Consolidated Financial Statements

Consolidated Income Statement

for the fiscal year in thousands of CHF	Notes	2021/22	2020/21
Revenue from sales and services	1.1	8,091,855	7,207,595
Cost of goods sold		(6,874,688)	(6,060,392)
Gross profit		**1,217,167**	**1,147,203**
Marketing and sales expenses		(148,467)	(135,376)
General and administration expenses		(434,739)	(430,390)
Other income	1.3	21,444	3,060
Other expense	1.3	(101,919)	(17,809)
Operating profit (EBIT)	1.1	**553,486**	**566,688**
Finance income	3.8	8,077	3,628
Finance expense	3.8	(129,831)	(105,297)
Profit before income tax		**431,732**	**465,019**
Income tax expense	6.1	(70,792)	(80,514)
Net profit for the year		**360,940**	**384,505**
of which attributable to:			
shareholders of Barry Callebaut AG		360,705	383,939
non-controlling interests	3.2	235	566
Earnings per share			
Basic earnings per share (CHF)	3.3	65.81	70.04
Diluted earnings per share (CHF)	3.3	65.66	69.84

Consolidated Statement of Comprehensive Income

for the fiscal year in thousands of CHF	Notes	2021/22	2020/21
Net profit for the year		**360,940**	**384,505**
Currency translation adjustments		(56,001)	41,407
Effect of cash flow hedges	3.7	34,288	20,531
Tax effect on cash flow hedges	3.7 / 6.2	(8,183)	(5,184)
Items that may be reclassified subsequently to the income statement		**(29,896)**	**56,754**
Remeasurement of defined benefit plans	4.2	51,171	11,677
Tax effect on remeasurement of defined benefit plans	6.2	(10,827)	(2,686)
Items that will never be reclassified to the income statement		**40,344**	**8,991**
Other comprehensive income for the year, net of tax		**10,448**	**65,745**
Total comprehensive income for the year		**371,388**	**450,250**
of which attributable to:			
shareholders of Barry Callebaut AG		371,401	449,660
non-controlling interests		(13)	590

Consolidated Balance Sheet

Assets

as of August 31,

in thousands of CHF	Notes	2022	2021
Current assets			
Cash and cash equivalents	3.4	878,197	1,095,831
Short-term deposits		1,824	1,467
Trade receivables and other current assets	2.5	915,579	759,951
Inventories	2.4	2,426,485	2,043,333
Income tax receivables		70,623	74,854
Derivative financial assets	3.7	466,589	290,642
Total current assets		**4,759,297**	**4,266,078**
Non-current assets			
Property, plant and equipment	2.1	1,558,791	1,604,705
Right-of-use assets	2.2	256,301	259,928
Intangible assets	2.3	1,020,417	995,483
Employee benefit assets	4.2	21,664	15,056
Deferred tax assets	6.2	97,283	77,172
Other non-current assets		47,126	25,596
Total non-current assets		**3,001,582**	**2,977,940**
Total assets		**7,760,879**	**7,244,018**

Liabilities and equity

as of August 31,

in thousands of CHF	Notes	2022	2021
Current liabilities			
Bank overdrafts	3.5	62,418	63,564
Short-term debt	3.5	449,967	119,427
Short-term lease liabilities	3.5	42,141	41,075
Trade payables and other current liabilities	2.6	1,793,254	1,433,470
Income tax liabilities		114,840	115,351
Derivative financial liabilities	3.7	560,326	350,911
Provisions	2.7	88,952	31,154
Total current liabilities		**3,111,898**	**2,154,952**
Non-current liabilities			
Long-term debt	3.5	1,302,026	1,930,054
Long-term lease liabilities	3.5	222,504	224,464
Employee benefit liabilities	4.2	85,817	138,333
Provisions	2.7	12,437	8,709
Deferred tax liabilities	6.2	106,991	86,298
Other non-current liabilities		14,860	15,991
Total non-current liabilities		**1,744,635**	**2,403,849**
Total liabilities		**4,856,533**	**4,558,801**
Equity			
Share capital	3.2	110	110
Retained earnings and other reserves		2,901,889	2,682,747
Total equity attributable to the shareholders of Barry Callebaut AG		**2,901,999**	**2,682,857**
Non-controlling interests	3.2	2,347	2,360
Total equity		**2,904,346**	**2,685,217**
Total liabilities and equity		**7,760,879**	**7,244,018**

Consolidated Cash Flow Statement

Cash flows from operating activities

for the fiscal year

in thousands of CHF	Notes	2021/22	2020/21
Net profit for the year		360,940	384,505
Income tax expense	6.1	70,792	80,514
Depreciation, amortization and impairment	2.1/2.2/2.3	236,819	230,696
Interest expense/(interest income)	3.8	100,537	93,584
Loss/(gain) on sale of property, plant and equipment, net	1.3	2,689	1,562
Increase/(decrease) of employee benefit liabilities		(7,041)	(7,940)
Equity-settled share-based payments	4.1	13,317	16,028
Unrealised currency translation losses / (gains)		(106,682)	2,923
Change in working capital:		(29,284)	(41,137)
Inventories cocoa beans		(92,275)	40,104
Inventories other		(229,237)	(171,364)
Write down of inventories	2.4	44,495	31,661
Inventory fair value adjustment		(47,138)	(13,346)
Derivative financial assets/liabilities		64,771	(85,017)
Trade receivables and other current assets		(112,904)	(113,315)
Trade payables and other current liabilities		343,004	270,140
Provisions less payments	2.7	66,885	16,853
Other non-cash effective items		(3,260)	1,357
Cash generated from operating activities		**705,712**	**778,945**
Interest paid		(104,378)	(95,358)
Income taxes paid		(79,683)	(67,950)
Net cash from operating activities		**521,651**	**615,637**

Cash flows from investing activities

for the fiscal year

in thousands of CHF	Notes	2021/22	2020/21
Purchase of property, plant and equipment	2.1	(239,507)	(227,190)
Proceeds from sale of property, plant and equipment		3,943	6,422
Purchase of intangible assets	2.3	(36,383)	(48,054)
Proceeds from sale of intangible assets		314	33
Acquisition of subsidiaries/businesses net of cash acquired	5.1	(38,203)	(907)
Disposal of investments in associates		342	–
Purchase of short-term deposits		(735)	(67)
Proceeds from sale of short-term deposits		4	4,923
Proceeds from sale/(purchase) of other non-current assets		1,460	(174)
Receipt of government grants		7,082	–
Interest received		8,077	3,428
Net cash used in investing activities		**(293,606)**	**(261,586)**

Cash flows from financing activities

for the fiscal year

in thousands of CHF	Notes	2021/22	2020/21
Proceeds from the issue of short-term debt	3.5	41,662	32,184
Repayment of short-term debt	3.5	(89,620)	(443,810)
Proceeds from the issue of long-term debt	3.5	11,814	137
Repayment of long-term debt	3.5	(130,928)	(28,433)
Payment of lease liabilities	3.5	(44,006)	(39,943)
Dividend paid to shareholders of Barry Callebaut AG	3.2	(153,467)	(120,715)
Purchase of treasury shares	3.5	(16,951)	(18,400)
Net cash (used in)/from financing activities		**(381,496)**	**(618,980)**
Effect of exchange rate changes on cash and cash equivalents		(63,037)	14,823
Net (decrease)/increase in cash and cash equivalents		**(216,488)**	**(250,106)**
Cash and cash equivalents at beginning of year		1,032,267	1,282,373
Cash and cash equivalents at end of year		815,779	1,032,267
Net (decrease)/increase in cash and cash equivalents		**(216,488)**	**(250,106)**
Cash and cash equivalents	3.4	878,197	1,095,831
Bank overdrafts	3.5	(62,418)	(63,564)
Cash and cash equivalents as defined for the cash flow statement	**3.4**	**815,779**	**1,032,267**

