**	**–**	**3,107,161**	**110**	**(19,506)**	**14,320**	**4,833,542**
Adjustment on initial application of IFRS 16[1]	(603)	(635)	206,348	–	–	–	–	205,110
Impact of first-time adoption of IFRIC 23[2]	–	–	–	(23,463)	–	–	–	(23,463)
as of September 1, 2019	**196,400**	**1,533,818**	**206,348**	**3,083,698**	**110**	**(19,506)**	**14,320**	**5,015,189**
Cash flows from financing activities	**281,627**	**517,714**	**(38,164)**	**(142,710)**	**–**	**(27,332)**	**–**	**591,135**
Proceeds from the issue of short-term debt	423,348	–	–	–	–	–	–	423,348
Repayment of short-term debt	(141,721)	–	–	–	–	–	–	(141,721)
Proceeds from the issue of long-term debt	–	1,593,050	–	–	–	–	–	1,593,050
Repayment of long-term debt	–	(1,075,336)	–	–	–	–	–	(1,075,336)
Payment of lease liabilities	–	–	(38,164)	–	–	–	–	(38,164)
Dividend payment	–	–	–	(142,710)	–	–	–	(142,710)
Purchase of treasury shares	–	–	–	–	–	(27,332)	–	(27,332)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	–
Other changes related to liabilities	**(16,653)**	**(45,205)**	**18,684**	**–**	**–**	**–**	**–**	**(43,174)**
Amortized structuring fee	–	2,538	–	–	–	–	–	2,538
Change in accrued finance expense other	–	918	–	–	–	–	–	918
New leases and modifications	–	–	28,767	–	–	–	–	28,767
Interest expense	70,652	–	4,796	–	–	–	–	75,448
Interest paid	(70,103)	–	(4,796)	–	–	–	–	(74,899)
Foreign exchange movements	(17,691)	(48,172)	(10,083)	–	–	–	–	(75,946)
Reclassification	489	(489)	–	–	–	–	–	–
Other changes related to equity	**–**	**–**	**–**	**335,055**	**–**	**23,533**	**(12,550)**	**346,038**
as of August 31, 2020	**461,374**	**2,006,327**	**186,868**	**3,276,043**	**110**	**(23,304)**	**1,770**	**5,909,188**

1 Refer to "Introduction of new standards and interpretations in 2019/2020" section on pages 46–49 for further details on the effect of initial application of IFRS 16 – Leases.
2 Refer to "Introduction of new standards and interpretations in 2019/2020" section on page 50 for further details on the effect of initial application of IFRIC 23 – Uncertainty over Income Tax Treatments.

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3.5.4 Obligations under finance leases

Prior to the introduction of IFRS 16, the Group entered into finance leasing arrangements for various assets.

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

The amount of obligations under finance leases was CHF 1.2 million in 2018/19. The weighted average term of finance leases applied to leased assets was 32.7 years in 2018/19.

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

The average effective interest rate was 4.5% in 2018/19 and interest rates are fixed at the contract date.

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

Due to the introduction of IFRS 16, all leases previously reported as finance leases are now shown under “Right-of-use assets” and the related liabilities are reported as “Leases liabilities”.

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

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Accounting policies	
Financial liabilities	Financial liabilities are initially recognized at fair value, net of transaction costs, when the Group becomes a party to the contractual provisions. They are subsequently carried at amortized cost using the effective interest rate method. A financial liability is derecognized when the obligation is discharged, cancelled, or expires.
Leases obligations	The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The lease liability is initially measured at the present value of the future lease payments that are not paid at the commencement date, discounted using the incremental borrowing rate defined on a Group level, specific to the currency of the lease contract. Lease payments included in the initial measurement of the lease liability include, for example fixed payments and variable payments that depend on an index or rate, which are initially measured using the index or rate at the commencement date. The lease liability is subsequently measured at amortized cost using the effective interest method, decreased by lease payments made. The lease liability is remeasured in case of changes in future lease payments (i.e. index-based rents) or any changes in the assessments of extension or termination options. For such remeasurements a corresponding adjustment generally is made to the right-of-use asset. The Group applies judgment to determine the lease terms for lease contracts that include renewal or termination options. The assessment of whether the Group is reasonably certain to exercise such options impacts the lease term which significantly affects the amount of lease liabilities and assets recognized in the balance sheet.
Short-term leases and leases of low-value assets	The Group has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases with asset's fair value, when newly purchased, is lower than CHF 5,000. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.
Finance leases	Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Leased assets are amortized over the asset's estimated useful life or the lower contract term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. The finance cost component of the lease payment is recognized as finance expense over the lease term based on the effective interest rate method.

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3.6 Capital and lease commitments and guarantees

Capital commitments

as of August 31,	2020	2019
in thousands of CHF		
Property, plant and equipment	4,225	4,588
Intangible assets	101	389
Total capital commitments	**4,326**	**4,977**

Guarantees in favor of third parties

Group companies have issued guarantee commitments for the fiscal year 2019/20 in the amount of CHF 1.3 million (2018/19: CHF 1.5 million). These are mainly related to third-party suppliers.

Operating lease commitments

The major impact of IFRS 16 on the Group relates to lease contracts previously classified as operating leases that now are generally recognized on balance sheet (refer to “Introduction of new standards and interpretations in 2019/2020” section for further details on the effect of initial application of IFRS 16). Under previous accounting policies, lease payments for operating leases were recognized as expenses in the income statement.

In 2018/19, operating lease commitments represented rentals payable by the Group for vehicles, equipment, buildings and offices. Equipment and vehicle leases were entered for an average term of 2.0 years.

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

as of August 31,	2019
in thousands of CHF	
In the first year	39,585
In the second to the fifth year	77,221
After five years	34,016
Total future operating lease commitments	**150,822**

in thousands of CHF	2018/19
Lease expenditure recognized in income statement	**45,106**

Accounting policies

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

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3.7 Financial risk management

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

The Group's overall strategy for managing these risks is consistent with the Group's objectives to maintain cost leadership, reduce earnings volatility in a cost-effective manner and minimize potential adverse effects of such market exposures on the financial performance of the Group. The Group's sourcing centers and Treasury department continuously monitor and hedge the exposures to commodity price risk, foreign currency and interest rate risk. The Group Commodity Risk Committee (GCRC) and Finance Committee regularly reviews and monitors the adherence to policies and defined risk limits.The Group manages its business based on the following two business models:

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

3.7.1 Commodity price risks

a) Commodity risk management

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

The Group's sourcing centers manages the commodity risk in compliance with the Group Commodity Risk Management (GCRM) Policy. The GCRC monitors the Group's commodity risk management activities and acts as the decision-making body for the Group in this respect. The members of the GCRC include the Group's Chief Financial Officer (CFO) who acts as Chairman of the Committee, the President of Global Cocoa, the VP Group Accounting, Reporting & Risk Management (GARRM), the CFO of Global Cocoa, the VP of Global Cocoa Trading & Sourcing, the Head of Global Sourcing (for non-cocoa materials) and the VP Group Treasury & Tax.

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

The Group applies a 95% ten-day VaR limit to manage the consolidated exposure to commodity price risk. The VaR framework of the Group is based on the standard historical VaR methodology; taking 2,000 days (equivalent to seven years) of the most recent prices, based on which the day-to-day relative price changes are calculated. This simulation of past market conditions is not predicting the future movement in commodity prices and therefore it does not represent actual losses. It only represents an indication of the future commodity price risks based on historical volatility. VaR is applied to materials with prices considered to exceed certain volatility levels (e.g. cocoa beans and cocoa products, dairy products, sugar and sweeteners, nuts, oils and fats). As at August 31, 2020, the Group had a total VaR for raw materials of CHF 9.4 million (2019: CHF 11.9 million), well within the Group limit. The average VaR over the fiscal year 2019/20 was CHF 11.5 million (2018/19: CHF 8.8 million).The VaR is used together with a calculation of the expected shortfall and worst cases as well as the use of stress test scenarios.

The GCRC allocates the Group VaR limit into VaR limits for cocoa and non-cocoa raw materials such as sugar, dairy, oils and fats. These two VaR limits are then allocated to limits in tonnes to the related risk reporting units for each of the two areas.

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

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

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

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

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

c) Sugar price risk hedges

The Group applies cash flow hedge accounting for hedging relationships when it hedges its commodity price risk and its foreign exchange risks attributable to its forecasted

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sugar purchases with sugar futures and with foreign exchange forward contracts, respectively. When the Group enters into agreements with sugar suppliers where the price of the forecasted sugar purchases will be indexed to the raw sugar world market price, it hedges these forecasted sugar purchases with sugar futures.

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

d) Fuel price risk hedges

The Group is exposed to fuel oil prices through fuel index commercial contracts with shipping and logistics companies. The Group enters into correlated derivative contracts to mitigate the fuel price volatility associated with the highly probable expense. The hedging relationship is accounted as cash flow hedges. The GCRC approves the duration of hedged exposure and applies counterparty limits to monitor the derivative instruments' credit exposure.

3.7.2 Foreign currency risks

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

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

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

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

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

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The table below provides an overview of the net exposure of CHF, EUR, USD, and GBP against the main functional currencies in the Group. According to the Group's Treasury Policy, foreign exchange exposures are hedged as from identification on an intraday basis in line with the approved exposure limits. In case of small deviations from the agreed foreign exchange exposure limits, approval has to be sought from the Group's Treasury and Risk Management department. For significant deviations, approval from the AFRQCC is required. Companies with the same functional currency are shown in one group. The franc CFA in Côte d'Ivoire (XOF) and Cameroon (XAF) have fixed exchange rate regimes where the two currencies are pegged at 656 per euro.

Net foreign currency exposures against major functional currencies

as of August 31,	2020				2019			
Net exposure in thousands of CHF/EUR/USD/GBP	CHF	EUR	USD	GBP	CHF	EUR	USD	GBP
CHF	–	(32,950)	49,418	(130)	–	39,180	(34,536)	2
EUR	8,340	–	18,183	(9,482)	14,436	–	(2,333)	(2,994)
USD	(260)	(1,190)	–	(623)	(645)	(796)	–	54
CAD	(651)	(518)	(627)	–	1	(1,140)	(526)	–
BRL	(118)	1,040	177	–	(118)	224	211	–
IDR	–	(157)	(194)	–	–	(274)	(320)	–
INR	–	(727)	(1,817)	–	–	(316)	(1,402)	–
JPY	–	(308)	(160)	(15)	–	(614)	65	(13)
MXN	5	–	(514)	–	5	(28)	(3,182)	–
RUB	–	248	(3,548)	(14)	–	(96)	40	22
SEK	(14)	279	(3)	(1)	(11)	38	9	–
TRL	–	181	(46)	14	(8)	519	(12)	(30)
XAF	–	(20,056)	–	–	–	(15,116)	–	–
XOF	–	29,814	–	–	–	72,085	–	–
Total	**7,302**	**(24,344)**	**60,869**	**(10,251)**	**13,660**	**93,666**	**(41,986)**	**(2,959)**

In order to quantify and manage the Group's consolidated exposure to foreign currency risks, the historical VaR has been implemented. The VaR concept serves as the analytical instrument for assessing the Group's foreign currency risk incurred under normal market conditions. The VaR indicates the loss which, within a time horizon of one day, will not be exceeded at a confidence level of 95% using seven years of historical market prices for each major currency pair. The VaR is used together with the calculation of the expected shortfall and worst cases as well as the use of stress test scenarios. The VaR is based on static exposures during the time horizon of the analysis. However, the simulation of past market conditions is not predicting the future movement in foreign currency rates. Therefore, it does not represent actual losses. It only represents an indication of future foreign currency risks. As of August 31, 2020, the Group had a VaR of CHF 0.5 million (2019: CHF 0.4 million). The average VaR over the fiscal year 2019/20 was CHF 0.4 million (2019/20: CHF 0.2 million).

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Value at Risk per main exposure currencies

as of August 31,	2020	2019
Value at Risk on net exposures in thousands of CHF Total for the Group and per main exposure currencies		
Total Group	**503**	**436**
CHF	41	68
EUR	180	343
USD	503	302
GBP	95	28
Others	34	62
Diversification effect	41%	46%

3.7.3 Interest rate risks

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

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

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

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

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

as of August 31,	2020	2019
in thousands of CHF		
Fixed interest-bearing items		
Carrying amount of financial liabilities	1,662,431	1,172,217
Reclassification due to interest rate derivative	494,202	364,346
Net fixed interest position	**2,156,633**	**1,536,563**
Floating interest-bearing items		
Carrying amount of financial assets	(1,392,227)	(559,376)
Carrying amount of financial liabilities	1,095,742	691,877
Reclassification due to interest rate derivative	(494,202)	(364,346)
Net floating interest position	**(790,687)**	**(231,845)**

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Sensitivity analysis on interest rate risks

The following table shows the impact of a parallel shift of interest rates by 100 basis points (bps) up and 10 bps down on the Group's equity and Consolidated Income Statement, net of tax. The calculation is performed on both, the portion of the outstanding debt (excluding the asset-backed securitization programs; see Note 2.5 "Trade receivables and other current assets") at floating interest rates and the outstanding derivatives exchanging floating into fixed interest rates at the respective year-end. This sensitivity analysis only indicates the potential impact for the respective fiscal year at the prevailing conditions in the financial markets. Consequently, it does not represent actual or future gains or losses, which are strictly managed and controlled, as stipulated by the Group's Treasury Policy.

as of August 31,	2020				2019			
Impact on	Income statement		Equity		Income statement		Equity	
in thousands of CHF	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease	100 bps increase	10 bps decrease
Floating rate bearing items	5,811	(581)	–	–	1,725	(172)	–	–
Interest rate swaps	–	–	23,295	(2,106)	–	–	18,924	(1,585)
Total interest rate sensitivity	**5,811**	**(581)**	**23,295**	**(2,106)**	**1,725**	**(172)**	**18,924**	**(1,585)**

3.7.4 Credit risk and concentration of credit risk

Credit risk arising from customers, i.e. the risk of counterparties defaulting, is governed by the Group's Credit Management Policy. This policy defines the Group's credit management process such as the roles and responsibilities of the regional credit control organization, the initial customer account approval, setting and changing credit limits and payment terms, regular monitoring controls, collection effort process, credit insurance procedures, and credit allowances. System controls ensure a credit control assessment is conducted when accepting customers' new orders and before goods are dispatched whenever a customer's credit limit is exceeded due to outstanding or overdue open amounts.

The Group mitigates credit risk through the use of asset-backed securitization programs and factoring facilities (see Note 2.5 "Trade receivables and other current assets").

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

The Group's credit risk exposure also arises from derivative financial instruments, i.e. foreign exchange derivatives, interest rate derivatives, and commodity derivatives, which are entered into with financial institutions. The Group has foreign exchange and interest rate derivatives with banks acting on an international scale and having sound credit ratings. In case of commodity derivatives, the Group enters into futures transactions deals in the New York and the London terminal markets through its brokers. The mark-to-market exposures in relation to these hedging contracts are regularly and substantially collateralized pursuant to margining agreements in place with such counterparties. Counterparty exposures towards such financial institutions are monitored through limit utilization on a regular basis by the Group's Treasury department and reported to the Group Finance Committee and the AFRQCC.

As of August 31, 2020, the largest customer represents 8% (2019: 7%) whereas the ten biggest customers represent 29% (2019: 27%) of trade receivables. The Group has no material credit risk concentration as it maintains a large, geographically diverse customer base. The extent of the Group's credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements with counterparties. The maximum nominal credit risk exposure in the event all other

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parties fail to perform their obligation was CHF 2,182.3 million as of August 31, 2020 (2019: CHF 1,152.9 million).

All financial assets measured at amortized cost are first assessed for individual impairment. Subsequently, expected credit loss is calculated by applying the annualized Credit Default Swap rates (CDS) of the country of domicile (pro rated in line with average payment terms; where available, the individual CDS of the counterparty is applied) and a premium of 25 bps per annum. The net expenses representing additions to the allowance for impairment losses and releases of the unused allowance recognized according to the approach described above amounted to CHF 14.6 million in 2019/20 (2018/19: CHF 4.7 million).

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

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

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

Ageing of trade receivables

as of August 31, in thousands of CHF	2020	2019
Total trade receivables measured at amortized cost, gross	336,432	379,793
of which:		
insured receivables	203,957	204,333
uninsured receivables with an individual balance over CHF 1 million	61,516	87,707
uninsured receivables with an individual balance below CHF 1 million	70,959	87,753
Less lifetime expected credit losses for trade receivables	(24,969)	(14,984)
Total trade receivables measured at amortized cost (Note 3.7.8)	**311,463**	**364,809**
of which:		
not overdue	287,526	329,728
lifetime expected credit losses for trade receivables not overdue	(5,885)	(7,394)
expected credit loss rate	2.05%	2.24%
past due less than 90 days	31,932	39,847
lifetime expected credit losses for trade receivables past due less than 90 days	(4,638)	(2,039)
expected credit loss rate	14.52%	5.12%
past due more than 90 days	16,974	10,218
lifetime expected credit losses for trade receivables past due more than 90 days	(14,446)	(5,551)
expected credit loss rate	85.11%	54.33%
Total trade receivables measured at amortized cost (Note 3.7.8)	**311,463**	**364,809**

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

Movements in allowance for impairment losses of financial assets

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

in thousands of CHF	Cash and cash equivalents	Deposits	Trade receivables	Other receivables	Other financial assets	Total
as of September 1, 2019	**964**	**10**	**14,984**	**8,948**	**11**	**24,917**
Changes to expected credit losses on financial assets already recognized at the beginning of the fiscal year	17	–	1,034	745	–	1,796
Changes to expected credit losses on new financial assets originated during the fiscal year	253	21	13,493	2,011	5	15,783
Write-offs	(14)	–	(810)	(669)	–	(1,493)
Unused amounts reversed	(671)	(11)	(2,024)	(254)	(5)	(2,965)
Currency translation adjustment	(47)	(1)	(1,708)	57	(1)	(1,700)
as of August 31, 2020	**502**	**19**	**24,969**	**10,838**	**10**	**36,338**

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

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3.7.5 Liquidity risk

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

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

Contractual maturities

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

as of August 31, 2020	Carrying amount	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF					
Non-derivative financial liabilities					
Bank overdrafts	(103,603)	(103,603)	–	–	(103,603)
Short-term debt	(461,375)	(461,375)	–	–	(461,375)
Trade payables	(652,379)	(652,379)	–	–	(652,379)
Lease liabilities	(186,868)	(38,948)	(89,809)	(80,299)	(209,056)
Long-term debt	(2,006,328)	(45,950)	(1,206,955)	(960,148)	(2,213,053)
Other current liabilities	(291,440)	(291,440)	–	–	(291,440)
Derivatives					
Interest rate derivatives	(14,465)	(2,107)	(9,558)	(2,370)	(14,035)
Currency derivatives					
Inflow	(35,712)	4,368,281	63,652	–	4,431,933
Outflow	52,353	(3,962,906)	(62,311)	–	(4,025,217)
Commodity derivatives (gross settled)					
Inflow	(88,637)	1,275,330	58,858	–	1,334,188
Outflow	(28,824)	(902,450)	–	–	(902,450)
Commodity derivatives (net settled)					
Inflow	195,127	191,061	4,066	–	195,127
Outflow	(242,262)	(242,181)	(81)	–	(242,262)
Total net	**(3,864,413)**	**(868,667)**	**(1,242,138)**	**(1,042,817)**	**(3,153,622)**

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

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3.7.6 Derivative financial instruments

as of August 31,	2020		2019	
in thousands of CHF	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Cash flow hedges				
Interest rate risk				
Swaps	–	14,465	–	16,455
Cocoa price risk				
Forward and futures contracts	878	1,041	405	470
Sugar price risk				
Futures contracts	10,823	8,534	564	12,214
Fuel oil price risk				
Swaps	1,172	–	–	–
Foreign exchange risk				
Forward and futures contracts	1,224	1,675	2,519	30
Fair value hedges				
Cocoa price risk				
Forward and futures contracts	56,698	100,897	46,038	55,014
Foreign exchange risk				
Forward and futures contracts	10,387	13,751	4,450	8,051
Other – no hedge accounting				
Raw materials				
Futures contracts and other derivatives	125,556	131,790	350,919	424,198
Forward contract at fair value using fair value option	18,259	39,945	17,672	72,633
Fair value adjustment on risk component for cocoa and chocolate sales and purchase contracts	49,712	145,487	125,838	80,321
Foreign exchange risk				
Fair value of hedged firm commitments	28,339	23,981	24,599	18,216
Forward and futures contracts	62,936	46,926	43,281	53,780
Total derivative financial assets	**365,984**	–	**616,284**	–
Total derivative financial liabilities	–	**528,492**	–	**741,383**

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

The position “Other – no hedge accounting” contains the fair values of derivative financial instruments of the Group’s purchasing and sourcing centers and the Group’s Treasury department, which are not designated into a hedge accounting relationship.

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3.7.7 Offsetting financial assets and financial liabilities

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

as of August 31, 2020	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Related amounts not set off in the balance sheet: Financial instruments	Related amounts not set off in the balance sheet: Cash collateral received or deposited	Related amounts not set off in the balance sheet: Net amount
in thousands of CHF						
Derivative financial assets	724,143	(358,159)	365,984	**(120,785)**	**(24,731)**	**220,468**
Derivative financial liabilities	886,651	(358,159)	528,492	**(120,785)**	**(12,568)**	**395,139**

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

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty allows for net settlement of the relevant financial assets and liabilities when both elect to settle on a net basis. In the absence of such an election, financial assets and liabilities will be settled on a gross basis, however, each party to the master netting agreement or similar agreement will have the option to settle all such amounts on a net basis in the event of default, insolvency or bankruptcy or following other events predefined in the contract by the counterparty. In the comparative period, the Group presented its derivatives on a gross basis as it did not make the election to net. The cash collateral received and deposited is reported on lines “Trade payables and other current liabilities” and “Trade receivables and other current assets” in the Consolidated Balance Sheet.

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3.7.8 Fair value of financial instruments

a) Methods and assumptions

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

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

Long-term debt

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

Derivative financial assets and liabilities

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

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

as of August 31, 2020	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	–	1,385,976	–	–	1,385,976	1,385,976
Short-term deposits	–	6,251	–	–	6,251	6,251
Trade receivables	75,941	311,463	–	–	387,404	387,404
Derivative financial assets	365,984	–	–	–	365,984	365,984
Accrued income	–	22,643	–	–	22,643	22,643
Loans and other receivables	–	12,257	–	–	12,257	12,257
Other current financial assets	–	16,655	–	–	16,655	16,655
Other non-current financial assets	–	4,017	–	–	4,017	4,017
Total financial assets	**441,925**	**1,759,262**	**–**	**–**	**2,201,187**	**2,201,187**
Bank overdrafts	–	–	–	103,603	103,603	103,603
Short-term debt	–	–	–	461,375	461,375	461,375
Short-term lease liabilities	–	–	–	36,543	36,543	36,543
Trade payables	–	–	–	652,379	652,379	652,379
Accrued expenses	–	–	–	102,681	102,681	102,681
Other payables	–	–	–	188,759	188,759	188,759
Derivative financial liabilities	–	–	528,492	–	528,492	528,492
Long-term debt	–	–	–	2,006,328	2,006,328	2,079,575
Long-term lease liabilities	–	–	–	150,325	150,325	150,325
Total financial liabilities	**–**	**–**	**528,492**	**3,701,993**	**4,230,485**	**4,303,732**

as of August 31, 2019	Financial assets (mandatorily) measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities (mandatorily) measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
in thousands of CHF						
Cash and cash equivalents	–	557,827	–	–	557,827	557,827
Short-term deposits	–	1,549	–	–	1,549	1,549
Trade receivables	84,387	364,809	–	–	449,196	449,196
Derivative financial assets	616,284	–	–	–	616,284	616,284
Accrued income	–	32,689	–	–	32,689	32,689
Loans and other receivables	–	63,945	–	–	63,945	63,945
Other current financial assets	–	18,823	–	–	18,823	18,823
Other non-current financial assets	–	16,049	–	–	16,049	16,049
Total financial assets	**700,671**	**1,055,690**	**–**	**–**	**1,756,361**	**1,756,361**
Bank overdrafts	–	–	–	132,638	132,638	132,638
Short-term debt	–	–	–	197,003	197,003	197,003
Short-term lease liabilities	–	–	–	–	–	–
Trade payables	–	–	–	632,152	632,152	632,152
Accrued expenses	–	–	–	110,635	110,635	110,635
Other payables	–	–	–	202,782	202,782	202,782
Derivative financial liabilities	–	–	741,383	–	741,383	741,383
Long-term debt	–	–	–	1,534,453	1,534,453	1,638,705
Long-term lease liabilities	–	–	–	–	–	–
Total financial liabilities	**–**	**–**	**741,383**	**2,809,663**	**3,551,046**	**3,655,298**

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b) Fair value hierarchy of financial instruments

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

The fair value hierarchy has the following levels:

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

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

as of August 31, 2020	Level 1	Level 2	Level 3	Total
in thousands of CHF				
Trade receivables	–	–	75,941	**75,941**
Derivative financial assets	193,554	172,430	–	**365,984**
Derivative financial liabilities	210,634	317,858	–	**528,492**

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

From the value of derivative financial assets and derivative financial liabilities as at August 31, 2020, CHF 18.3 million and CHF 40.0 million, respectively, relate to the fair values of executory contracts measured at fair value applying the fair value option (2019: CHF 17.7 million and CHF 72.6 million). The fair value of each executory contract measured at fair value using the fair value option was calculated using the methods described in Level 2.