Consolidated Statement of Changes in Equity

in thousands of CHF

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
as of September 1, 2020	**110**	**(23,305)**	**3,276,043**	**(17,734)**	**(881,617)**	**2,353,497**	**1,770**	**2,355,267**
Currency translation adjustments	—	—	—	(118)	41,518	41,400	7	41,407
Effect of cash flow hedges	—	—	—	20,531	—	20,531	—	20,531
Tax effect on cash flow hedges	—	—	—	(5,184)	—	(5,184)	—	(5,184)
Items that may be reclassified subsequently to the income statement	**—**	**—**	**—**	**15,229**	**41,518**	**56,747**	**7**	**56,754**
Remeasurement of defined benefit plans	—	—	11,660	—	—	11,660	17	11,677
Tax effect on remeasurement of defined benefit plans	—	—	(2,686)	—	—	(2,686)	—	(2,686)
Items that will never be reclassified to the income statement	**—**	**—**	**8,974**	**—**	**—**	**8,974**	**17**	**8,991**
Other comprehensive income, net of tax	**—**	**—**	**8,974**	**15,229**	**41,518**	**65,721**	**24**	**65,745**
Net profit for the year	—	—	383,939	—	—	383,939	566	384,505
Total comprehensive income for the year	**—**	**—**	**392,913**	**15,229**	**41,518**	**449,660**	**590**	**450,250**
Hedge reserve transferred to initial carrying amount of the hedged item	**—**	**—**	**—**	**2,787**	**—**	**2,787**	**—**	**2,787**
Dividend to shareholders	—	—	(120,715)	—	—	(120,715)	—	(120,715)
Purchase of treasury shares	—	(18,400)	—	—	—	(18,400)	—	(18,400)
Equity-settled share-based payments	—	26,111	(10,083)	—	—	16,028	—	16,028
Total contributions and distributions	**—**	**7,711**	**(130,798)**	**—**	**—**	**(123,087)**	**—**	**(123,087)**
Movements of non-controlling interest	—	—	—	—	—	—	—	—
Total changes in ownership interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
as of August 31, 2021	**110**	**(15,594)**	**3,538,158**	**282**	**(840,099)**	**2,682,857**	**2,360**	**2,685,217**
as of September 1, 2021	**110**	**(15,594)**	**3,538,158**	**282**	**(840,099)**	**2,682,857**	**2,360**	**2,685,217**
Currency translation adjustments	—	—	—	(395)	(55,363)	(55,758)	(243)	(56,001)
Effect of cash flow hedges	—	—	—	34,288	—	34,288	—	34,288
Tax effect on cash flow hedges	—	—	—	(8,183)	—	(8,183)	—	(8,183)
Items that may be reclassified subsequently to the income statement	**—**	**—**	**—**	**25,710**	**(55,363)**	**(29,653)**	**(243)**	**(29,896)**
Remeasurement of defined benefit plans	—	—	51,176	—	—	51,176	(5)	51,171
Tax effect on remeasurement of defined benefit plans	—	—	(10,827)	—	—	(10,827)	—	(10,827)
Items that will never be reclassified to the income statement	**—**	**—**	**40,349**	**—**	**—**	**40,349**	**(5)**	**40,344**
Other comprehensive income, net of tax	**—**	**—**	**40,349**	**25,710**	**(55,363)**	**10,696**	**(248)**	**10,448**
Net profit for the year	—	—	360,705	—	—	360,705	235	360,940
Total comprehensive income for the year	**—**	**—**	**401,054**	**25,710**	**(55,363)**	**371,401**	**(13)**	**371,388**
Application of hyperinflation accounting (IAS 29), net of tax	**—**	**—**	**9,011**	**—**	**—**	**9,011**	**—**	**9,011**
Hedge reserve transferred to initial carrying amount of the hedged item	**—**	**—**	**—**	**(4,169)**	**—**	**(4,169)**	**—**	**(4,169)**
Dividend to shareholders	—	—	(153,467)	—	—	(153,467)	—	(153,467)
Purchase of treasury shares	—	(16,951)	—	—	—	(16,951)	—	(16,951)
Equity-settled share-based payments	—	10,659	2,658	—	—	13,317	—	13,317
Total contributions and distributions	**—**	**(6,292)**	**(150,809)**	**—**	**—**	**(157,101)**	**—**	**(157,101)**
as of August 31, 2022	**110**	**(21,886)**	**3,797,414**	**21,823**	**(895,462)**	**2,901,999**	**2,347**	**2,904,346**

1 Attributable to the shareholders of Barry Callebaut AG.

Notes to the Consolidated Financial Statements

Basis of Preparation

A. Organization and business activity

Barry Callebaut AG (the "Company") has its head office in Zurich, Switzerland, at Hardturmstrasse 181. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. These Consolidated Financial Statements comprise the Company and its subsidiaries (together referred to as the "Group").

The Group 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 were authorized for issue by the Board of Directors on October 31, 2022 and are subject to approval by the Annual General Meeting of Shareholders on December 14, 2022.

The Consolidated Financial Statements of the Group for the reporting period from September 1, 2021 to August 31, 2022 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. In addition, IAS 29 Financial Reporting in Hyperinflationary Economies has been applied by the Group to its subsidiary in Türkiye for the first time. According to IAS 29, Türkiye is considered a hyperinflationary economy for reporting periods ending on or after 30 April 2022, see Note 7.1 - "Other accounting policies".

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

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

C. Use of judgment and estimates

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

Following the outbreak of war in Ukraine, the Group assessed potential impacts on the valuation of its assets in the region. As a result, certain financial assets were impaired in light of increased counterparty credit risk in Russia. The Group will continue to monitor developments in the region and any potential triggers for impairment of its assets.

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, 2022, are included in the following notes:

Note 2.2	Right-of-use assets: Critical judgements - Determination of the lease term for options to extend or terminate the lease
Note 2.3	Intangible assets: Significant estimates - Impairment test for CGUs containing goodwill, i.e. key assumptions used for value-in-use calculations
Note 2.7	Provisions: Significant estimates - Recognition and measurement of provisions
Note 4.2	Employee benefit: Significant estimates - Measurement of defined benefit liabilities, i.e. actuarial assumptions
Note 6	Income taxes: Significant estimates - Recognition and measurement of current and deferred tax liabilities and assets for uncertain tax positions and availability of future taxable profits against which tax loss carry forwards can be utilized

D. Introduction of new standards and interpretations in 2021/22 and later

The Group has adopted new standards, amendments and interpretations to the existing International Financial Reporting Standards (IFRS) that are mandatory for periods starting on or after January 1, 2021. These adoptions did not have any material impact on the current reporting period.

The Group has also performed an assessment of the new standards, amendments and interpretations with effective date beyond 2021 and with planned application in fiscal year 2022/23 . Based on this assessment, the Group does not expect a material impact on the Consolidated Financial Statements.

Amendments to Standards and Interpretations	Effective date	Applied /Planned application by the Group in
Interest Rate Benchmark Reform, Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 1, 2021	Fiscal year 2021/22
Reference to the Conceptual Framework / Amendments to IFRS 3	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
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 Cycle (Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IFRS 16 Leases, and IAS 41 Agriculture)	January 1, 2022	Fiscal year 2022/23
Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)	January 1, 2023	Fiscal year 2023/24
Definition of Accounting Estimates (Amendments to IAS 8)	January 1, 2023	Fiscal year 2023/24
Classification of Liabilities as Current or Non-current (Amendments to IAS 1)	January 1, 2023	Fiscal year 2023/24
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)	January 1, 2024	Fiscal year 2024/25

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 managed by the Executive Committee as its own segment in addition to the geographic regions of EMEA (Europe, Middle East and Africa), Americas and Asia Pacific. Furthermore, the Executive Committee also manages the Corporate functions independently. The Corporate segment mainly consists of headquarter services (including the Group's centralized Treasury department) to other segments. Thus, the Group reports the Corporate segment separately.

The Global Cocoa segment is responsible for the procurement of ingredients for chocolate production (mainly cocoa, sugar, dairy and nuts) and the Group's cocoa-processing business. Global Cocoa generates approximately 56% of its revenues from transactions with other operating segments of the Group. 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.

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

2021/22

in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenue from external customers	3,340,969	2,190,216	547,799	2,012,871	8,091,855	—	—	8,091,855
Revenue from transactions with other operating segments of the Group	153,304	5,618	227	2,554,152	2,713,301	—	(2,713,301)	—
Revenue from sales and services	**3,494,273**	**2,195,834**	**548,026**	**4,567,023**	**10,805,156**	**—**	**(2,713,301)**	**8,091,855**
Operating profit (EBIT)	**267,232**	**223,452**	**59,125**	**102,474**	**652,283**	**(98,797)**	**—**	**553,486**
Depreciation and amortization	(84,150)	(57,163)	(16,514)	(73,266)	(231,093)	(4,806)	—	(235,899)
Impairment	(432)	(13)	—	(475)	(920)	—	—	(920)
Interest income						8,077		8,077
Interest expense						(99,876)		(99,876)
Total assets	**2,311,129**	**1,457,719**	**329,771**	**3,129,843**	**7,228,462**	**1,090,737**	**(558,320)**	**7,760,879**
Additions to property, plant, equipment, right-of-use assets and intangible assets, excluding acquisitions of subsidiaries/businesses	(113,394)	(63,765)	(18,076)	(98,276)	(293,511)	(6,039)	—	(299,550)

Financial information by reportable segments

2020/21

in thousands of CHF	EMEA	Americas	Asia Pacific	Global Cocoa	Total segments	Corporate	Eliminations	Group
Revenue from external customers	3,128,480	1,830,334	443,990	1,804,791	7,207,595	—	—	7,207,595
Revenue from transactions with other operating segments of the Group	151,657	7,205	—	2,406,300	2,565,162	—	(2,565,162)	—
Revenue from sales and services	**3,280,137**	**1,837,539**	**443,990**	**4,211,091**	**9,772,757**	**—**	**(2,565,162)**	**7,207,595**
Operating profit (EBIT)	**339,234**	**186,574**	**56,983**	**86,476**	**669,267**	**(102,579)**	**—**	**566,688**
Depreciation and amortization	(85,186)	(53,498)	(14,390)	(70,168)	(223,242)	(5,264)	—	(228,506)
Impairment	(1,518)	(61)	(74)	(522)	(2,175)	(15)	—	(2,190)
Interest income						3,640		3,640
Interest expense						(88,766)		(88,766)
Total assets	**2,266,399**	**1,145,417**	**296,419**	**2,885,593**	**6,593,828**	**1,137,451**	**(487,261)**	**7,244,018**
Additions to property, plant, equipment, right-of-use assets and intangible assets, excluding acquisitions of subsidiaries/businesses	(165,538)	(86,158)	(23,085)	(123,978)	(398,759)	(10,582)	—	(409,341)

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.

	Revenue		Non-current assets	
in thousands of CHF	**2021/22**	**2020/21**	**2021/22**	**2020/21**
US	1,546,134	1,294,863	472,047	454,948
UK	560,775	502,993	64,569	69,286
Germany	520,893	509,933	86,382	98,082
Mexico	484,611	402,741	17,217	16,737
France	473,555	428,045	79,603	89,512
Brazil	413,103	362,318	109,661	77,223
Belgium	389,476	370,745	570,170	582,972
Poland	356,941	319,115	71,990	78,873
Rest of EMEA*	1,958,098	1,824,782	635,636	697,884
Rest of Americas	450,080	405,490	194,573	174,086
Asia Pacific	938,189	786,570	575,859	541,811
Total*	**8,091,855**	**7,207,595**	**2,877,707**	**2,881,414**
*of which Switzerland	**69,401**	**61,109**	**63,331**	**67,504**

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	2021/22	2020/21[1]
Cocoa Products	2,012,871	1,804,791
Food Manufacturers	4,684,339	4,281,151
Gourmet & Specialties	1,394,645	1,121,653
Revenue from external customers	**8,091,855**	**7,207,595**

1 Certain Gourmet & Specialties customers have been shifted to the Food Manufacturers Product Group to better serve them. The minor reallocation represents less than 1% of Gourmet & Specialties volume and sales revenues in fiscal year 2020/21.

In fiscal year 2021/22 no single customer contributed more than 10% of total consolidated revenue (2020/21: the biggest single customer contributed CHF 822.0 million or 11.4%).

Notes to the Consolidated Financial Statements

Accounting policies

Revenue recognition

Revenue from sales 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 short 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 three to ten years supported by a framework agreement between the Group and the customer governing the conduct of business, payment terms, rights to goods and services. In addition, for partnership agreements it typically includes legally enforceable annual volume purchase commitments. Firm purchase commitments are agreed for delivery periods of typically three to six 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 six 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 Chief Executive Officer, the Chief Financial Officer and the Presidents of the Regions EMEA, Americas, Asia Pacific and Global Cocoa as well as the Chief Operations Officer, the Chief Innovation, Sustainability & Quality Officer and the Chief Human Resources Officer.

1.2 Research and development expenses

in thousands of CHF	2021/22	2020/21
Research and development expenses	**(32,397)**	**(29,685)**

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	2021/22	2020/21
Rental income	484	421
Gain on net monetary positions, application of hyperinflation accounting (IAS 29) (Note 7.1)	2,283	—
Brazilian indirect tax credits	13,562	—
Other	5,115	2,639
Total other income	**21,444**	**3,060**

Indirect tax credits amounted to CHF 13.5 million and related to the recovery of Brazilian indirect tax credits from prior fiscal periods due to a decision by the Brazilian Supreme Court applicable to all taxpayers.

Composition of other expense

in thousands of CHF	2021/22	2020/21
Restructuring costs	(1,793)	(296)
Costs related to the closure of the chocolate factory in Moreton, UK	(7,821)	—
Litigations and claims	(7,462)	(9,517)
Net one-off impact related to the salmonella incident at the Wieze factory	(76,925)	—
Net loss on sale of property, plant and equipment	(2,689)	(1,562)
Impairment of property, plant and equipment (Note 2.1)	(110)	(803)
Impairment of intangibles (Note 2.3)	(810)	(1,387)
Impairment of financial instruments	(2,119)	(3,549)
Acquisition related costs (Note 5.1)	(182)	(194)
Other	(2,008)	(501)
Total other expense	**(101,919)**	**(17,809)**

Net one-off impact related to the salmonella incident at the Wieze factory in Belgium includes estimated costs of fulfilling contractual obligations as well as costs for transportation, storage, destruction and disposal of contaminated products. It also includes costs for cleaning including dismantling, disinfecting and reassembling all contaminated product lines. To the extent such costs were not yet incurred at the closing date, the obligations have been provided for based on estimates. The one-off impact is net of amounts that are considered virtually certain to be recovered from insurance.

Gain on disposal of property, plant and equipment in the amount of CHF 0.5 million in fiscal year 2021/22 (2020/21: CHF 0.5 million) was netted against the loss on disposal of property, plant and equipment.

2 Operating Assets and Liabilities

2.1 Property, plant and equipment

2021/22 in thousands of CHF	**Land and buildings**	**Plant and machinery**	**Office equipment, furniture and motor vehicles**	**Under construction**	**Total**
At cost					
as of September 1, 2021	**740,917**	**2,176,851**	**127,649**	**170,568**	**3,215,985**
Business combinations (Note 5.1)	4,603	5,450	130	—	10,183
Additions[1]	5,809	18,706	2,853	180,069	207,437
Disposals	(1,059)	(11,942)	(2,640)	(2,170)	(17,811)
Currency translation adjustments	(22,500)	(68,740)	(8,629)	(5,373)	(105,242)
Reclassifications from under construction	26,442	158,970	9,644	(195,056)	—
Application of hyperinflation accounting (IAS 29)	3,145	8,161	617	163	12,086
Other reclassifications[2,3]	(3,508)	(69,060)	332	(1,508)	(73,744)
as of August 31, 2022	**753,849**	**2,218,396**	**129,956**	**146,693**	**3,248,894**
Accumulated depreciation and impairment losses					
as of September 1, 2021	**326,248**	**1,183,797**	**100,491**	**744**	**1,611,280**
Depreciation	23,663	118,516	9,001	—	151,180
Impairment (Note 1.3)	—	(50)	—	160	110
Disposals	(827)	(7,974)	(2,319)	(60)	(11,180)
Currency translation adjustments	(11,758)	(42,840)	(6,995)	67	(61,526)
Application of hyperinflation accounting (IAS 29)	595	1,847	349	—	2,791
Other reclassifications[2,3]	(715)	(1,941)	104	—	(2,552)
as of August 31, 2022	**337,206**	**1,251,355**	**100,631**	**911**	**1,690,103**
Net as of August 31, 2022	**416,643**	**967,041**	**29,325**	**145,782**	**1,558,791**

1 Cash outflow amounted to CHF 239.5 million, of which CHF 32.1 million related to prepayments.
2 A Group finance operational excellence project aimed at harmonization and automation was conducted that resulted in a reclassification of Spare Parts from "Property, plant and equipment" to "Inventories" of CHF 70.8 million.
3 Reclassified from “Intangible assets” (net CHF 2.8 million), “Right-of-use assets” (net CHF 0.9 million) and "Inventories" Spare Parts CHF 3.5 million.

Notes to the Consolidated Financial Statements

2020/21 in thousands of CHF	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
At cost					
as of September 1, 2020	**672,799**	**2,023,649**	**118,363**	**168,854**	**2,983,665**
Additions[1]	5,938	30,389	2,807	199,766	238,900
Disposals	(5,069)	(40,302)	(6,170)	(365)	(51,906)
Currency translation adjustments	9,394	29,925	1,343	2,615	43,277
Reclassifications from under construction	57,855	132,948	10,954	(201,757)	—
Other reclassifications[2]	—	242	352	1,455	2,049
as of August 31, 2021	**740,917**	**2,176,851**	**127,649**	**170,568**	**3,215,985**
Accumulated depreciation and impairment losses					
as of September 1, 2020	**304,584**	**1,090,387**	**96,913**	**28**	**1,491,912**
Depreciation	22,563	109,610	8,089	—	140,262
Impairment (Note 1.3)	—	113	1	689	803
Disposals	(4,834)	(33,187)	(5,899)	—	(43,920)
Currency translation adjustments	3,935	16,614	1,157	27	21,733
Other reclassifications[2]	—	260	230	—	490
as of August 31, 2021	**326,248**	**1,183,797**	**100,491**	**744**	**1,611,280**
Net as of August 31, 2021	**414,669**	**993,054**	**27,158**	**169,824**	**1,604,705**

1 Cash outflow amounted to CHF 227.2 million, of which CHF 5.7 million related to prepayments. Of the additions, CHF 17.4 million related to not yet paid purchases of property, plant and equipment.
2 Reclassified from “Intangible assets” (net CHF 0.5 million) and “Right-of-use assets” (net CHF 1.0 million).

Impairment losses of CHF 0.1 million were recognized in “Property, plant and equipment” in fiscal year 2021/22 (2020/21: CHF 0.8 million).

Repair and maintenance expenses for the fiscal year 2021/22 amounted to CHF 79.4 million (2020/21: CHF 78.5 million).

As at August 31, 2022, no non-currents assets were pledged as security for financial liabilities (2021: nil).

Accounting policies

Property, plant and equipment

The Group periodically reviews the remaining useful lives of assets recognized in “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	5 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.

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 leased vehicles with an average lease term of seven years. Lease term for hardware is an average of five years.

2021/22

in thousands of CHF	Land and buildings	Plant and machinery	Office equipment and motor vehicles	Total
At cost				
as of September 1, 2021	**286,124**	**3,654**	**45,578**	**335,356**
Business combinations (Note 5.1)	—	—	250	250
Additions	42,338	324	9,066	51,728
Disposals	(9,540)	(159)	(5,636)	(15,335)
Lease modifications	(1,497)	(78)	(962)	(2,537)
Currency translation adjustments	(4,476)	(304)	(2,706)	(7,486)
Reclassifications[1]	(51)	(751)	(89)	(891)
as of August 31, 2022	**312,898**	**2,686**	**45,501**	**361,085**
Accumulated depreciation and impairment losses				
as of September 1, 2021	**56,086**	**1,288**	**18,054**	**75,428**
Depreciation	35,042	609	10,944	46,595
Disposals	(9,097)	(131)	(5,498)	(14,726)
Lease modifications	(17)	—	(306)	(323)
Currency translation adjustments	(714)	(146)	(1,334)	(2,194)
Reclassifications[1]	223	(175)	(44)	4
as of August 31, 2022	**81,523**	**1,445**	**21,816**	**104,784**
Net as of August 31, 2022	**231,375**	**1,241**	**23,685**	**256,301**

1 Reclassified to "Property, plant and equipment" (net CHF 0.9 million)

2020/21

in thousands of CHF	Land and buildings	Plant and machinery	Office equipment and motor vehicles	Total
At cost				
as of September 1, 2020	**190,799**	**4,105**	**31,500**	**226,404**
Additions	105,443	177	16,671	122,291
Disposals	(5,669)	(33)	(2,421)	(8,123)
Lease modifications	(6,310)	(94)	(323)	(6,727)
Currency translation adjustments	2,224	41	455	2,720
Reclassifications[1]	(363)	(542)	(304)	(1,209)
as of August 31, 2021	**286,124**	**3,654**	**45,578**	**335,356**
Accumulated depreciation and impairment losses				
as of September 1, 2020	**29,317**	**1,109**	**9,030**	**39,456**
Depreciation	32,202	463	11,365	44,030
Disposals	(5,310)	(39)	(2,171)	(7,520)
Lease modifications	(821)	—	(94)	(915)
Currency translation adjustments	440	11	122	573
Reclassifications[1]	258	(256)	(198)	(196)
as of August 31, 2020	**56,086**	**1,288**	**18,054**	**75,428**
Net as of August 31, 2021	**230,038**	**2,366**	**27,524**	**259,928**

1 Reclassified to "Property, plant and equipment" (net CHF 1.0 million).

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

in thousands of CHF	2021/22	2020/21
Expense relating to short-term leases	3,602	5,867
Expense relating to leases of low-value assets	742	1,305
Expense relating to variable lease payments not included in the measurement of lease liabilities	576	671
Lease-related expenses	**4,920**	**7,843**
Depreciation of right-of-use assets	46,595	44,030
Interests on lease liabilities	6,714	5,311
Total amount recognized in the income statement	**58,229**	**57,184**

In fiscal year 2021/22, the Group's total cash outflow for lease payments was CHF 55.6 million, including interest paid (2020/21: CHF 53.1 million).