The Group maintains asset-backed securitization programs for trade receivables, transferring the contractual rights to the cash flow or third-party receivables. These receivables are derecognized. Trade receivables measured at fair value are receivables dedicated to the securitization programs, but not yet remitted to the asset-purchasing company.

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

There have been no transfers between the fair value hierarchy levels during the fiscal years 2019/20 and 2018/19.

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3.7.9 Effect of hedge accounting on the financial position and performance

a) Impact of hedging instruments designated in hedging relationships

The impact of hedging instruments designated in hedging relationships as of August 31, 2020 on the Group's Consolidated Balance Sheet is as follows:

in CHF million	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument		Line item in the Consolidated Balance Sheet where the hedging instrument is reported	Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness
as of August 31, 2020		Assets	Liabilities		
Cash flow hedges					
Interest rate risk					
Swaps	494.2	–	14.5	Derivative financial assets Derivative financial liabilities	3.9
Cocoa price risk					
Futures contracts	(22.8)	0.9	1.0	Derivative financial assets Derivative financial liabilities	(0.2)
Sugar price risk					
Futures contracts	46.8	10.8	8.5	Derivative financial assets Derivative financial liabilities	19.4
Fuel oil price risk					
Swaps	12.5	1.2	–	Derivative financial assets Derivative financial liabilities	1.3
Foreign exchange risk					
Forward and futures contracts	(16.4)	1.2	1.7	Derivative financial assets Derivative financial liabilities	–
Fair value hedges					
Cocoa price risk					
Futures contracts	(439.3)	56.7	100.9	Derivative financial assets Derivative financial liabilities	90.1
Foreign exchange risk					
Forward and futures contracts	423.1	10.4	13.8	Derivative financial assets Derivative financial liabilities	38.8
Receivables	269.5	269.5	–	Trade receivables and other current assets	2.3
Payables	(295.8)	–	295.8	Trade payables and other current liabilities	(4.5)
Debts	(0.5)	–	0.5	Short-term debt	–
Cash instruments	14.9	14.9	–	Cash and cash equivalents	0.0

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

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b) Impact of hedged items designated in hedging relationships

The impact of hedged items designated in hedging relationships as of August 31, 2020 on the Group's Consolidated Balance Sheet is as follows:

in CHF million	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments included in the carrying amount of the hedged item		From the accumulated amount of fair value hedge adjustments: part related to hedged items that ceased to be adjusted for hedging gains or losses		Line item in the Consolidated Balance Sheet where the hedged item is reported	Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
as of August 31, 2020	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities			
Cash flow hedges									
Interest rate risk									
Forecasted interest payments	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(3.9)	(20.0)
Cocoa price risk									
Forecasted cocoa sales	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0.2	(0.2)
Sugar price risk									
Forecasted sugar purchases	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(19.4)	3.0
Fuel oil price risk									
Forecasted fuel oil expenditures	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(1.5)	0.9
Foreign exchange risk									
Forecasted purchase and sales transactions denominated in foreign currency	n/a	n/a	n/a	n/a	n/a	n/a	n/a	–	(1.5)
Fair value hedges									
Cocoa price risk									
Cocoa and chocolate stocks	1,187.4	n/a	2.2	n/a	–	n/a	Inventories	5.0	n/a
Risk component of cocoa and chocolate purchase and sales contracts	49.7	145.5	49.7	145.5	–	–	Derivative financial assets Derivative financial liabilities	(91.2)	n/a
Foreign exchange risk									
Firm purchase and sales commitments denominated in foreign currency	28.3	24.0	28.3	24.0	–	–	Derivative financial assets Derivative financial liabilities	(32.8)	n/a

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

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

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

Cash flow hedges	Change in the fair value of the hedging instrument recognized in other comprehensive income	Hedge ineffectiveness recognized in the Consolidated Income Statement	Amount reclassified from the cash flow hedge reserve to the Consolidated Income Statement	Line item in the Consolidated Income Statement impacted by the reclassification from cash flow hedge reserve
as of August 31, 2020				
in CHF million				
Interest rate risk	1.8	–	2.5	Finance expense
Cocoa price risk	(0.1)	–	0.0	Cost of goods sold
Sugar price risk	7.6	–	7.3	Cost of goods sold
Fuel oil price risk	1.0	–	–	Cost of goods sold
Foreign exchange risk	(2.1)	–	(1.5)	Cost of goods sold

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

This table includes the changes in the fair value of the hedging instruments recognized in Other comprehensive income throughout the entire fiscal year 2019/20 (including hedge accounting relationships ended before August 31, 2020).

The table in section 3.7.9a “Impact of hedging instruments designated in hedging relationships” (refer to column “Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness”) includes the fair value changes of hedging instruments that are related to hedge accounting relationships, which were still active as at August 31, 2020.

Notes to the Consolidated Financial Statements

Fair value hedges

in CHF million	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported
as of August 31, 2020		
Cocoa price risk	3.8	Cost of goods sold
Foreign exchange risk	3.8	Cost of goods sold

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

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

Notes to the Consolidated Financial Statements

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

in thousands of CHF	Cocoa price risk	Sugar price risk	Fuel oil price risk	Foreign exchange risk	Interest rate risk	Total hedging reserve
as of September 1, 2018	**(1,101)**	**(8,871)**	**–**	**1,837**	**(8,122)**	**(16,256)**
Gains/(losses) taken into equity	8	(5,859)	–	2,747	(23,449)	(26,553)
Transfer to initial carrying amount of the hedged item	–	(183)	–	(95)	–	(279)
Transfer to the Consolidated Income Statement for the period	1,088	4,589	–	(1,958)	2,149	5,867
thereof:						
due to hedged cash flows that are no longer expected to occur/ineffectiveness	–	–	–	–	–	–
due to hedged item affected the Consolidated Income Statement	1,088	4,589	–	(1,958)	2,149	5,867
Tax effect on cashflow hedges	(37)	447	–	(104)	5,363	5,669
Currency translation adjustment	(16)	(18)	–	–	811	777
as of August 31, 2019	**(58)**	**(9,896)**	**–**	**2,427**	**(23,247)**	**(30,775)**
Gains/(losses) taken into equity	(110)	7,585	974	(2,105)	1,781	8,125
Transfer to initial carrying amount of the hedged item	–	(122)	–	(730)	–	(852)
Transfer to the Consolidated Income Statement for the period	3	7,256	–	(1,489)	2,472	8,242
thereof:						
due to hedged cash flows that are no longer expected to occur/ineffectiveness	(15)	(2,155)	–	1,712	–	(458)
due to hedged item affected the Consolidated Income Statement	18	9,411	–	(3,201)	2,472	8,700
Tax effect on cashflow hedges	6	(1,783)	(83)	316	(1,271)	(2,815)
Currency translation adjustment	11	(10)	10	36	294	341
as of August 31, 2020	**(148)**	**3,030**	**901**	**(1,545)**	**(19,971)**	**(17,734)**

3.7.10 Timing, nominal amount and pricing of hedging instruments

The following table provides information about the maturity of the nominal amount and interest rates attached to the swaps held by the Group as of August 31, 2020 to hedge its interest rate risk:

as of August 31, 2020	Period of maturity			
	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	–	292.0	202.2	494.2
Average interest rate	–	0.20%	0.37%	0.27%

as of August 31, 2019	Period of maturity			
	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	–	136.2	228.2	364.3
Average interest rate	–	0.18%	0.51%	0.39%

Notes to the Consolidated Financial Statements

As of August 31, 2020, the Group held the following cocoa bean futures and other contracts accounted as derivatives to hedge the cocoa price risk exposure on its hedged items:

as of August 31, 2020	Period of maturity September–December current year	January–May next year	After May next year	Total
Nominal amount (in tonnes, net long/(short))	1,464	128,347	56,232	186,043
Average price (in CHF per tonne)	1,945	2,104	2,283	n/a

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

As of August 31, 2020, the Group held the following sugar futures to hedge the sugar price risk exposure on its forecasted sugar purchases:

as of August 31, 2020	Period of maturity September–October current year	November current year–May next year	After May next year	Total	Hedge rates (in USD cents per pound)
Nominal amount (in thousands of pounds, long)	90,944	107,277	144,597	342,818	9.97-12.19

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

As of August 31, 2020, the Group held the following fuel oil swaps to hedge the fuel oil price risk exposure on its forecasted freight expenditures:

as of August 31, 2020	Period of maturity September current year–June next year	July–December next year	After next year	Total	Hedge rates (in USD per tonne)
Nominal amount (in tonnes, long)	18,633	5,000	17,800	41,433	266 - 366

as of August 31, 2019	Period of maturity September current year–June next year	July–December next year	After next year	Total	Hedge rates (in USD per tonne)
Nominal amount (in tonnes, long)	–	–	–	–	n/a

Notes to the Consolidated Financial Statements

Information about the foreign exchange forwards and futures in case of the major foreign currency hedging pairs held by the Group as of August 31, 2020 to hedge its foreign exchange risk:

as of August 31, 2020	Period of maturity			
	Current year	Next year	After next year	Total
GBP exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	72.5	(230.7)	(50.2)	(208.4)
Average foreign exchange rate (EUR/GBP)	0.917	0.920	0.933	n/a
USD exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(39.3)	(75.2)	4.2	(110.3)
Average foreign exchange rate (EUR/USD)	1.124	1.230	1.155	n/a
GBP exposure hedging in entities whose functional currency is USD				
Nominal amount (CHF million, long/(short))	159.1	20.5	3.7	183.3
Average foreign exchange rate (USD/GBP)	0.781	0.790	0.786	n/a
USD exposure hedging in entities whose functional currency is BRL				
Nominal amount (CHF million, long/(short))	(104.0)	–	–	(104.0)
Average foreign exchange rate (BRL/USD)	0.182	–	–	n/a

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

Notes to the Consolidated Financial Statements

Accounting policies	
Derivative financial instruments	Derivative financial instruments are accounted for at fair value with fair value changes recognized in the Consolidated Income Statement. As the Group also acts as a cocoa bean trader, certain cocoa bean purchase and sales contracts are net cash settled and therefore, contracts allocated to the same portfolio are treated as derivative contracts. Additionally, the Group applies the fair value option for its third-party executory forward purchase and sales contracts (available under IFRS 9 as an alternative to the off-balance sheet treatment). These exemptions are applied for those cocoa contracts where the measurement eliminates or significantly reduces an accounting mismatch that would otherwise occur on own use contracts.
Hedge accounting	The Group requires cocoa beans and semi-finished cocoa products for its operations. The Group is exposed to adverse cocoa price movements on the purchase side due to increasing cocoa prices, on the sales side and inventory held due to decreasing cocoa prices. The Group applies fair value hedge accounting to hedge its cocoa price risk embedded in its chocolate inventories and sales contracts as well as in the cocoa inventories, purchase and sales contracts and uses cocoa bean futures to manage cocoa price risks. The Group is also exposed to increasing sugar prices and fuel oil prices with regard to its forecasted sugar purchases and forecasted fuel consumption, respectively. The Group therefore applies cash flow hedge accounting when it hedges its sugar price risk embedded in its forecasted sugar purchases with sugar futures. The Group enters into sales and purchase contracts denominated in various currencies. The foreign currency risks exposure arising from these firm commitments and highly probable transactions are hedged by the Group's treasury department. The Group applies fair value hedge accounting to its firm commitments. The Group's interest rate risk is managed with interest rate derivatives. Hedge accounting is applied to derivatives that are effective in offsetting the changes in fair value or cash flows of the hedged items. The hedge relationship is documented and the effectiveness of such hedges is tested at regular intervals, at least on a semi-annual basis.

Notes to the Consolidated Financial Statements

Fair value hedging – for commodity price risks and foreign currency exchange risks related to the Contract business	To reflect the Group's activities of hedging its cocoa price risk exposure embedded in the cocoa and chocolate inventories and unrecognized firm commitments, the Group applies fair value hedge accounting. In this fair value hedge accounting relationship, the chocolate inventories and unrecognized firm sales commitments and the cocoa inventories, unrecognized firm purchase and sales commitments, respectively, are designated as hedged items whereby cocoa bean futures are designated as hedging instruments. When cocoa and chocolate inventory is designated as a hedged item, the subsequent cumulative change in the fair value of the inventory attributable to the hedged cocoa price risk is adjusting the carrying amount of the hedged item (change of inventory cost value) with a corresponding gain or loss in the Consolidated Income Statement. When unrecognized firm cocoa and chocolate commitments (purchase and sales contracts) are designated as hedged items, the subsequent cumulative change in the fair value of these contracts attributable to the hedged cocoa price risk is recognized as an asset or a liability (reported as "Derivative financial assets" and "Derivative financial liabilities") with a corresponding gain or loss in the Consolidated Income Statement. The hedging instrument is recorded at fair value under "Derivative financial assets" or "Derivative financial liabilities", and the changes in the fair value of the hedging instrument are also recognized in the Consolidated Income Statement. For foreign currency exchange risks related to firm purchase and sales commitments in certain entities, fair value hedge accounting is applied. The hedge relationship is between the unrecognized firm commitments (hedged items) and the foreign currency forward contracts and/or monetary items (hedging instruments). The changes in fair value of the hedging instruments (attributable to foreign currency exchange rate movements) are recognized in the Consolidated Income Statement. The cumulative change in the fair value of the hedged items (unrecognized firm commitments) attributable to the foreign currency risk is recognized as "Derivative financial assets" or "Derivative financial liabilities" with a corresponding gain or loss in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

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

Notes to the Consolidated Financial Statements

3.8 Financial result

Composition of finance income

in thousands of CHF	2019/20	2018/19
Interest income	6,697	10,644
Share of result of equity-accounted investees, net of tax	282	235
Total finance income	**6,978**	**10,879**

Composition of finance expense

in thousands of CHF	2019/20	2018/19
Interest expense	(94,664)	(137,806)
Amortization of structuring fees	(2,538)	(3,997)
Charges on undrawn portion of committed credit facilities	(1,337)	(2,082)
Net interest costs related to defined benefit plans (Note 4.2)	(3,495)	(4,511)
Total interest expense	**(102,034)**	**(148,396)**
Bank charges and other financial expense	(3,763)	(4,640)
Foreign exchange losses, net	(1,158)	(1,701)
Loss on derivative financial instruments	(2,471)	(4,562)
Total finance expense	**(109,425)**	**(159,299)**

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

Structuring fees are mainly attributable to the amortization of fees capitalized for the EUR 1,000 million Revolving Credit Facility (as amended and extended from time to time), the USD 400 million Senior Note, issued June 2013, the EUR 450 million Senior Note, issued May 2016, the EUR 600 million equivalent Schuldscheindarlehen, issued February 2019, the EUR 60 million Private Placement, issued May 2020, and the CHF 450 million equivalent Schuldscheindarlehen, issued July 2020.

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

Notes to the Consolidated Financial Statements

4 Employees

4.1 Personnel expenses

in thousands of CHF	2019/20	2018/19
Wages and salaries	(542,500)	(544,642)
Compulsory social security contributions	(93,379)	(98,720)
Equity-settled share-based payments (Note 4.2)	(12,512)	(15,043)
Expenses related to defined benefit pension plans (Note 4.2)	(12,469)	(6,625)
Expenses related to other long-term benefit plans (Note 4.2)	(1,086)	(2,578)
Contributions to defined contribution plans (Note 4.2)	(11,617)	(8,654)
Increase in liability for long service leave	(79)	(96)
Total personnel expenses	**(673,642)**	**(676,358)**
Amounts capitalized as assets	26,203	24,704
Total personnel expenses recognized in Consolidated Income Statement	**(647,439)**	**(651,654)**

4.2 Employee benefits

Post-employment and other long-term employee benefits

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

The largest defined benefit pension plans (funded) are located in Switzerland, Belgium, the US and the UK. Together, these plans represent 95.0% (2018/19: 95.0%) of the Group's total gross defined benefit pension obligations and 98.0% (2018/19: 98.0%) of the Group's total plan assets.

Notes to the Consolidated Financial Statements

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

as of August 31,	2020			2019			2020	2019
in thousands of CHF	Defined benefit pension plans						Other long-term benefit plans	
	Funded	Unfunded	Total	Funded	Unfunded	Total	Total	Total
Switzerland								
Weighted average duration in years	18	–		18	–			
Present value of obligations	92,258	–	92,258	107,223	–	107,223	–	–
Fair value of plan assets	(72,401)	–	(72,401)	(69,897)	–	(69,897)	–	–
Net plan liabilities (assets) – Switzerland	**19,857**	**–**	**19,857**	**37,326**	**–**	**37,326**	**–**	**–**
Belgium								
Weighted average duration in years	14	–		15	–		15	16
Present value of obligations	97,507	–	97,507	101,243	–	101,243	10,539	11,416
Fair value of plan assets	(46,551)	–	(46,551)	(41,182)	–	(41,182)	–	–
Net plan liabilities (assets) – Belgium	**50,956**	**–**	**50,956**	**60,061**	**–**	**60,061**	**10,539**	**11,416**
US								
Weighted average duration in years	12	–		11	–		5	5
Present value of obligations	84,830	–	84,830	89,212	–	89,212	115	133
Fair value of plan assets	(46,802)	–	(46,802)	(51,308)	–	(51,308)	–	–
Net plan liabilities (assets) – US	**38,028**	**–**	**38,028**	**37,904**	**–**	**37,904**	**115**	**133**
UK								
Weighted average duration in years	18	–		18	–			
Present value of obligations	72,462	–	72,462	78,041	–	78,041	–	–
Fair value of plan assets	(87,350)	–	(87,350)	(82,965)	–	(82,965)	–	–
Net plan liabilities (assets) – UK	**(14,888)**	**–**	**(14,888)**	**(4,924)**	**–**	**(4,924)**	**–**	**–**
Rest of the world								
Weighted average duration in years	16	9		18	10		21	14
Present value of obligations	17,386	17,032	34,418	19,007	17,408	36,415	5,843	7,124
Fair value of plan assets	(5,714)	–	(5,714)	(5,818)	–	(5,818)	–	–
Net plan liabilities (assets) – Rest of the world	**11,672**	**17,032**	**28,704**	**13,189**	**17,408**	**30,597**	**5,843**	**7,124**
Total								
Present value of obligations	364,443	17,032	381,475	394,726	17,408	412,134	16,497	18,674
Fair value of plan assets	(258,819)	–	(258,819)	(251,170)	–	(251,170)	–	–
Net plan liabilities (assets) – Total	**105,624**	**17,032**	**122,656**	**143,556**	**17,408**	**160,964**	**16,497**	**18,674**
Net balances recognized in the Consolidated Balance Sheet								
Net employee benefit assets	**–**	**–**	**(14,888)**	**–**	**–**	**(4,924)**	**–**	**–**
Net employee benefit obligations	**–**	**–**	**137,544**	**–**	**–**	**165,889**	**16,497**	**18,674**

Notes to the Consolidated Financial Statements

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

	2019/20	2018/19	2019/20	2018/19
in thousands of CHF	Defined benefit pension plans		Other long-term benefit plans	
Present value of defined benefit obligation as of September 1,	**412,134**	**351,570**	**18,674**	**15,898**
Currency translations	44	414	79	–
Current service cost	15,119	12,729	1,545	934
Past service cost	(2,650)	725	–	142
Remeasurement of other long-term employee benefits	–	–	(841)	1,501
Interest expense	4,737	7,990	509	573
Losses/(gains) on curtailment	1	(6,826)	382	–
Total recognized in income statement	**17,251**	**15,032**	**1,674**	**3,150**
Actuarial losses/(gains)	(24,340)	72,661	(1,325)	3,109
thereof:				
arising from changes in demographic assumptions	(225)	(2,817)	(937)	–
arising from changes in financial assumptions	(17,697)	68,882	(38)	3,439
arising from experience adjustments	(6,418)	6,596	(350)	(330)
Exchange differences on foreign plans	(9,404)	(8,207)	(2,110)	(591)
Total recognized in other comprehensive income	**(33,744)**	**64,454**	**(3,435)**	**2,518**
Reclassifications	–	2,217	318	(2,217)
Contribution by employees	4,342	4,450	–	–
Benefits received	6,977	9,682	–	(98)
Benefits paid	(25,484)	(35,271)	(734)	(577)
Total other	**(14,165)**	**(18,922)**	**(416)**	**(2,892)**
Present value of defined benefit obligation as of August 31,	**381,476**	**412,134**	**16,497**	**18,674**
thereof:				
funded obligations	364,444	394,726	–	–
unfunded obligations	17,032	17,408	16,497	18,674

The Group expects to pay CHF 23.0 million in employer contributions to defined pension plans in the fiscal year 2020/21 (2019/20: CHF 18.4 million).

Actuarial gains amounted to CHF 25.7 million for the current fiscal year (2018/19: actuarial losses of CHF 75.8 million), which is mainly related to changes in the financial assumptions such as the development of discount rates. The respective amounts were recognized in Other comprehensive income.

Effective January 2019, the plan regulations in Switzerland were partially modified, resulting in a change in accounting from defined benefit to defined contribution for certain components of the Swiss pension plans. This partial plan settlement resulted in a pre-tax curtailment gain of CHF 6.8 million in the fiscal year 2018/19 and a corresponding reduction of the defined benefit obligation.

Notes to the Consolidated Financial Statements

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

in thousands of CHF	2019/20	2018/19
	Defined benefit pension plans	
Opening fair value of plan assets as of September 1,	**251,170**	**242,200**
Currency translations	75	263
Interest income	1,751	4,052
Gains/(losses) on curtailment	1	1
Total recognized in income statement	**1,827**	**4,316**
Return on plan assets excl. interest income	6,253	11,874
Exchange differences on foreign plans	(4,660)	(5,515)
Total recognized in other comprehensive income	**1,593**	**6,359**
Contributions by employer	16,469	17,758
Contributions by employees	4,341	4,450
Benefits received	6,976	9,682
Benefits paid	(23,557)	(33,595)
Total other	**4,229**	**(1,705)**
Fair value of plan assets as of August 31,	**258,819**	**251,170**

The plan assets consist of the following categories of securities:

as of August 31,	2020	2019
in thousands of CHF	Defined benefit pension plans	
Equities	72,984	74,557
Bonds	136,751	139,334
Insurance portfolio	12,029	11,355
Cash and other assets	37,055	25,924
Total fair value of plan assets	**258,819**	**251,170**

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

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

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

in thousands of CHF	2019/20	2018/19	2019/20	2018/19
	Defined benefit pension plans		Other long-term benefit plans	
Current service costs	15,119	12,729	1,545	934
Net interest expense	2,986	3,938	509	573
Net currency translations	(31)	151	79	–
Past service cost	(2,650)	725	–	142
Losses/(gains) on curtailments and settlements	–	(6,827)	382	–
Remeasurement	–	–	(841)	1,501
Total expenses related to defined benefit plans and other long-term benefit plans recognized in income statement	**15,424**	**10,716**	**1,674**	**3,150**

in thousands of CHF	2019/20	2018/19
Total defined contribution expenses recognized in income statement	**11,617**	**8,654**

Notes to the Consolidated Financial Statements

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

in thousands of CHF	2019/20	2018/19
Cost of goods sold	3,850	3,316
Marketing and sales expenses	529	645
General and administration expenses	8,449	3,852
Research and Development expenses	727	682
Other expense	–	708
Personnel expenses	**13,555**	**9,203**
Interest expense	3,495	4,511
Foreign exchange gains/(losses)	48	152
Finance expense	**3,543**	**4,663**
Total expenses related to defined benefit plans and other long-term benefit plans recognized in income statement	**17,098**	**13,866**

Actuarial assumptions

Weighted average actuarial assumptions used are as follows:

	2019/20	2018/19	2019/20	2018/19
	Defined benefit pension plans		Other long-term benefit plans	
Discount rate	1.7%	1.0%	2.6%	3.2%
Expected rate of pension increase	0.0%	0.0%	0.0%	0.0%
Expected rate of salary increase	1.5%	1.4%	1.3%	1.2%

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

	Mortality table	2020	2019	2020	2019
		Life expectancy at age 65 for a male member		Life expectancy at age 65 for a female member	
Switzerland	LPP 2015	22	22	24	24
Belgium	MR/FR	21	21	25	25
UK	S3NMA/S3NFA	22	22	25	24
US	MP2018/ MP2017	21	21	23	23

Sensitivity analysis

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

as of August 31,	2020	2019	2020	2019
in thousands of CHF	Increase		Decrease	
Discount rate (1% movement)	(74,480)	(76,656)	74,480	76,656
Expected rate of pension increase (1% movement)	23,842	25,945	(23,842)	(25,945)
Expected rate of salary increase (1% movement)	26,971	29,448	(26,971)	(29,448)
Life expectancy at age 65 (1% movement)	(9,096)	(8,904)	9,096	8,904

Notes to the Consolidated Financial Statements

Description of the defined benefit plans

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

Defined benefit plans Switzerland

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

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

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

Effective January 2019, the plan regulations in Switzerland were partially modified, resulting in a change in accounting from defined benefit to defined contribution for certain components of the Swiss pension plans.