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 twelve 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.

2.3 Intangible assets

2021/22

in thousands of CHF	Goodwill	Brand names and licenses	Internally generated intangible assets	Other / Under development	Total
At cost					
as of September 1, 2021	**829,587**	**62,223**	**535,834**	**47,739**	**1,475,383**
Business combination (Note 5.1)	26,510	—	—	1,916	28,426
Additions	—	—	17,056	23,329	40,385
Disposals	—	—	(437)	(843)	(1,280)
Currency translation adjustments	5,134	(1,085)	(33,896)	(4,750)	(34,597)
Reclassifications from under development	—	—	19,365	(19,365)	—
Other reclassifications[1]	—	—	3,284	(369)	2,915
as of August 31, 2022	**861,231**	**61,138**	**541,206**	**47,657**	**1,511,232**
Accumulated amortization and impairment losses					
as of September 1, 2021	**—**	**54,715**	**388,457**	**36,728**	**479,900**
Amortization	—	1,657	34,431	2,036	38,124
Impairment (Note 1.3)	—	—	810	—	810
Disposals	—	—	(342)	(624)	(966)
Currency translation adjustments	—	(1,155)	(24,095)	(1,970)	(27,220)
Other reclassifications[1]	—	—	750	(583)	167
as of August 31, 2022	**—**	**55,217**	**400,011**	**35,587**	**490,815**
Net as of August 31, 2022	**861,231**	**5,921**	**141,195**	**12,070**	**1,020,417**

1 Reclassified to "Property, plant and equipment" (net CHF 2.8 million).

2020/21

in thousands of CHF	Goodwill	Brand names and licenses	Internally generated intangible assets	Other / Under development	Total
At cost					
as of September 1, 2020	**822,779**	**61,957**	**502,491**	**44,764**	**1,431,991**
Additions	—	—	23,624	24,438	48,062
Disposals	—	—	(14,589)	(1,214)	(15,803)
Currency translation adjustments	6,808	266	3,980	625	11,679
Reclassifications from under development	—	—	19,653	(19,653)	—
Other reclassifications[1]	—	—	675	(1,221)	(546)
as of August 31, 2021	**829,587**	**62,223**	**535,834**	**47,739**	**1,475,383**
Accumulated amortization and impairment losses					
as of September 1, 2020	**—**	**52,506**	**360,912**	**32,889**	**446,307**
Amortization	—	1,842	37,567	4,805	44,214
Impairment (Note 1.3)	—	174	1,045	168	1,387
Disposals	—	—	(14,565)	(1,205)	(15,770)
Currency translation adjustments	—	193	3,215	354	3,762
Other reclassifications[1]	—	—	283	(283)	—
as of August 31, 2021	**—**	**54,715**	**388,457**	**36,728**	**479,900**
Net as of August 31, 2021	**829,587**	**7,508**	**147,377**	**11,011**	**995,483**

1 Reclassified to "Property, plant and equipment" (net CHF 0.5 million).

Additions and reclassification from under development to internally generated intangible assets amounted to CHF 36.4 million in fiscal year 2021/22 (2020/21: CHF 43.3 million). This mainly included costs related to various projects of internally generated software and amounted to CHF 33.9 million (2020/21: CHF 38.5 million). The remainder is related to the development of recipes and innovations of CHF 2.5 million that were recorded under internally generated intangible assets (2020/21: CHF 4.8 million). Additions to other intangible assets mainly included projects under development.

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

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 861.2 million (2021: CHF 829.6 million). The allocation to the segments is as follows:

as of August 31, in million CHF	2022	2021
Global Cocoa	454.0	441.2
EMEA	318.5	303.1
Americas	84.5	80.7
Asia Pacific	4.2	4.6
Total	**861.2**	**829.6**

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 2021/22.

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

	2022		2021	
	Discount rate	Terminal growth rate	Discount rate	Terminal growth rate
Global Cocoa	7.8 %	1.6 %	7.7 %	1.2 %
EMEA	6.6 %	1.1 %	6.4 %	0.8 %
Americas	6.9 %	2.1 %	6.8 %	2.0 %
Asia Pacific	7.7 %	2.3 %	6.8 %	1.5 %

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

Accounting policies	
Goodwill	Goodwill on acquisitions is the excess of acquisition date fair value of the total consideration transferred plus the recognized amount of any non-controlling interest in the acquiree and the acquisition date fair value of assets acquired, liabilities and contingent liabilities assumed. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually on the same date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Negative goodwill is recognized directly in the Consolidated Income Statement. At the acquisition date, any acquired goodwill is allocated to each of the cash-generating units (CGUs). The Group defines its CGUs 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 CGUs 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 CGUs 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 recognized 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.
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, in thousands of CHF	2022	2021
Cocoa beans stocks	849,216	733,872
Semi-finished and finished products	1,170,437	1,079,440
Other raw materials and packaging materials	406,832	230,021
Total inventories	**2,426,485**	**2,043,333**

As at August 31, 2022, the value of cocoa and chocolate inventories designated in a hedging relationship amounted to CHF 1,276.4 million (2021: CHF 1,134.6 million), on which a fair value hedge adjustment of CHF 60.8 million was recorded (2021: CHF 15.4 million). For further detail of hedged inventories refer to Note 3.7.9 – “Effect of hedge accounting on the financial position and performance”.

In 2021/22, materials used of CHF 5,643.5 million (2020/21: CHF 4,951.3 million) were recognized as an expense during the year and included in “Cost of goods sold”.

In fiscal year 2021/22, inventory write-downs of CHF 44.5 million were recognized as an expense (2020/21: CHF 31.7 million).

As at August 31, 2022, no inventories were pledged as security (2021: nil).

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. The weighted average method is used in assigning the cost of inventories.

2.5 Trade receivables and other current assets

as of August 31, in thousands of CHF	2022	2021
Trade receivables	547,521	484,974
Accrued income	40,251	32,362
Loans and other receivables	60,618	38,446
Other current financial assets	17,315	20,278
Receivables representing financial assets	**665,705**	**576,060**
Prepayments	137,472	57,791
Other current non-financial assets	621	707
Other tax receivables and receivables from government	111,781	125,393
Other receivables	**249,874**	**183,891**
Total trade receivables and other current assets	**915,579**	**759,951**

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, 2022, was CHF 387.6 million (2021: CHF 360.5 million). This amount was derecognized from the balance sheet. The amount is the combination of the gross value of the receivables sold of CHF 408.1 million (2021: CHF 381.2 million) and the discount applicable of CHF 20.5 million (2021: CHF 20.7 million).

Net amounts payable to these programs amounted to CHF 73.4 million as at August 31, 2022 (2021: CHF 70.3 million), consisting of the balance of receivables collected before the next rollover date of CHF 93.9 million (2021: CHF 91.0 million), less the discount on receivables sold of CHF 20.5 million (2021: CHF 20.7 million). The discount is retained by the programs to establish a dilution reserve, a yield reserve, and an insurance first loss reserve. These amounts are included in Note 2.6 – "Trade payables and other current liabilities" on a net basis.

Trade receivables with the fair value of CHF 92.8 million (and CHF 93.1 million nominal amount) as at August 31, 2022 (2021: fair value CHF 87.1 million, nominal amount CHF 87.2 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 4.3 million (2020/21: CHF 3.1 million) and was 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".

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 “Loans and other receivables” or “Other payables” 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 "Accrued Income", “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

2.6 Trade payables and other current liabilities

as of August 31, in thousands of CHF	2022	2021
Trade payables	1,202,076	891,208
Accrued expenses	164,500	134,408
Other payables	224,005	199,987
Payables representing financial liabilities	**1,590,581**	**1,225,603**
Accrued wages and social security	129,868	140,952
Other taxes and payables to government	72,020	64,008
Deferred income	785	2,907
Other liabilities	**202,673**	**207,867**
Total trade payables and other current liabilities	**1,793,254**	**1,433,470**

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, 2021	**768**	**21,016**	**18,079**	**39,863**
Additions	9,652	75,066	6,828	91,546
Use of provisions	(4,253)	(8,084)	(1,503)	(13,840)
Release of unused provisions	(37)	(3,569)	(7,215)	(10,821)
Currency translation adjustments	(297)	(5,257)	195	(5,359)
as of August 31, 2022	**5,833**	**79,172**	**16,384**	**101,389**
of which:				
Current	5,833	75,973	7,146	88,952
Non-current	—	3,199	9,238	12,437

Restructuring

The amounts for restructuring primarily includes direct expenditures arising from the restructuring, notably severance payments and other costs directly linked to closure of facilities.