Defined benefit plans – Other countries

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

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

Notes to the Consolidated Financial Statements

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

Share-based payments

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

Long-Term Incentive Plan (LTIP)

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

The current LTIP has been in place since fiscal year 2016/17 and has been amended for the fiscal year 2018/19, where members of the Executive Committee were granted a fourth exceptional tranche, which vests subject to a four-year cliff vesting based on outperforming the Mid-Term Plan targets in terms of volume growth (CAGR; 25%), EBIT (25%), cumulative Free cash flow (25%) and Return on invested capital (ROIC) (25%) for the period September 2018 to August 2022. The maximum payout opportunity for this tranche is 100% of target. For the fiscal year 2019/20, there is no such additional tranche.

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

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

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

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

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

Notes to the Consolidated Financial Statements

The Board of Directors reserves the right to suspend or adjust the vesting of the share units in case of a negative result from continuous operations of the Barry Callebaut Group. Once the shares are vested and transferred, they are free of any sales restrictions. Any award granted under the LTIP is subject to clawback and malus provisions. In case of a material misstatement of financial results or a serious reputational damage to Barry Callebaut due to fraud of willful intent, or of a gross misconduct which would qualify as a cause for termination, the Board of Directors may forfeit or claim back vested or unvested share units, within a period of two years after the vesting of the award.

The overall vesting of the LTI award (including RSU, PSU and the fourth exceptional tranche) ranges from 50% to 200% of the initially determined number of the share units granted for members of the Executive Committee.

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

The fair value of the RSU granted (no performance condition) is estimated by taking the market price at grant date less the present value of the expected dividends that will not be received on these RSU during the vesting period. 2,726 share awards were granted in fiscal year 2019/20 with an average fair value of CHF 1,982 (in fiscal year 2018/19: 2,895 share awards with an average fair value of CHF 1,699).

The fair value of the PSU, of which the vesting is conditional upon the relative share price performance, is assessed as per grant date based on a valuation performed by external experts applying the “Monte Carlo simulation” method. The most relevant parameters relating to Barry Callebaut and the relevant peer group are the risk-free interest rate, annualized volatility, the share price and the dividend yields. The risk-free rates reflect three-year government bonds of the country of origin of the respective company and range from –0.7% to 2.1%. The volatilities and correlations are based on daily returns of a company’s share at its respective exchange of origin over a three-year period preceding the start of the vesting cycle (the annualized volatility for Barry Callebaut and its peer group ranges from 13.9% to 26.7%). The dividend yields are based on dividends paid over a three-year period preceding the start of the vesting cycle and range from 0.7% to 3.7%. The share prices are denominated in their respective currency and retrieved for the specified point in time. The base share price taken into account for Barry Callebaut is the share price at grant date and amounted to CHF 2,024.

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

In fiscal year 2019/20, 1,494 PSU were granted to members of the ExCo with an average fair value of CHF 2,366 (in fiscal year 2018/19: 1,862 share awards with an average fair value of CHF 1,925). To the other plan participants, 1,219 share awards with an average fair value of CHF 2,366 per share were granted in fiscal year 2019/20 (in fiscal year 2018/19: 1,034 share awards with an average fair value of CHF 1,925).

Board of Directors

The Board of Directors receives share awards annually for the respective service period. These share awards are not part of the share plans described above and are determined by the NCC as a fixed number of shares. The total number of shares awarded for the service period amounted to 1,830 with an average fair value of CHF 1,999 per share (2018/19: 2,190 share awards with an average fair value of CHF 1,614 per share).

Notes to the Consolidated Financial Statements

Recognition in financial statements

The fair value of the share awards at grant date is recognized over the vesting period as a personnel expense under either of these share plans. For 2019/20, the amount thus recognized (before taxes) was CHF 12.5 million with a corresponding increase in equity (2018/19: CHF 15.0 million). Of the amount recognized in 2019/20, CHF 8.9 million related to the LTIP (2018/19: CHF 11.5 million) and CHF 3.6 million to the BoD plan (2018/19: CHF 3.5 million).

Accounting policies

Employee benefit obligations/post-employment benefits

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

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

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

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

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

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

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

Notes to the Consolidated Financial Statements

Defined contribution plans	Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. The Group has no further payment obligations once the contributions have been paid.
Post-employment benefits other than pensions	Certain subsidiaries provide health care and insurance benefits for a portion of their retired employees and their eligible dependents. The cost of these benefits is actuarially determined and included in the related function expenses over the employees' working lives. The related liability is also included in the position "Other long-term benefit plans".
Other long-term employee benefits	Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations (including jubilee plans and other long-service award plans). That benefit is discounted to determine its present value. Related remeasurement costs are recognized in the Consolidated Income Statement. The related liability is included in the position "Other long-term benefit plans".
Termination benefits	Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits or when the Group recognizes costs for restructuring.
Long-Term Incentive Plan	For the LTIP, Barry Callebaut AG shares are purchased on the market and passed on to satisfy the awards. In accordance with IFRS 2, the compensation costs relating to share awards granted under this deferred share plan are recognized in the Consolidated Income Statement over the vesting period at their fair value as at the grant date.

Notes to the Consolidated Financial Statements

5 Group Structure and Related Parties

5.1 Acquisitions

Acquisitions in 2019/20

GKC Foods

On July 1, 2020, the Group acquired GKC Foods (Australia) Pty Ltd, a producer of chocolate, coatings and fillings, serving many consumer chocolate brands in Australia and New Zealand. GKC is based in Melbourne, Australia.

This strategic acquisition establishes Barry Callebaut's direct presence and manufacturing capacity in the growing Australian market, empowers the Group to expand its position in the industrial chocolate market and to leverage its value-adding Gourmet & Specialties business in the new market.

Barry Callebaut's investment involves upgrading and expanding the factory's existing infrastructure. GKC will employ around 50 people at the site, including existing employees, who transferred to Barry Callebaut.

The preliminary fair value of the purchase consideration amounts to CHF 3.4 million; CHF 2.8 million was fully paid in cash, the remaining CHF 0.6 million was recognized as "Other payables" and paid in October 2020 upon finalizing the completion statement. The acquisition-related costs in the amount of CHF 0.2 million were expensed and included in "Other expenses". The agreement with the seller does not contain arrangements for contingent considerations.

The purchase price allocation resulted in net identifiable assets of CHF 3.3 million, resulting in a goodwill of CHF 0.1 million. Identifiable net assets consist mainly of CHF 4.0 million of right-of-use assets and a respective lease liability and CHF 3.0 million of property, plant and equipment.

Since July 1, 2020, the acquired business contributed CHF 0.3 million to revenues from sales and services and a CHF 0.4 million loss to net profit. Had it been consolidated from September 1, 2019, it would have contributed revenues from sales and services of CHF 3.1 million and a loss to net profit for the fiscal year of CHF 0.5 million in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements

Acquisitions in 2018/19

Inforum

On January 31, 2019, Barry Callebaut completed the acquisition of CJSC Inforum-Prom (Inforum), a leading Russian business-to-business producer of chocolate, compounds and fillings, serving many of the well-known consumer chocolate brands in Russia. Inforum was founded in 1989 and started its business selling cocoa products. The company operates a production site in Kasimov, Ryazan Oblast, and employs more than 300 people. The transaction was successfully closed and the Group acquired 100% of the outstanding shares.

This strategic acquisition has strengthened Barry Callebaut's presence and production capacity in the high-growth Russian market, allowed it to expand its market position in the Food Manufacturers business, leverage its value-adding Gourmet & Specialties business and to further increase market penetration in CIS countries and export markets.

The preliminary fair value of the purchase consideration amounted to CHF 41.1 million, thereof CHF 28.3 million paid in cash. CHF 10.0 million of the contingent consideration of CHF 12.8 million were paid out during fiscal year 2019/20. The remaining amount will be paid out upon the achievement of specified criteria and is included in "Other current liabilities" and "Other non-current liabilities".

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

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

The goodwill of CHF 31.6 million arising from the acquisition is attributable to strengthening Barry Callebaut's presence in the high-growth Russian market as well as synergies and leverage achieved by the integration of the business into the Group's footprint in this emerging region. The goodwill has been allocated to Region EMEA and is not deductible for income tax purposes.

Since January 31, 2019, the acquired business contributed CHF 47.0 million to revenues from sales and services and CHF 2.7 million to net profit. Had it been consolidated from September 1, 2018, it would have contributed estimated revenues

Notes to the Consolidated Financial Statements

from sales and services of CHF 88.0 million and an estimated net profit for the fiscal year 2018/19 of CHF 4.5 million to the Consolidated Income Statement.

Burton's Biscuit Company

On December 8, 2018, the Group acquired the chocolate manufacturing assets of Burton's Biscuit Company. Burton's Biscuit Company is based in Moreton, UK, and is the second biggest biscuit manufacturer in the UK.

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

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

The consideration transferred was CHF 6.7 million, fully paid in cash. The acquisition-related costs in the amount of CHF 0.8 million were expensed and included in "Other expense" (of which CHF 0.2 million were already expensed in fiscal year 2017/18 in "General and administration expenses"). The agreements with the seller did not contain arrangements for contingent considerations.

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

Since December 8, 2018, the acquired business contributed CHF 27.8 million to revenues from sales and services and a CHF –1.2 million loss to net profit. Had it been consolidated from September 1, 2018, it would have contributed revenues from sales and services of CHF 41.7 million and a net loss of CHF –1.0 million for the fiscal year 2018/19 in the Consolidated Income Statement.

5.2 Discontinued operations and disposal

The Group did not have any discontinued operations or disposals in 2019/20 and 2018/19.

Notes to the Consolidated Financial Statements

5.3 Group entities

The principal subsidiaries of Barry Callebaut as of August 31, 2020, are as follows:[1]

Country	Subsidiary	Municipality of registration	%-owned	Currency	Capital
Switzerland	Barry Callebaut Cocoa AG	Zürich	100	EUR	81,515
	Barry Callebaut Management Services AG	Zürich	100	CHF	100,000
	Barry Callebaut Schweiz AG	Dübendorf	100	CHF	4,600,000
	Barry Callebaut Sourcing AG	Zürich	100	CHF	2,000,000
	Cabosse Naturals Switzerland AG	Zürich	100	CHF	1,000,000
Australia	Barry Callebaut (Australia) Pty Ltd	Melbourne	100	AUD	10
	GKC Foods (Australia) Pty Ltd	Melbourne	100	AUD	100,000
Belgium	Barry Callebaut Belgium N.V.	Lebbeke-Wieze	100	EUR	61,521,544
	Barry Callebaut Manufacturing Halle BV	Halle	100	EUR	15,488,952
	Barry Callebaut Services N.V.	Lebbeke-Wieze	100	EUR	929,286,000
	Cabosse Naturals N.V.	Halle	100	EUR	2,076,411
	International Business Company Belgium BV	Kortrijk (Heule)	100	EUR	65,000
	Pierre Iserentant SA	Thimister-Clermont	100	EUR	260,908
Brazil	Barry Callebaut Brasil Indústria e Comércio de Produtos Alimentícios Ltda.	São Paulo	100	BRL	451,600,810
Cameroon	Barry Callebaut Cameroun SA	Douala	100	XAF	10,000,000
	Société Industrielle Camerounaise des Cacaos SA	Douala	81	XAF	1,959,531,000
Canada	Barry Callebaut Canada Inc.	St.-Hyacinthe	100	CAD	2,000,000
	D'Orsogna Sweet Ingredients Ltd	Ontario	100	CAD	1,000,000
Chile	Barry Callebaut Chile SpA	Santiago	100	CLP	27,988,650,000
China	Barry Callebaut (Suzhou) Chocolate Co., Ltd.	Suzhou	100	CNY	219,137,532
	Barry Callebaut (Suzhou) Chocolate R&D Center Co., Ltd.	Suzhou	100	CNY	13,970,504
Côte d'Ivoire	Barry Callebaut Négoce SA	Abidjan	100	XOF	3,700,000,000
	Biopartenaire SA	Yamoussoukro	100	XOF	7,600,000,000
	Société Africaine de Cacao SA	Abidjan	100	XOF	25,695,651,316
	Societe Ivoirienne de Services Agricoles SA	Abidjan	100	XOF	10,000,000
Czech Republic	Barry Callebaut Czech Republic s.r.o.	Prague-Vinohrady	100	CZK	200,000
Denmark	Barry Callebaut Denmark ApS	Hostebro	100	DKK	500,000
Ecuador	Barry Callebaut Ecuador SA	Guayaquil	100	USD	5,050,000
France	Barry Callebaut France SAS	Hardricourt	100	EUR	67,900,000
	Barry Callebaut Manufacturing France SAS	Hardricourt	100	EUR	6,637,540
	Barry Callebaut Nord Cacao SAS	Gravelines	100	EUR	3,037,000
Germany	Barry Callebaut Cocoa Germany GmbH	Hamburg	100	EUR	25,000
	Barry Callebaut Deutschland GmbH	Cologne	100	EUR	52,000
	Barry Callebaut Manufacturing Norderstedt GmbH & Co. KG	Norderstedt	100	EUR	50,100
	Tagungs- und Seminarzentrum Schloss Marbach GmbH	Öhningen	100	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd.	Tema	100	USD	9,204,219
	Nyonkopa Cocoa Buying Ltd.	Kumasi	100	GHS	4,250,000
	BC Farm Services Ltd.	Accra Newtown	100	GHS	2,850,000
Great Britain	Barry Callebaut (UK) Ltd	Banbury, Oxfordshire	100	GBP	3,200,000
	Barry Callebaut Beverages UK Ltd	Chester	100	GBP	40,000
	Barry Callebaut Manufacturing (UK) Ltd	Banbury, Oxfordshire	100	GBP	15,467,852
Greece	Barry Callebaut Hellas Single Member SA	Athens	100	EUR	25,000
India	Barry Callebaut India Private Ltd	Maharashtra	100	INR	292,299,040
	Dorsogna Sweet Ingredients Private Ltd	Maharashtra	100	INR	93,546,460
Indonesia	P.T. Barry Callebaut Comextra Indonesia	Makassar	100	USD	31,460,000
	P.T. Barry Callebaut Indonesia	Bandung	100	IDR	60,446,400,000
	P.T. Papandayan Cocoa Industries	Bandung	100	USD	40,000,000
Israel	Barry Callebaut Israel Ltd	Tel Aviv	100	ILS	10

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Country	Subsidiary	Municipality of registration	%-owned	Currency	Capital
Italy	Barry Callebaut Italia S.p.A.	Milano	100	EUR	104,000
	Barry Callebaut Manufacturing Italia S.p.A.	Milano	100	EUR	2,646,841
	Dolphin S.r.l.	Milano	100	EUR	110,000
	D'Orsogna Dolciaria S.r.l.	San Vito Chietino	100	EUR	5,000,000
Japan	Barry Callebaut Japan Ltd.	Amagasaki	100	JPY	835,000,000
Korea	Barry Callebaut Chocolate Asia Pacific Pte. Ltd., Korea Branch	Seoul	100	KRW	–
Malaysia	Barry Callebaut Malaysia Sdn Bhd	Petaling Jaya	100	USD	11,119,936
	Barry Callebaut Manufacturing Malaysia Sdn Bhd	Johor Bahru	100	USD	10,000,000
	Barry Callebaut Services Asia Pacific Sdn Bhd	Petaling Jaya	100	MYR	500,000
Mexico	Barry Callebaut Chocolates, S. de R.L. de CV	Nuevo Leon	100	MXN	3,000
	Barry Callebaut Cocoa Management Services SA de CV	Mexico City	100	MXN	100,000
	Barry Callebaut Mexico Distributors SA de CV	Escobedo N.L.	100	MXN	108,950,000
	Barry Callebaut Mexico, S. de R.L. de CV	Monterrey	100	MXN	13,027,200
	Barry Callebaut Servicios, SA de CV	Mexico City	100	MXN	50,000
	DCMX Cocoa, SA de CV	Mexico City	100	MXN	1,304,967
	Centro de Capacitación Academia de Chocolate México S.A.P.I. de C.V.	Mexico City	100	MXN	10,000
Morocco	Barry Callebaut Maroc SARLAU	Casablanca	100	MAD	280,000
Nigeria	BC Nigeria Cocoa & Chocolate Limited	Lagos	100	NGN	10,000,000
Philippines	Cocoa Ingredients (Philippines) Inc.	Makati City	100	USD	200,000
Poland	Barry Callebaut Manufacturing Polska Sp. z o.o.	Lodz	100	PLN	10,000,000
	Barry Callebaut Polska Sp. z o.o.	Lodz	100	PLN	50,000
	Barry Callebaut SSC Europe Sp. z.o.o.	Lodz	100	PLN	2,000,000
Russia	Barry Callebaut NL Russia LLC	Moscow-Chekhov	100	RUB	864,510,182
	CJSC Inforum-Prom	Kasimov	100	RUB	100,000
Serbia	Barry Callebaut South East Europe d.o.o.	Belgrade	100	RSD	38,460,161
Singapore	Barry Callebaut Chocolate Asia Pacific Pte. Ltd	Singapore	100	USD	80,121,785
	Barry Callebaut Cocoa Asia Pacific Pte Ltd	Singapore	100	USD	558,130,320
South Africa	Barry Callebaut South Africa (Pty) Ltd	Johannesburg	100	ZAR	–
Spain	Barry Callebaut Ibérica SL	Barcelona	100	EUR	25,000
	Barry Callebaut Manufacturing Ibérica SA	Gurb	100	EUR	987,600
	La Morella Nuts SA	Castellvell del Camp	100	EUR	344,553
Sweden	ASM Foods AB	Mjölby	100	SEK	2,000,000
	Barry Callebaut Sweden AB	Kågeröd	100	EUR	11,428
Tanzania	Biolands International Ltd.	Moshi	100	TZS	40,000,000
Thailand	Barry Callebaut Thailand Company Ltd	Bangkok	100	USD	5,000,000
The Netherlands	Barry Callebaut Cocoa Netherlands B.V.	Zundert	100	EUR	18,000
	Barry Callebaut Decorations B.V.	Zundert	100	EUR	18,242
	Barry Callebaut Nederland B.V.	Zundert	100	EUR	21,435,000
	Dings-Decor B.V.	Nuth	70	EUR	22,689
	Hoogenboom Benelux B.V.	Zundert	100	EUR	18,152
Turkey	Barry Callebaut Eurasia Gida Sanayi Ve Ticaret Ltd. Sti.	Istanbul	100	TRL	183,000,000
United Arab Emirates	Barry Callebaut Eurasia Gida Sanayi Ve Ticaret Ltd. Sti., Dubai Branch	Dubai	100	AED	–
USA	Barry Callebaut North America Holding Inc.	Wilmington, DE	100	USD	1,003
	Barry Callebaut USA Holding Inc.	Wilmington, DE	100	USD	1,001
	Barry Callebaut U.S.A. LLC	Wilmington, DE	100	USD	–
	Barry Callebaut USA Service Company Inc.	Wilmington, DE	100	USD	1,000

1 The following subsidiaries are inactive or in liquidation: Bio United Ltd, GOR Trade LLC, C.J. van Houten & Zoon Holding GmbH, Barry Callebaut Holdings (UK) Ltd., BC Chocodesign Participacoes Ltda., Barry Callebaut Produktions Deutschland GmbH, Van Houten (Asia-Pacific) Ltd, Adis Holdings Inc., Barry Callebaut Nigeria, Barry Callebaut Cocoa USA Inc.

Notes to the Consolidated Financial Statements

Accounting policies

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

Notes to the Consolidated Financial Statements

5.4 Significant shareholders and related parties

Significant shareholder

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

as of August 31,	2020	2019
Jacobs Holding AG	40.1%	50.1%
Renata Jacobs	5.0%	5.0%
BlackRock, Inc.[1]	3.1%	3.1%
Invesco Ltd.	n/a	3.0%

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

Related parties

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

in thousands of CHF	Nature of cost/revenue	2019/20	2018/19
Other operating expenses charged by related parties		**(250)**	**(817)**
Jacobs Holding AG	Management services	(250)	(817)

as of August 31,		2020	2019
in thousands of CHF			
Other payables to related parties		**117**	**–**
Jacobs Holding AG		117	–

Compensation of key management personnel

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

in million CHF	2019/20	2018/19
Short-term employee benefits	14.6	16.2
Post-employment benefits	2.4	2.4
Share-based payments	9.6	11.9
Total	**26.6**	**30.5**

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

Notes to the Consolidated Financial Statements

6 Taxes

6.1 Income taxes

Income tax expense

in thousands of CHF	2019/20	2018/19
Current income tax expenses	(72,161)	(66,837)
Deferred income tax expenses	2,950	(17,200)
Total income tax expenses	**(69,211)**	**(84,037)**

Reconciliation of income taxes

in thousands of CHF	2019/20	2018/19
Profit before income taxes	**380,705**	**452,768**
Expected income tax expenses at weighted average applicable tax rate	(70,166)	(84,029)
Non-tax deductible expenses	(8,335)	(9,145)
Tax-deductible items not qualifying as an expense under IFRS	25,685	4,926
Tax-exempt income	10,418	17,743
Income recognized for tax declarations purposes only	(1,606)	(5,012)
Prior-period-related items	193	(6,073)
Changes in tax rates	(2)	(529)
Losses carried forward not yet recognized as deferred tax assets	(28,261)	(10,233)
Tax relief on losses carried forward formerly not recognized as deferred tax assets	2,863	8,314
Total income taxes	**(69,211)**	**(84,037)**

For the reconciliation above the weighted average applicable tax rate was 18.4% in 2019/20 (2018/19: 18.6 %).

The weighted average applicable tax rate has, year-on-year, slightly decreased mainly due to changes in the country mix of profit before taxes and modified corporate tax rates in certain tax jurisdictions. The current year income tax expense of CHF 69.2 million includes a one-off, cash neutral tax expense of CHF 1.0 million resulting from the Swiss tax reform, related to the revaluation of the deferred tax assets and liabilities to the newly enacted cantonal tax rates which became effective as of January 1, 2020. The enactment of the Swiss tax reform has also resulted in the recognition of a deferred tax income of CHF 9.4 million in 2019/20.

The Group's effective tax rate in 2019/20 is 18.2% on a non-adjusted basis and 17.9% excluding the one-off deferred tax impact relating to the Swiss tax reform (2018/19: 18.6%).

The tax relief on losses carried forward previously not recognized as deferred tax assets of CHF 2.9 million (2018/19: CHF 8.3 million) consists of CHF 2.9 million tax relief of utilization on tax losses carried forward previously not recognized (2018/19: CHF 4.0 million) and CHF 0.0 million of tax losses recognized for the first time in 2019/20 (2018/19: CHF 4.3 million).

Notes to the Consolidated Financial Statements

6.2 Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities

in thousands of CHF	Inventories	Property, plant, equipment/ intangible assets	Other assets	Provisions	Other liabilities	Tax loss carry-forwards	Total
as of September 1, 2018	**(2,667)**	**(53,283)**	**12,022**	**(1,648)**	**6,509**	**35,199**	**(3,868)**
Charged to the income statement	61	(20,996)	13,382	1,054	(3,803)	(6,898)	(17,200)
Recognized in other comprehensive income	–	–	635	(2)	25,675	–	26,308
Effect of acquisitions	–	(27)	39	–	(29)	–	(17)
Effect of disposals	–	52	1	–	1,314	–	1,367
Currency translation effects	200	1,105	(137)	(13)	(485)	(673)	(4)
Reclassifications	13,603	(5,735)	(3,565)	–	(4,303)	–	–
as of August 31, 2019	**11,197**	**(78,885)**	**22,377**	**(609)**	**24,878**	**27,628**	**6,586**
as of September 1, 2019	**11,197**	**(78,885)**	**22,377**	**(609)**	**24,878**	**27,628**	**6,586**
Charged to the income statement	(1,654)	(17,919)	11,050	(956)	13,845	(1,416)	2,950
Recognized in other comprehensive income	–	–	(23)	2	(4,726)	–	(4,747)
Effect of acquisitions	–	–	–	–	–	–	–
Effect of disposals	–	(1,882)	1	–	(165)	51	(1,995)
Currency translation effects	(511)	4,388	(2,476)	63	457	(1,168)	753
Reclassifications	–	–	–	–	–	–	–
as of August 31, 2020	**9,032**	**(94,298)**	**30,929**	**(1,500)**	**34,289**	**25,095**	**3,547**

For fiscal year 2019/20, deferred tax expense recognized in other comprehensive income amounted to CHF 4.7 million (2018/19: deferred tax income CHF 26.3 million), and this relates to remeasurement of defined benefit plans of CHF 1.9 million (2018/19: deferred tax income of CHF 20.6 million) and to cash flow hedging reserves CHF 2.8 million (2018/19: deferred tax income of CHF 5.7 million).