During the year, restructuring additions amounting to CHF 7.8 million were attributable to the closure of the chocolate factory in Moreton, UK.

Litigation & claims

The amount includes provisions for certain litigation and claims that have been recognized to cover legal, tax and administrative disputes that arise in the ordinary course of business for which, by their nature, the timing or the amount are difficult to predict. This includes, but is not limited to, customer, labor and non-income tax claims.

The provision includes the estimated costs of fulfilling contractual obligations related to the salmonella incident at the Wieze factory, and other costs arising from the event to the extent not yet incurred.

Other provisions

Other provisions cover 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.

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 capital and dividends

The issued share capital amounts to CHF 0.1 million (2021: CHF 0.1 million) and is divided into 5,488,858 registered shares with a nominal value of CHF 0.02 (2021: 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 8, 2021, the shareholders approved the proposed distribution of dividends in the amount of CHF 28.00 per share, effected through a dividend payment of CHF 153.5 million. The payment was made to shareholders on January 6, 2022.

During the fiscal year 2020/21, the payout of CHF 22.00 per share was effected through a dividend payment out of retained earnings in the amount of CHF 120.7 million. The payment was made to shareholders on January 7, 2021.

Treasury shares

Treasury shares are valued at weighted average cost and have been deducted from equity. The book value of the treasury shares as at August 31, 2022, amounted to CHF 21.9 million (2021: CHF 15.6 million).

The fair value of the treasury shares as at August 31, 2022, amounted to CHF 20.6 million (2021: CHF 18.4 million). As at August 31, 2022, the number of outstanding shares amounted to 5,478,563 (2021: 5,480,985) and the number of treasury shares to 10,295 (2021: 7,873). During this fiscal year, 7,767 shares have been purchased, 5,345 transferred to employees and members of the Board of Directors under the employee stock ownership program (2020/21: 9,138 purchased; 14,102 transferred).

Retained earnings

As at August 31, 2022, retained earnings contain legal reserves of CHF 21.9 million (2021: CHF 15.6 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	2021/22	2020/21
as of September 1,	**2,360**	**1,770**
Non-controlling share of profit/(loss)	235	566
Non-controlling share of other comprehensive income	(248)	24
as of August 31,	**2,347**	**2,360**

The non-controlling interests are 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.

3.3 Earnings per share

in CHF	2021/22	2020/21
Basic earnings per share (CHF)	65.81	70.04
Diluted earnings per share (CHF)	65.66	69.84

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	2021/22	2020/21
Net profit for the year attributable to shareholders of Barry Callebaut AG, used as numerator for basic earnings per share	360,705	383,939
Adjusted net profit for the year used as numerator for diluted earnings per share	360,705	383,939

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

	2021/22	2020/21
Number of shares issued	5,488,858	5,488,858
Weighted average number of treasury shares held	(8,128)	(7,288)
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	**5,480,730**	**5,481,570**
Dilution potential of equity-settled share-based payments	12,560	15,910
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	**5,493,290**	**5,497,480**

3.4 Cash and cash equivalents

Cash and cash equivalents amounted to CHF 878.2 million as of August 31, 2022 (2021: CHF 1,095.8 million), and comprised cash on hand, cheques, bank balances and bank deposit balances with an original maturity of 90 days or less. Bank overdrafts amounted to CHF 62.4 million as of August 31, 2022 (2021: CHF 63.6 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 Short-term financial liabilities

as of August 31,	Carrying amounts	
in thousands of CHF	2022	2021
Bank overdrafts	**62,418**	**63,564**
Short-term loans	61,211	54,318
Short-term portion of long-term loans	388,743	65,095
Other	13	14
Short-term debt	**449,967**	**119,427**
Short-term lease liabilities	**42,141**	**41,075**
Short-term financial liabilities	**554,526**	**224,066**

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

as of August 31,		2022			2021	
Split per currency		Interest range			Interest range	
in thousands of CHF	Amount	from	to	Amount	from	to
BRL	1,174	6.71 %	15.85 %	11,743	3.16 %	10.14 %
CLP	7,404	2.15 %	12.82 %	8,828	1.44 %	2.51 %
EUR	15,266	0.09 %	3.83 %	82,807	(0.55)%	2.00 %
INR	1,408	6.46 %	7.81 %	5,222	6.46 %	9.17 %
TRY	10,309	12.52 %	34.00 %	11,767	12.52 %	21.80 %
USD	418,104	1.03 %	5.50 %	26,734	1.03 %	3.00 %
XOF	77,635	2.75 %	5.80 %	60,876	3.90 %	5.80 %
Other	23,226	0.50 %	30.94 %	16,090	0.22 %	9.30 %
Total	**554,526**			**224,067**		

3.5.2 Long-term financial liabilities

as of August 31,	Carrying amounts		Fair values	
in thousands of CHF	2022	2021	2022	2021
Senior Notes	825,810	847,577	838,995	911,853
Schuldscheindarlehen	862,768	1,081,756	736,976	1,025,810
Short-term portion of long-term loans	(388,743)	(65,095)	(398,835)	(65,095)
Other Loans	2,191	65,816	2,191	65,817
Total long-term debt	**1,302,026**	**1,930,054**	**1,179,327**	**1,938,385**
Long-term lease liabilities	**222,504**	**224,464**	**222,504**	**224,464**
Long-term financial liabilities	**1,524,530**	**2,154,518**	**1,401,831**	**2,162,849**

Notes to the Consolidated Financial Statements

as of August 31,
In issuance currency, in millions

Debt instrument	Issuance	Maturity	Issuance Currency	Issuance Amount	Interest rate type	Outstanding (face value) 2022	2021
USD 400 million 5.50% Senior Note	Jun-13	Jun-23	USD	400	Fixed	400	400
EUR 450 million 2.375% Senior Note	May-16	May-24	EUR	450	Fixed	450	450
Schuldscheindarlehen	Feb-19	Feb-26	EUR	104	Fixed	104	104
Schuldscheindarlehen	Feb-19	Feb-27	EUR	132	Fixed	132	132
Schuldscheindarlehen	Feb-19	Feb-29	EUR	12	Fixed	12	12
Schuldscheindarlehen	Feb-19	Feb-27	CHF	21	Fixed	21	21
Schuldscheindarlehen	Feb-19	Feb-26	EUR	88	Floating	88	88
Schuldscheindarlehen	Feb-19	Feb-27	EUR	122	Floating	122	122
Schuldscheindarlehen	Feb-19	Feb-29	EUR	10	Floating	10	10
Schuldscheindarlehen	Feb-19	Feb-26	CHF	11	Floating	0	11
Schuldscheindarlehen	Feb-19	Feb-27	CHF	110	Floating	0	110
Schuldscheindarlehen	Feb-19	Feb-29	CHF	10	Floating	0	10
Schuldscheindarlehen	Jul-20	Jul-25	EUR	112	Fixed	112	112
Schuldscheindarlehen	Jul-20	Jan-27	EUR	18	Fixed	18	18
Schuldscheindarlehen	Jul-20	Jul-28	EUR	82	Fixed	82	82
Schuldscheindarlehen	Jul-20	Jul-30	EUR	57	Fixed	57	57
Schuldscheindarlehen	Jul-20	Jan-27	CHF	5	Fixed	5	5
Schuldscheindarlehen	Jul-20	Jul-25	EUR	34	Floating	17	17
Schuldscheindarlehen	Jul-20	Jan-27	EUR	55	Floating	47	47
Schuldscheindarlehen	Jul-20	Jul-28	EUR	46	Floating	45	45
Schuldscheindarlehen	Jul-20	Jul-25	CHF	15	Floating	15	15
Revolving Credit Facility	Oct-21	Oct-26	EUR	900	Floating	0	0

Fiscal year 2021/22 Activities

In October 2021, the Group:

- extended the maturity of its Revolving Credit Facility to October 2026. The facility amount was reduced from EUR 1 billion to EUR 900 million.

In February 2022, early prepayment of:

- Schuldscheindarlehen, maturing in Feb 2026, Floating, CHF 11 million
- Schuldscheindarlehen, maturing in Feb 2027, Floating, CHF 110 million
- Schuldscheindarlehen, maturing in Feb 2029, Floating, CHF 10 million

Fiscal year 2020/21 Activities

In July 2021, partial prepayment of:

- Schuldscheindarlehen, maturing in Jul 2025, Floating, EUR 17 million
- Schuldscheindarlehen, maturing in Jul 2025, Floating, EUR 1 million
- Schuldscheindarlehen, maturing in Jan 2027, Floating, EUR 8 million

The Senior Notes, the Schulscheindarlehen, and Revolving Credit Facility all rank paru passu and are guaranteed by Barry Callebaut AG. The financial covenants related to the Revolving Credit Facility - profitability per metric tonne, interest cover ratio and tangible net worth value - were respected as of August 31, 2022 and August 31, 2021, respectively.

Long-term financial liabilities are to a major extent issued at fixed interest rates or fixed via plain-vanilla fixed-floating interest rate derivatives.