Recognized deferred tax assets and liabilities

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

as of August 31,	2020			2019		
in thousands of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Inventories	19,289	(10,257)	9,032	19,560	(8,363)	11,197
Property, plant and equipment/Intangible assets	13,835	(108,133)	(94,298)	12,246	(91,131)	(78,885)
Other assets	41,738	(10,809)	30,929	33,651	(11,274)	22,377
Provisions	540	(2,040)	(1,500)	732	(1,341)	(609)
Other liabilities	48,135	(13,846)	34,289	44,841	(19,964)	24,877
Tax losses carried forward	25,095	–	25,095	27,628	–	27,628
Tax assets/(liabilities)	**148,632**	**(145,085)**	**3,547**	**138,658**	**(132,072)**	**6,586**
Setoff within same tax jurisdiction	(65,086)	65,086	–	(51,789)	51,789	–
Reflected in the balance sheet	**83,546**	**(79,999)**	**3,547**	**86,869**	**(80,283)**	**6,586**

Notes to the Consolidated Financial Statements

For fiscal year 2019/20, deferred tax assets amounting to CHF 11.5 million were recognized that are depending on future taxable profits in excess of existing taxable temporary differences for entities which suffered fiscal losses in the current period. Such fiscal losses in fiscal year 2019/20 were fully resulting from the economic impact of the COVID-19 crisis and should be considered as non-recurring.

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

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

as of August 31,	2020	2019
in thousands of CHF		
Expiry:		
Within 1 year	683	981
After 1 up to 2 years	114	1,194
After 2 up to 3 years	1,095	597
After 3 up to 10 years	6,733	31,655
After 10 years	241	393
Unlimited	406,955	370,670
Total unrecognized tax losses carried forward	**415,821**	**405,490**

Tax losses carried forward utilized during the year 2019/20 were CHF 41.0 million (2018/19: CHF 98.9 million). The related tax relief amounted to CHF 7.3 million, of which CHF 4.4 million were already recognized as a deferred tax asset in the previous year (2018/19: CHF 20.8 million of which CHF 16.8 million were already recognized as a deferred tax asset in the previous year) and CHF 2.9 million that were previously not recognized (2018/19: CHF 4.0 million).

As at August 31, 2020, the Group had unutilized tax losses carried forward of approximately CHF 516.7 million (2018/19: approximately CHF 542.9 million) available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 100.9 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 25.1 million (2018/19: CHF 137.5 million recognized resulting in a deferred tax asset of CHF 27.6 million). The net decrease of CHF 2.5 million in the deferred tax asset on recognized tax losses carried forward consists of CHF 3.0 million recognition of current year tax losses carried forward, CHF 4.4 million utilization of tax losses already recognized as a deferred tax asset in prior year, CHF 0.1 million increase due to tax rate changes and CHF 1.2 million negative impact relating to currency translation adjustments.

Notes to the Consolidated Financial Statements

Accounting policies	
Taxes	Current income taxes are recognized based on taxable income, whereas other taxes such as non-recoverable taxes withheld on management fees and royalties received or paid are reported under "Other expenses". Non-recoverable withholding taxes are only accrued if distribution by subsidiary companies is foreseen. Income taxes are calculated in accordance with the tax regulations in effect in each country. Current and deferred tax liabilities and assets for uncertain tax positions according to IFRIC 23 are considered based on the probability of the related uncertain tax positions and measured based on the single most probable outcome or the weighted average expected outcome of the uncertain tax positions. The Group determines the expected income tax rate by weighing the applicable tax rates in the jurisdictions concerned based on the profit before taxes per jurisdiction. The applicable expected tax rate per company is the domestic corporate income tax rate applicable to the profit before taxes of the company for the respective fiscal year. Deferred income taxes are recognized using the balance sheet liability method. Deferred income tax applies to all temporary differences arising between the tax values of assets and liabilities and their values in the Consolidated Financial Statements. The recoverability of deferred tax assets is assessed based on the availability of sufficient fiscal profitability in the future to absorb the future tax deduction of the related temporary differences or the related tax losses carried forward. Deferred tax liabilities related to the investments in subsidiaries and joint ventures are not recognized to the extent the Group is able to control the timing of the reversal of these temporary differences and it is probable that these temporary differences will not reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

7 Other Disclosures

7.1 Other accounting policies

Foreign currency transactions

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

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

Foreign currency translation

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

Major foreign exchange rates

	2019/20		2018/19	
	Closing rate	Average rate	Closing rate	Average rate
BRL	0.1659	0.2077	0.2368	0.2573
EUR	1.0755	1.0753	1.0892	1.1254
GBP	1.2056	1.2265	1.2013	1.2733
MXN	0.0413	0.0464	0.0490	0.0514
RUB	0.0122	0.0142	0.0148	0.0151
USD	0.9038	0.9656	0.9851	0.9932
XOF/XAF (unit 1,000)	1.6396	1.6393	1.6605	1.7156

Government grants

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

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

Notes to the Consolidated Financial Statements

7.2 Subsequent events

Approval of the Financial Statements

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 9, 2020, and are subject to approval by the Annual General Meeting of Shareholders on December 9, 2020.

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

Statutory Auditor's Report

To the General Meeting of Barry Callebaut AG, Zurich

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Barry Callebaut AG and its subsidiaries (the Group), which comprise the consolidated balance sheet as at 31 August 2020 and the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 August 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

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

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

Key Audit Matters

Existence and Valuation of Inventory

Derivative Financial Instruments and Hedge Accounting

Valuation of Goodwill

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

Existence and Valuation of Inventory

Key Audit Matter	Our response
Inventory forms a significant part of the Group's assets, amounting to CHF 1,909.9 million as of 31 August 2020. Inventory consists of physical items and is managed globally by using own capacities, third party warehouses and logistics services providers. Inventory is measured at the lower of cost and net realisable value, except for inventory that qualifies as the hedged item in a fair value hedge relationship (cocoa and non-cocoa commodities, semi-finished and finished products). These inventories are measured at cost, adjusted for the hedging gain or loss on the hedged item. We focused on this area because of its size, the assumptions used in the valuation, volatility of raw material prices and the complexity of the supply chain, which are relevant when determining the amounts recorded, including the elimination of unrealized profits on inventory.	We have, amongst others, performed the following audit procedures: — Obtaining an understanding over the supply chain and testing selected key controls over the recognition and measurement of inventory; — For a sample of warehouse locations, observe the stock-take procedures and assessing their adequacy, performing independent stock counts and reconciling the amounts to the accounting records, and reconciling third party confirmations to the accounting records. Due to measures to confine the Covid-19 pandemic, access to numerous warehouse locations to observe management stock-take procedures or to perform independent stock counts was restricted. In these instances, we tested the existence of inventory through alternative means such as the use of real-time video and communication technology to direct and oversee related activities of facility personnel on the ground; — Testing on a sample basis the accuracy of cost for inventory by verifying purchase prices and actual production costs, and testing the net realisable value by comparing actual cost with relevant market data; — Testing on a sample basis the application and accuracy of hedge accounting and the underlying fair values; — Evaluating the adequacy of the intercompany profit elimination on inventory and related derivative financial instruments by assessing the methodology applied based on our knowledge and understanding of the Group; — Testing the model and recalculating the amounts to be eliminated from inventory and related derivative financial instruments.

For further information on Inventory refer to the following:

— Notes to the Consolidated Financial Statements – 2.4 Inventories (page 65)

Derivative Financial Instruments and Hedge Accounting

Key Audit Matter

The Group reports derivative financial assets at fair value of CHF 366.0 million and derivative financial liabilities at fair value of CHF 528.5 million as of 31 August 2020.

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

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

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

Our response

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

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

— Reconciling derivative financial instruments data to third party confirmations;

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

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

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

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

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

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

— Notes to the Consolidated Financial Statements – 3.7 Financial risk management (pages 80 to 105)

Valuation of Goodwill

Key Audit Matter

The Group reports goodwill totalling CHF 822.8 million as of 31 August 2020, arising from past business combinations.

Management has to assess goodwill for impairment on a yearly basis using a discounted cash flow model to determine the value in use of goodwill balances. This requires the use of a number of key assumptions and judgments, including the estimated future cash flows, long-term growth rates, profitability levels and discount rates applied.

Furthermore, in case of business combinations occurring during the reporting period, management applies judgement in allocating the goodwill to the appropriate cash-generating units (CGUs).

We focused on this area in light of the amounts involved and the level of judgement and estimation required.

Our response

Our audit procedures included, amongst others, evaluating the methodical and mathematical accuracy of the model used for the impairment testing, the appropriateness of the assumptions, and the methodology used by management to prepare its cash flow forecasts. We involved our own valuation specialists to support our procedures.

In particular, we performed the following:

— Gaining an understanding and assessing the reasonableness of business plans by comparing the assumptions to prior year;

— Comparing business plan data against budgets and the mid-term plan as approved by the Board of Directors;

— Recalculating independently the value in use;

— Challenging the robustness of the key assumptions used to determine the value in use, cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible;

— Conducting sensitivity analysis, taking into account the Group’s historical forecasting accuracy; and

— Comparing the sum of net asset value to the market capitalisation of the Group.

We also considered the appropriateness of disclosures in the consolidated financial statements.

For further information on Goodwill refer to the following:

— Notes to the Consolidated Financial Statements – 2.3 Intangible assets (pages 62 to 65)

Other Information in the Annual Report

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

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

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

Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

— Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

— Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, 9 November 2020

Financial Statements of Barry Callebaut AG

Income Statement

for the fiscal year	2019/20	2018/19
in thousands of CHF		
Income		
Dividend income	100,000	101,300
License income	61,721	65,294
Management fees	45,040	44,513
Other finance income	1,645	2,260
Other operating income	118	1,113
Total income	**208,524**	**214,480**
Expenses		
Finance expense	(14,264)	(12,719)
Personnel expense	(47,680)	(68,689)
Other operating expense	(35,874)	(36,550)
Depreciation of property, plant and equipment	(721)	(539)
Amortization of intangible assets	(1,106)	(661)
Total expenses	**(99,645)**	**(119,158)**
Profit before taxes	**108,879**	**95,322**
Direct taxes	(1,180)	457
Net profit for the year	**107,699**	**95,779**

Available earnings

in thousands of CHF	2019/20	2018/19
Available earnings as of September 1,	**1,475,805**	**1,511,488**
Dividends to shareholders (gross)	(142,710)	(131,461)
Net profit	107,699	95,779
Available earnings as of August 31,	**1,440,794**	**1,475,805**

Financial Statements of Barry Callebaut AG

Balance Sheet

Assets

as of August 31, in thousands of CHF	2020	2019
Current assets		
Cash and cash equivalents	605	307
Other short-term receivables		
Other short-term receivables from third parties	411	357
Other short-term receivables from Group companies	27,802	36,403
Prepaid expenses and accrued income	159	702
Total current assets	**28,977**	**37,769**
Non-current assets		
Investments in Group companies	2,280,816	2,257,326
Property, plant and equipment	1,551	1,786
Intangible assets		
Trademarks	91	261
Patents/R&D Development projects	1,394	1,419
Other	269	764
Total non-current assets	**2,284,121**	**2,261,556**
Total assets	**2,313,098**	**2,299,325**

Liabilities and shareholders' equity

as of August 31, in thousands of CHF	2020	2019
Current liabilities		
Bank overdrafts	–	11
Other short-term payables		
to third parties	6,524	7,871
to Group companies	13,723	14,907
to shareholders	–	89
Short-term interest-bearing loans from Group companies	222,635	578,596
Short-term provisions	30,082	45,617
Accrued expenses and deferred income		
to third parties	14,352	17,843
to Group companies	1,827	276
to shareholders	117	67
Total current liabilities	**289,260**	**665,277**
Non-current liabilities		
Long-term interest-bearing loans from Group companies	580,600	152,000
Total non-current liabilities	**580,600**	**152,000**
Total liabilities	**869,860**	**817,277**
Shareholders' equity		
Share capital [1]	110	110
Legal capital reserves		
Reserves from capital contributions	39	39
Legal retained earnings		
General legal retained earnings	25,600	25,600
Voluntary retained earnings		
Available earnings		
Profit brought forward	1,333,095	1,380,026
Net profit for the year	107,699	95,779
Treasury shares	(23,305)	(19,506)
Total shareholders' equity	**1,443,238**	**1,482,048**
Total liabilities and shareholders' equity	**2,313,098**	**2,299,325**

1 The share capital as of August 31, 2020, consists of 5,488,858 fully paid-in shares at a nominal value of CHF 0.02 (prior year: 5,488,858 shares with a nominal value of CHF 0.02).