The Group's diversified long-term debt portfolio has a balanced maturity profile. The weighted average maturity of the long-term financial liabilities (i.e. without any portion falling due in less than 12 months) decreased from 5.1 years to 4.3 years.

as of August 31, in thousands of CHF	2022	2021
2022/23	—	398,248
2023/24	469,813	508,085
2024/25	168,142	175,009
2025/26	210,826	237,120
2026/27 (and thereafter for 2021)	356,138	836,056
2027/28 (and thereafter for 2022)	319,611	—
Long-term financial liabilities	**1,524,530**	**2,154,518**

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

as of August 31,			2022			2021
Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
CHF	51,230	0.42 %	2.28 %	184,457	0.42 %	1.72 %
EUR	1,345,259	0.09 %	3.83 %	1,492,220	0.09 %	3.00 %
SEK	4,440	0.50 %	3.47 %	5,191	0.47 %	1.75 %
SGD	6,414	1.67 %	3.21 %	2,475	1.13 %	3.21 %
USD	85,267	0.03 %	5.50 %	444,591	1.51 %	5.50 %
XOF	3,307	3.90 %	5.80 %	5,202	3.90 %	5.80 %
Other	28,613	0.34 %	30.94 %	20,382	0.22 %	17.48 %
Long-term financial liabilities	**1,524,530**			**2,154,518**		

3.5.3 Changes in liabilities and equity from financing activities

	Financial liabilities			Equity				
in thousands of CHF	Short-term debt	Long-term debt	Lease liabilities	Retained Earnings	Share capital	Treasury shares	Non-controlling interests	Total
as of September 1, 2020	461,374	2,006,327	186,868	3,276,043	110	(23,305)	1,770	5,909,187
Cash flows from financing activities	(411,626)	(28,296)	(39,943)	(120,715)	—	(18,400)	—	(618,980)
Proceeds from the issue of short-term debt	32,184	—	—	—	—	—	—	32,184
Repayment of short-term debt	(443,810)	—	—	—	—	—	—	(443,810)
Proceeds from the issue of long-term debt	—	137	—	—	—	—	—	137
Repayment of long-term debt	—	(28,433)	—	—	—	—	—	(28,433)
Payment of lease liabilities	—	—	(39,943)	—	—	—	—	(39,943)
Dividend payment	—	—	—	(120,715)	—	—	—	(120,715)
Purchase of treasury shares	—	—	—	—	—	(18,400)	—	(18,400)
Dividends paid to non-controlling interests	—	—	—	—	—	—	—	—
Other changes related to liabilities	**69,679**	**(47,977)**	**118,614**	**—**	**—**	**—**	**—**	**140,316**
Amortized structuring fee	—	2,958	—	—	—	—	—	2,958
Change in accrued finance expense other	—	515	—	—	—	—	—	515
New leases and modifications	—	—	115,527	—	—	—	—	115,527
Interest expense	68,541	—	5,311	—	—	—	—	73,852
Interest paid	(68,873)	—	(5,311)	—	—	—	—	(74,184)
Foreign exchange movements	4,855	13,706	3,087	—	—	—	—	21,648
Reclassification	65,156	(65,156)	—	—	—	—	—	—
Other changes related to equity	**—**	**—**	**—**	**382,830**	**—**	**26,111**	**590**	**409,531**
as of August 31, 2021	**119,427**	**1,930,054**	**265,539**	**3,538,158**	**110**	**(15,594)**	**2,360**	**5,840,054**
as of September 1, 2021	**119,427**	**1,930,054**	**265,539**	**3,538,158**	**110**	**(15,594)**	**2,360**	**5,840,054**
Cash flows from financing activities	**(47,958)**	**(119,114)**	**(44,006)**	**(153,467)**	**—**	**(16,951)**	**—**	**(381,496)**
Proceeds from the issue of short-term debt	41,662	—	—	—	—	—	—	41,662
Repayment of short-term debt	(89,620)	—	—	—	—	—	—	(89,620)
Proceeds from the issue of long-term debt	—	11,814	—	—	—	—	—	11,814
Repayment of long-term debt	—	(130,928)	—	—	—	—	—	(130,928)
Payment of lease liabilities	—	—	(44,006)	—	—	—	—	(44,006)
Dividend payment	—	—	—	(153,467)	—	—	—	(153,467)
Purchase of treasury shares	—	—	—	—	—	(16,951)	—	(16,951)
Other changes related to liabilities	**378,498**	**(508,914)**	**43,112**	**—**	**—**	**—**	**—**	**(87,304)**
Amortized structuring fee	—	3,843	—	—	—	—	—	3,843
Change in accrued finance expense other	—	1,073	—	—	—	—	—	1,073
New leases and modifications	—	—	49,162	—	—	—	—	49,162
Interest expense	65,499	—	6,714	—	—	—	—	72,213
Interest paid	(66,832)	—	(6,714)	—	—	—	—	(73,546)
Foreign exchange movements	62,642	(196,641)	(6,050)	—	—	—	—	(140,049)
Reclassification	317,189	(317,189)	—	—	—	—	—	—
Other changes related to equity	**—**	**—**	**—**	**412,723**	**—**	**10,659**	**(13)**	**423,369**
as of August 31, 2022	**449,967**	**1,302,026**	**264,645**	**3,797,414**	**110**	**(21,886)**	**2,347**	**5,794,623**

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.
Lease liabilities	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 twelve 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.

3.6 Capital and lease commitments and guarantees

Capital and lease commitments

as of August 31, in thousands of CHF	2022	2021
Property, plant and equipment	76,198	5,254
Intangible assets	351	128
Leased assets	98,148	14,357
Total capital and lease commitments	**174,697**	**19,739**

In the current fiscal year, Property, plant and equipment commitments are mainly related to equipment for new production lines in multiple countries, while Leased assets commitments are related to a new production site.

Guarantees in favor of third parties

Group companies have issued guarantee commitments as of August 31, 2022 in the amount of CHF 0.5 million (2021: CHF 0.6 million). These are mainly related to third-party suppliers.

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 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 manage 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 Chief Procurement Officer, the VP Group Accounting, Reporting & Risk Management, the CFO Global Cocoa, the VP Global Cocoa Trading & Sourcing, 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, 2022, the Group had a total VaR for raw materials of CHF 12.2 million (2021: CHF 9.3 million), well within the Group limit. The average VaR over the fiscal year 2021/22 was CHF 9.1 million (2020/21: CHF 8.0 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 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 of 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 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 linked 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.

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 on an intraday basis as from identification, in line with the approved exposure limits. In case of limited 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 CFA in Côte d'Ivoire, XOF, and respectively Cameroon, XAF, both have fixed-rate regimes. At present, both are pegged, independently from each other, at 656 per euro. The Serbian dinar (RSD) is a managed floating exchange rate linked to the euro.

Net foreign currency exposures against major functional currencies

as of August 31,	2022				2021			
Net exposure in thousands of CHF/EUR/USD/GBP	**CHF**	**EUR**	**USD**	**GBP**	**CHF**	**EUR**	**USD**	**GBP**
CHF	—	1,436	9,862	(118)	—	123	(595)	(378)
EUR	(2,290)	—	380	(10,546)	(138)	—	(5,836)	(29,662)
USD	21	(1,522)	—	37	(619)	(88)	—	(208)
BRL	(118)	376	392	—	(118)	744	(67)	—
GHS	(3,383)	(248)	3,585	—	1	(38)	5,449	—
MXN	—	450	(2,546)	—	—	29	(1,745)	—
RSD	—	(60,285)	(13)	—	—	(73,309)	—	—
RUB	—	961	30,005	360	—	1,272	(8,589)	114
XAF	—	(11,693)	—	—	—	(22,451)	—	—
XOF	—	27,422	—	—	—	14,836	—	—
Total	**(5,770)**	**(43,103)**	**41,665**	**(10,267)**	**(874)**	**(78,882)**	**(11,383)**	**(30,134)**

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, 2022, the Group had a VaR of CHF 0.4 million (2021: CHF 0.4 million). The average VaR over the fiscal year 2021/22 was CHF 0.3 million (2020/21: CHF 0.2 million).

Value at Risk per main exposure currencies

as of August 31, Value at Risk on net exposures in thousands of CHF Total for the Group and per main exposure currencies	2022	2021
Total Group	**383**	**444**
CHF	63	7
EUR	131	180
GBP	99	306
USD	582	184
Others	543	285
Diversification effect	**73 %**	**54 %**

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 therefore the related interest rate risks. To the extent possible, it 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 at 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, in thousands of CHF	2022	2021
Fixed interest-bearing items		
Carrying amount of financial liabilities	1,621,166	1,773,412
Reclassification due to interest rate derivative	306,939	340,106
Net fixed interest position	**1,928,105**	**2,113,518**
Floating interest-bearing items		
Carrying amount of financial assets	(880,021)	(1,097,299)
Carrying amount of financial liabilities	457,891	605,172
Reclassification due to interest rate derivative	(306,939)	(340,106)
Net floating interest position	**(729,069)**	**(832,233)**

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,				2022				2021
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	5,470	(547)	—	—	4,273	(427)	—	—
Interest rate swaps	—	—	12,198	(1,261)	—	—	17,422	(1,692)
Total interest rate sensitivity	**5,470**	**(547)**	**12,198**	**(1,261)**	**4,273**	**(427)**	**17,422**	**(1,692)**

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").

The Group has also has a credit risk insurance program whereby the majority of its 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 financial institutions 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 margin 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, 2022, the largest customer represents 10% (2021: 8%) whereas the ten biggest customers represent 36% (2021: 30%) of trade receivables. The Group does not have a material credit risk concentration as it maintains a large, geographically diverse customer base. The extent of the Group's credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 2,017.2 million as of August 31, 2022 (2021: CHF 1,968.2 million).

All financial assets measured at amortized cost are first assessed for individual impairment. Subsequently, expected credit loss is calculated by applying either the annualized Credit Default Swap rates (CDS) of the country of product delivery (pro rated in line with average payment terms) and a premium of 25 basis points or, where available, the individual annualized CDS of the counterparty (pro rated in line with average payment terms or, in the case of Cash and Cash Equivalents, pro rated to 7 days). 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 7.5 million in 2021/22 (2020/21: CHF 6.6 million).