Financial Statements of Barry Callebaut AG

Notes to the Financial Statements

1 Principles

1.1 General aspects

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

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

1.2 Investments

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

1.3 Treasury shares

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

1.4 Share-based payments

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

1.5 Short-term interest-bearing loans

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

1.6 Long-term interest-bearing loans

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

1.7 Revenue recognition for Management fees and Licence income

Management fees and license income are recorded as revenue when realized.

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

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

Financial Statements of Barry Callebaut AG

2 Information on balance sheet and income statement items

2.1 Prepaid expenses and accrued income

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

2.2 Investments

as of August 31,					2020	2019
Name and domicile	Municipality of registration	Share capital		Purpose	Percentage of ownership[1]	
Barry Callebaut Belgium N.V., Belgium	Lebbeke-Wieze	EUR	61,521,544	Production, sales	100%	99.99%
Barry Callebaut Cocoa AG, Switzerland	Zurich	EUR	81,515	Production, sales	100%	100%
Barry Callebaut Decorations B.V., The Netherlands	Zundert	EUR	18,242	Production, sales	100%	100%
Barry Callebaut Management Services AG, Switzerland	Zurich	CHF	100,000	Management services	100%	100%
Barry Callebaut Manufacturing Halle B.V., Belgium	Halle	EUR	15,488,952	Production, sales	100%	100%
Barry Callebaut Nederland B.V., The Netherlands	Zundert	EUR	21,435,000	Sales	100%	100%
BC Nigeria Cocoa & Chocolate Limited, Nigeria	Lagos	NGN	10,000,000	Dormant	1%	1%
Barry Callebaut Schweiz AG, Switzerland	Dübendorf	CHF	4,600,000	Production, sales	100%	100%
Barry Callebaut Services N.V., Belgium	Lebbeke-Wieze	EUR	929,286,000	Centralized treasury, management services	100%	99.99%
Barry Callebaut Sourcing AG, Switzerland	Zurich	CHF	2,000,000	Sourcing	100%	100%
Cabosse Naturals N.V., Belgium	Halle	EUR	2,076,411	Research and Development	100%	99%
Cabosse Naturals Switzerland AG, Switzerland	Zurich	CHF	1,000,000	Research and Development	100%	100%
C.J. van Houten & Zoon Holding GmbH, Germany	Norderstedt	EUR	72,092,155	Holding	100%	100%
Tagungs- und Seminarzentrum Schloss Marbach GmbH, Germany	Öhningen	EUR	1,600,000	Conference and training center	100%	100%
Adis Holding Inc., Panama	Panama City	CHF	41,624,342	In liquidation	100%	100%

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

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

2.3 Short-term interest-bearing loans from Group companies

as of August 31,	Maturity	Interest	2020	2019
in thousands of CHF				
Short-term loan from Group companies	20.09.2019	0.000%	–	578,500
Short-term loan from Group companies	21.09.2020	1.106%	222,600	–
Bank overdraft from Group companies	n/a	0.315%	35	96
Total			**222,635**	**578,596**

Financial Statements of Barry Callebaut AG

2.4 Accrued expenses and deferred income

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

2.5 Long-term interest-bearing loans from Group companies

as of August 31,	Maturity	Interest	2020	2019
in thousands of CHF				
Loan from Group companies	13.02.2027	1.455%	21,000	21,000
Loan from Group companies	13.02.2026	1.351%	11,000	11,000
Loan from Group companies	13.02.2027	1.495%	110,000	110,000
Loan from Group companies	13.02.2029	1.636%	10,000	10,000
Loan from Group companies	28.07.2025	1.685%	15,000	–
Loan from Group companies	28.07.2025	1.531%	36,500	–
Loan from Group companies	13.02.2026	1.426%	69,000	–
Loan from Group companies	13.02.2026	1.800%	115,000	–
Loan from Group companies	27.01.2027	1.639%	58,600	–
Loan from Group companies	27.01.2027	1.768%	5,000	–
Loan from Group companies	13.02.2027	1.605%	67,000	–
Loan from Group companies	27.07.2028	1.897%	49,500	–
Loan from Group companies	13.02.2029	2.299%	13,000	–
Total			**580,600**	**152,000**

2.6 Lease commitments

The future non-cancellable lease commitments are related to a new lease agreement entered during the fiscal year 2019/20.

for the fiscal year	2019/20
in thousands of CHF	
Future lease commitments	
within the next 5 years	5,680
more than 5 years	805
Total future lease commitments	**6,485**

2.7 Share capital and authorized capital

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

2.8 Treasury shares

	Number of transactions	Lowest rate in CHF	Highest rate in CHF	Average rate of transaction in CHF	Quantity
Inventory as of September 1, 2018	–	–	–	–	**11,661**
Purchase	8	1,702	1,952	1,726	13,200
Allocations to management	2	–	–	1,784	(11,733)
Allocations to board members	1	–	–	–	(1,830)
Inventory as of August 31, 2019	–	–	–	–	**11,298**
Purchase	12	1,678	2,023	1,842	14,840
Allocations to management	2	–	–	1,727	(11,111)
Allocations to board members	1	–	–	–	(2,190)
Inventory as of August 31, 2020	–	–	–	–	**12,837**

As at balance sheet date, acquisition costs for directly held treasury shares amounted to CHF 23.3 million (previous year: CHF 19.5 million).

Financial Statements of Barry Callebaut AG

2.9 Dividend income

In the reporting year, dividend income amounted to CHF 100 million (previous year: CHF 101.3 million). The amount in this year was fully related to the dividend distributed by Barry Callebaut Sourcing AG, Switzerland for fiscal year 2018/19.

2.10 Other finance income

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

2.11 License income

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

2.12 Management fees

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

2.13 Finance expense

for the fiscal year	2019/20	2018/19
in thousands of CHF		
Bank interest and charges	36	109
Interest to Group companies	9,020	4,180
Foreign exchange losses	5,208	8,430
Total	**14,264**	**12,719**

2.14 Other operating expense

for the fiscal year	2019/20	2018/19
in thousands of CHF		
Fees lawyers and consulting	10,885	11,109
Other expenses third parties	7,531	8,689
Assistance fees related parties	250	817
Assistance fees Group companies	17,208	15,935
Total	**35,874**	**36,550**

Financial Statements of Barry Callebaut AG

3 Other information

3.1 Full-time equivalents

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

3.2 Liens, guarantees and pledges in favor of third parties

- The Company is a co-debtor for bank loans of max. EUR 1,000 million (CHF 1,075.52 million; 2018/19: CHF 816.9 million) obtained by Barry Callebaut Services N.V., Belgium, on March 24, 2020, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 1,417.5 million less 35% withholding tax).
- The Company is also a co-debtor to the Senior Notes of USD 400 million (CHF 361.52 million; 2018/19: CHF 394 million) issued by Barry Callebaut Services N.V., Belgium, on June 20, 2013, to the Senior Notes of EUR 450 million (CHF 483.99 million; 2018/19: CHF 490.2 million) issued by Barry Callebaut Services N.V., Belgium, on May 24, 2016, to the Schuldscheindarlehen of EUR 467 million (CHF 502.27 million) and CHF 152 million disbursed by Barry Callebaut Services N.V., Belgium, on February 13, 2019, to a private placement of EUR 60 million (CHF 64.53 million) disbursed by Barry Callebaut Services N.V., Belgium, on May 27, 2020, as well as to the Schuldscheindarlehen of EUR 402.5 million (CHF 432.90 million) and CHF 20 million disbursed by Barry Callebaut Services N.V., Belgium, on July 27, 2020. The maximal liability is limited to the freely distributable retained earnings (CHF 1,417.5 million less 35% withholding tax).
- The Company issued several guarantees for various credit facilities granted to direct and indirect subsidiaries for an amount of up to CHF 1,288.5 million (2018/19: CHF 1,323.4 million).

3.3 Contingent liabilities

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

3.4 Significant shareholders

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

as of August 31,	2020	2019
Jacobs Holding AG	40.1%	50.1%
Renata Jacobs	5.0%	5.0%
BlackRock, Inc.[1]	3.1%	3.1%
Invesco Ltd.	n/a	3.0%

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

Financial Statements of Barry Callebaut AG

3.5 Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

Number of shares as of August 31,		2020	2019
Name	Function		
Patrick De Maeseneire	Chairman	1,750	1,250
Markus R. Neuhaus	Vice Chairman; Chairman of the AFRQCC	256	–
Fernando Aguirre	Member of the NCC	820	640
Jakob Baer	Vice Chairman and Chairman of the AFRQCC (until December 11, 2019)	n/a	1,580
Suja Chandrasekaran	Member of the NCC	180	–
Nicolas Jacobs[1]	Member of the AFRQCC	18,426	33,246
Elio Leoni Sceti	Member of the NCC	360	180
Timothy Minges	Chairman of the NCC; member of the AFRQCC	1,215	1,035
Juergen Steinemann	Member of the NCC (until December 11, 2019)	n/a	13,505
Angela Wei Dong	Member of the AFRQCC	180	–
Total shares held by Board of Directors		**23,187**	**51,436**

1 Excluding the 40.1% participation held by Jacobs Holding AG (see Note 3.4 "Significant shareholders").

Shareholdings of the Executive Committee

Number of shares as of August 31,		2020	2019
Name	Function		
Antoine de Saint-Affrique	Chief Executive Officer	5,394	3,385
Peter Boone	CEO & President Americas	100	300
Ben De Schryver	President APAC	150	33
Olivier Delaunay	Chief Operations Officer (as from September 1, 2019)	144	n/a
Isabelle Esser	Chief Human Resources Officer	29	n/a
Andrew Fleming	Co-President EMEA (as from May 1, 2020)	163	–
Massimo Garavaglia	President EMEA (until April 30, 2020)	n/a	2,500
Pablo Perversi	Chief Innovation, Sustainability & Quality Officer; Global Head of Gourmet	311	311
Dirk Poelman	Chief Operations Officer (until August 31, 2019)	n/a	2,028
Steven Retzlaff	President Global Cocoa	2,054	2,000
Remco Steenbergen	Chief Financial Officer	437	281
Rogier van Sligter	Co-President EMEA (as from May 1, 2020)	–	n/a
Total shares held by Executive Committee		**8,782**	**10,838**

3.6 Shares granted to the Board of Directors and employees

	2019/20	2019/20	2018/19	2018/19
	Quantity	Value (CHF)	Quantity	Value (CHF)
Granted to members of the Board	1,830	3,658,170	2,190	3,534,660
Granted to employees[1] of Barry Callebaut AG and subsidiaries	5,439	11,698,106	7,056	12,547,866

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

Financial Statements of Barry Callebaut AG

3.7 Significant events after the balance sheet date

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

3.8 Proposed appropriation of available earnings

in thousands of CHF	
Balance carried forward as of September 1, 2019	1,475,805
Dividend to shareholders (gross)	(142,710)
Net income	107,699
Voluntary retained earnings as of August 31, 2020	**1,440,794**
Treasury shares	(23,305)
Available retained earnings as of August 31, 2020	**1,417,489**
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 22.00 per share	(120,755)
Balance carryforward	**1,296,734**

The Board of Directors proposes to the 2020 Annual General Meeting a dividend of CHF 22.00 per share.

The dividend is expected to be paid on or around January 7, 2021.

Statutory Auditor's Report

To the General Meeting of Barry Callebaut AG, Zurich

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Barry Callebaut AG, which comprise the balance sheet as at 31 August 2020, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accopanying financial statements for the year ended 31 August 2020 comply with Swiss law and the company's articles of incorporation.

Basis for Opinion

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

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

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

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

Responsibility of the Board of Directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

François Rouiller
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, 9 November 2020