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

Aging of trade receivables

as of August 31,

in thousands of CHF	2022	2021
Total trade receivables measured at amortized cost, gross	**484,684**	**422,913**
of which:		
insured receivables	273,039	255,505
uninsured receivables with an individual balance over CHF 1 million	109,866	77,720
uninsured receivables with an individual balance below CHF 1 million	101,779	89,688
Less lifetime expected credit losses for trade receivables	(29,927)	(25,084)
Total trade receivables measured at amortized cost (Note 3.7.8)	**454,757**	**397,829**
of which:		
not overdue	415,385	372,625
lifetime expected credit losses for trade receivables not overdue	(5,719)	(3,749)
expected credit loss rate	1.38 %	1.01 %
past due less than 90 days	48,606	27,080
lifetime expected credit losses for trade receivables past due less than 90 days	(7,698)	(3,106)
expected credit loss rate	15.84 %	11.62 %
past due more than 90 days	20,693	23,207
lifetime expected credit losses for trade receivables past due more than 90 days	(16,510)	(18,228)
expected credit loss rate	79.78 %	78.55 %
Total trade receivables measured at amortized cost (Note 3.7.8)	**454,757**	**397,829**

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, 2021	**998**	**11**	**25,084**	**14,356**	**15**	**40,464**
Changes to expected credit losses on financial assets	2,249	5	11,399	2,013	37	15,703
Write-offs	(73)	—	(391)	(83)	—	(547)
Unused amounts reversed	(1,798)	—	(6,257)	(153)	(7)	(8,215)
Currency translation adjustments	80	—	34	(645)	7	(524)
Reclassifications[1]	—	—	58	(8,441)	—	(8,383)
as of August 31, 2022	**1,456**	**16**	**29,927**	**7,047**	**52**	**38,498**

in thousands of CHF	Cash and cash equivalents	Deposits	Trade receivables	Other receivables	Other financial assets	Total
as of September 1, 2020	**502**	**19**	**24,969**	**10,838**	**10**	**36,338**
Changes to expected credit losses on financial assets	613	1	7,349	5,224	9	13,196
Write-offs	(28)	—	(1,020)	(1,295)	—	(2,343)
Unused amounts reversed	(100)	(9)	(6,392)	(94)	(4)	(6,599)
Currency translation adjustments	11	—	178	(317)	—	(128)
as of August 31, 2021	**998**	**11**	**25,084**	**14,356**	**15**	**40,464**

1 Reclassification to impairment losses of non-financial assets CHF -8.4million

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 reputable 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, 2022

in thousands of CHF	Carrying amount	In the first year	In the second to the fifth year	After five years	Contractual amount
Non-derivative financial liabilities					
Bank overdrafts	(62,418)	(62,418)	—	—	(62,418)
Short-term debt	(449,967)	(449,967)	—	—	(449,967)
Trade payables	(1,202,076)	(1,202,076)	—	—	(1,202,076)
Lease liabilities	(264,645)	(42,141)	(103,965)	(118,539)	(264,645)
Long-term debt	(1,302,026)	(56,994)	(1,248,283)	(530,235)	(1,835,512)
Other current liabilities	(388,505)	(388,505)	—	—	(388,505)
Derivatives					
Interest rate derivatives	22,500	2,175	11,585	10,045	23,805
Currency derivatives					
Inflow	82,978	2,945,662	64,825	—	3,010,487
Outflow	(116,225)	(4,626,949)	(68,122)	—	(4,695,071)
Commodity derivatives					
Inflow	(121,955)	2,675,755	143,832	576	2,820,164
Outflow	38,963	(1,280,662)	313	—	(1,280,349)
Total net	**(3,763,374)**	**(2,486,120)**	**(1,199,815)**	**(638,153)**	**(4,324,088)**

as of August 31, 2021

in thousands of CHF	Carrying amount	In the first year	In the second to the fifth year	After five years	Contractual amount
Non-derivative financial liabilities					
Bank overdrafts	(63,564)	(63,564)	—	—	(63,564)
Short-term debt	(119,427)	(119,427)	—	—	(119,427)
Trade payables	(891,208)	(891,208)	—	—	(891,208)
Lease liabilities	(265,539)	(41,075)	(98,774)	(125,690)	(265,539)
Long-term debt	(1,930,054)	(49,251)	(1,331,099)	(727,421)	(2,107,771)
Other current liabilities	(334,395)	(334,395)	—	—	(334,395)
Derivatives					
Interest rate derivatives	(11,117)	(1,746)	(7,063)	(2,183)	(10,992)
Currency derivatives					
Inflow	36,646	3,999,467	43,761	—	4,043,228
Outflow	(22,096)	(4,860,701)	(43,686)	—	(4,904,387)
Commodity derivatives					
Inflow	13,265	3,156,706	156,140	628	3,313,474
Outflow	(76,967)	(1,428,596)	(12,548)	—	(1,441,144)
Total net	**(3,664,456)**	**(633,790)**	**(1,293,269)**	**(854,666)**	**(2,781,725)**

3.7.6 Derivative financial assets and liabilities and hedge accounting

as of August 31,	2022		2021	
in thousands of CHF	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
Cash flow hedges				
Interest rate risk	22,500	—	—	11,117
Commodity price risk	99	166	12,825	372
Foreign exchange risk	6	—	6	—
Fair values hedges				
Commodity price risk	241,905	333,073	199,754	276,467
Foreign exchange risk	87,414	140,776	14,605	12,661
No hedge accounting designation				
Commodity price risk	13,900	5,655	29,750	29,192
Foreign exchange risk	100,765	80,656	33,702	21,102
Total derivative financial assets	**466,589**	—	**290,642**	—
Total derivative financial liabilities	—	**560,326**	—	**350,911**

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.

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, 2022				Related amounts not set off in the balance sheet		
in thousands of CHF	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Financial instruments	Cash collateral received or deposited	Net amount
Derivative financial assets	783,288	(316,700)	466,589	(20,593)	(63,073)	382,922
Derivative financial liabilities	877,026	(316,700)	560,326	(20,593)	(69,206)	470,527

as of August 31, 2021				Related amounts not set off in the balance sheet		
in thousands of CHF	Gross amounts of recognized financial assets/ liabilities	Gross amounts of recognized financial liabilities/ assets set off in the balance sheet	Net amounts of financial assets/ liabilities presented in the balance sheet	Financial instruments	Cash collateral received or deposited	Net amount
Derivative financial assets	591,365	(300,723)	290,642	(37,364)	(336)	252,942
Derivative financial liabilities	651,634	(300,723)	350,911	(37,364)	(22,121)	291,426

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

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
- Trade payables
- Other payables representing financial instruments
- 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.

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

as of August 31, 2022 in thousands of CHF	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	—	878,197	—	—	878,197	878,197
Short-term deposits	—	1,824	—	—	1,824	1,824
Trade receivables	92,764	454,757	—	—	547,521	547,521
Derivative financial assets	466,589	—	—	—	466,589	466,589
Accrued income	—	40,251	—	—	40,251	40,251
Loans and other receivables	—	60,618	—	—	60,618	60,618
Other current financial assets	—	17,315	—	—	17,315	17,315
Other non-current financial assets	—	4,928	—	—	4,928	4,928
Total financial assets	**559,353**	**1,457,890**	**—**	**—**	**2,017,243**	**2,017,243**
Bank overdrafts	—	—	—	62,418	62,418	62,418
Short-term debt	—	—	—	449,967	449,967	449,967
Short-term lease liabilities	—	—	—	42,141	42,141	42,141
Trade payables	—	—	—	1,202,076	1,202,076	1,202,076
Accrued expenses	—	—	—	164,500	164,500	164,500
Other payables	—	—	—	224,005	224,005	224,005
Derivative financial liabilities	—	—	560,326	—	560,326	560,326
Long-term debt	—	—	—	1,302,026	1,302,026	1,179,327
Long-term lease liabilities	—	—	—	222,504	222,504	222,504
Total financial liabilities	**—**	**—**	**560,326**	**3,669,636**	**4,229,962**	**4,107,263**

as of August 31, 2021 in thousands of CHF	Financial assets measured at fair value through profit or loss	Financial assets measured at amortized cost	Financial liabilities measured at fair value through profit or loss	Financial liabilities measured at amortized cost	Total carrying amount	Fair value
Cash and cash equivalents	—	1,095,831	—	—	1,095,831	1,095,831
Short-term deposits	—	1,467	—	—	1,467	1,467
Trade receivables	87,145	397,829	—	—	484,974	484,974
Derivative financial assets	290,642	—	—	—	290,642	290,642
Accrued income	—	32,362	—	—	32,362	32,362
Loans and other receivables	—	38,446	—	—	38,446	38,446
Other current financial assets	—	20,278	—	—	20,278	20,278
Other non-current financial assets	—	4,247	—	—	4,247	4,247
Total financial assets	**377,787**	**1,590,460**	**—**	**—**	**1,968,247**	**1,968,247**
Bank overdrafts	—	—	—	63,564	63,564	63,564
Short-term debt	—	—	—	119,427	119,427	119,427
Short-term lease liabilities	—	—	—	41,075	41,075	41,075
Trade payables	—	—	—	891,208	891,208	891,208
Accrued expenses	—	—	—	134,408	134,408	134,408
Other payables	—	—	—	199,987	199,987	199,987
Derivative financial liabilities	—	—	350,911	—	350,911	350,911
Long-term debt	—	—	—	1,930,054	1,930,054	1,938,385
Long-term lease liabilities	—	—	—	224,464	224,464	224,464
Total financial liabilities	**—**	**—**	**350,911**	**3,604,188**	**3,955,098**	**3,963,429**

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. Observable 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, 2022

in thousands of CHF	Level 1	Level 2	Level 3	Total
Trade receivables	—	—	92,764	**92,764**
Derivative financial assets	78,508	388,081	—	**466,589**
Derivative financial liabilities	83,615	476,712	—	**560,326**

as of August 31, 2021

in thousands of CHF	Level 1	Level 2	Level 3	Total
Trade receivables	—	—	87,145	**87,145**
Derivative financial assets	99,692	190,950	—	**290,642**
Derivative financial liabilities	125,818	225,093	—	**350,911**

The Group maintains asset-backed securitization programs for trade receivables, transferring the contractual rights to the cash flow or third-party receivables. These receivables, where the contractual rights to cash flows have been transferred, are derecognized from the balance sheet. Trade receivables measured at fair value are receivables that are 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 2021/22 and 2020/21.

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, 2022 on the Group's Consolidated Balance Sheet is as follows:

as of August 31, 2022 in CHF million	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument Assets	 Liabilities	Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness
Cash flow hedges				
Interest rate risk	306.9	22.5	—	34.3
Commodity risk	11.4	0.1	0.2	(5.0)
Foreign exchange risk	—	—	—	(1.8)
Fair value hedges				
Commodity risk	(670.3)	69.2	80.4	(67.2)
Foreign exchange risk				
Forward and futures contracts	(1,675.9)	16.2	48.9	(15.6)
Receivables	204.3	197.7	—	(6.5)
Payables	(423.8)	—	423.8	22.0
Debts	—	—	—	(2.3)
Cash instruments	9.5	9.5	—	2.6

as of August 31, 2021 in CHF million	Nominal amount of the hedging instrument	Carrying amount of the hedging instrument Assets	 Liabilities	Fair value changes of the hedging instrument used as a basis to calculate hedge ineffectiveness
Cash flow hedges				
Interest rate risk	340.1	—	11.1	1.0
Commodity risk	16.4	12.8	0.4	15.6
Foreign exchange risk	—	—	—	—
Fair value hedges				
Commodity risk	(27.7)	65.2	101.0	(45.6)
Foreign exchange risk				
Forward and futures contracts	(861.2)	7.5	3.3	(17.9)
Receivables	202.5	202.5	—	—
Payables	(307.3)	—	307.3	1.6
Debts	—	—	—	(0.1)
Cash instruments	18.8	18.8	—	—

b) Impact of hedged items designated in hedging relationships

The impact of hedged items designated in hedging relationships as of August 31, 2022 on the Group's Consolidated Balance Sheet is as follows:

as of August 31, 2022	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		Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
in CHF million	**Assets**	**Liabilities**	**Assets**	**Liabilities**	**Assets**	**Liabilities**		
Cash flow hedges								
Interest rate risk	n/a	n/a	n/a	n/a	n/a	n/a	(34.3)	11.9
Commodity price risk	n/a	n/a	n/a	n/a	n/a	n/a	1.3	9.2
Foreign exchange risk	n/a	n/a	n/a	n/a	n/a	n/a	4.0	0.8
Fair value hedges								
Commodity price risk								
Cocoa and chocolate stocks	1,276.4	n/a	60.8	n/a	—	n/a	43.2	n/a
Risk component of cocoa and chocolate purchase and sales contracts	172.7	252.6	172.7	252.6	6.2	—	6.3	n/a
Foreign exchange risk								
Firm purchase and sales commitments denominated in foreign currency	71.2	91.9	71.2	91.9	—	—	14.8	n/a

Notes to the Consolidated Financial Statements

as of August 31, 2022	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		Fair value changes of the hedged item used as a basis to calculate hedge ineffectiveness	Cash flow hedge reserve
in CHF million	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities		
Cash flow hedges								
Interest rate risk	n/a	n/a	n/a	n/a	n/a	n/a	(1.0)	(15.7)
Commodity price risk	n/a	n/a	n/a	n/a	n/a	n/a	(15.6)	16.0
Foreign exchange risk	n/a	n/a	n/a	n/a	n/a	n/a	—	—
Fair value hedges								
Commodity price risk								
Cocoa and chocolate stocks	1,134.6	n/a	15.4	n/a	—	n/a	0.9	n/a
Risk component of cocoa and chocolate purchase and sales contracts	134.5	175.4	134.5	175.4	—	—	48.9	n/a
Foreign exchange risk								
Firm purchase and sales commitments denominated in foreign currency	7.1	9.4	7.1	9.4	—	—	17.0	n/a

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

as of August 31, 2022 in CHF million	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
Interest rate risk	34.4	—	2.2	Finance expense
Commodity price risk	0.4	(3.7)	(3.7)	Cost of goods sold
Foreign exchange risk	(1.4)	2.2	2.3	Cost of goods sold

Cash flow hedges

as of August 31, 2022 in CHF million	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
Interest rate risk	3.4	—	2.5	Finance expense
Commodity price risk	14.4	—	(1.2)	Cost of goods sold
Foreign exchange risk	0.5	—	0.9	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 years 2021/22 and 2020/21 (including hedge accounting relationships ended during the fiscal year).

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, 2022.

Notes to the Consolidated Financial Statements

Fair value hedges

as of August 31, 2022 in CHF million	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported
Commodity price risk	(17.6)	Cost of goods sold
Foreign exchange risk	15.0	Cost of goods sold

Fair value hedges

as of August 31, 2022 in CHF million	Hedge ineffectiveness recognized in the Consolidated Income Statement	Line item in the Consolidated Income Statement where the hedge ineffectiveness is reported
Commodity price risk	4.2	Cost of goods sold
Foreign exchange risk	0.6	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.

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

in thousands of CHF	Commodity price risk	Foreign exchange risk	Interest rate risk	Total hedging reserve
as of September 1, 2020	**3,782**	**(1,545)**	**(19,971)**	**(17,734)**
Movements in the period:				
Gains/(losses) taken into equity	14,373	546	3,443	18,362
Transfer to initial carrying amount of the hedged item	2,558	230	—	2,788
Transfer to the Consolidated Income Statement for the period	(1,221)	917	2,473	2,169
thereof:				—
due to hedged cash flows that are no longer expected to occur/ineffectiveness	10,211	(488)	—	9,723
due to hedged item affected the Consolidated Income Statement	(11,432)	1,405	2,473	(7,554)
Tax effect on cash flow hedges	(3,547)	(158)	(1,479)	(5,184)
Currency translation adjustments	15	(5)	(129)	(119)
as of August 31, 2021	**15,960**	**(15)**	**(15,663)**	**282**
as of September 1, 2021	**15,960**	**(15)**	**(15,663)**	**282**
Movements in the period:				
Gains/(losses) taken into equity	393	(1,380)	34,443	33,456
Transfer to initial carrying amount of the hedged item	(3,778)	(391)	—	(4,169)
Transfer to the Consolidated Income Statement for the period	(3,743)	2,326	2,250	832
thereof:				
due to hedged cash flows that are no longer expected to occur/ineffectiveness	(3,677)	2,202	—	(1,474)
due to hedged item affected the Consolidated Income Statement	(67)	124	2,250	2,307
Tax effect on cash flow hedges	797	193	(9,173)	(8,183)
Currency translation adjustments	(477)	81	1	(395)
as of August 31, 2022	**9,152**	**814**	**11,858**	**21,823**

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, 2022 to hedge its interest rate risk:

	Period of maturity			
as of August 31, 2022	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	—	266.9	40.0	306.9
Average interest rate	—	0.35 %	0.21 %	0.33 %

	Period of maturity			
as of August 31, 2021	First year	Second to fifth year	After five years	Total
Nominal amount (CHF million)	—	113.0	227.1	340.1
Average interest rate	—	0.30 %	0.34 %	0.33 %

The following table provides 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, 2022 to hedge its foreign exchange risk:

	Period of maturity			
as of August 31, 2022	Current year	Next year	After next year	Total
GBP exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	102.5	(349.1)	—	(246.5)
Average foreign exchange rate (EUR/GBP)	0.858	0.881	—	n/a
USD exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(118.1)	(115.1)	(11.0)	(244.3)
Average foreign exchange rate (EUR/USD)	1.111	1.111	1.085	n/a
GBP exposure hedging in entities whose functional currency is USD				
Nominal amount (CHF million, long/(short))	155.3	(39.4)	0.1	116.0
Average foreign exchange rate (USD/GBP)	0.773	0.773	0.804	n/a
USD exposure hedging in entities whose functional currency is BRL				
Nominal amount (CHF million, long/(short))	(94.2)	—	—	(94.2)
Average foreign exchange rate (BRL/USD)	0.190	—	—	n/a

	Period of maturity			
as of August 31, 2021	Current year	Next year	After next year	Total
GBP exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	169.0	(539.0)	(43.0)	(413.0)
Average foreign exchange rate (EUR/GBP)	0.876	0.870	0.868	n/a
USD exposure hedging in entities whose functional currency is EUR				
Nominal amount (CHF million, long/(short))	(104.0)	(126.0)	(11.0)	(241.0)
Average foreign exchange rate (EUR/USD)	1.191	1.198	1.207	n/a
GBP exposure hedging in entities whose functional currency is USD				
Nominal amount (CHF million, long/(short))	129.0	(8.0)	(9.0)	112.0
Average foreign exchange rate (USD/GBP)	0.740	0.721	0.719	n/a
USD exposure hedging in entities whose functional currency is BRL				
Nominal amount (CHF million, long/(short))	(89.0)	—	—	(89.0)
Average foreign exchange rate (BRL/USD)	0.187	—	—	n/a

Accounting policies

Derivative financial instruments

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

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

Additionally, the Group may apply 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 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.

The impact of hedging accounting is presented on the Group's Consolidated Balance Sheet as follows:

Hedging instrument/item	Line item on Consolidated Balance Sheet
Cash flow hedges:	
Interest rate swaps	Derivative financial assets and liabilities
Commodity futures contracts	Derivative financial assets and liabilities
Foreign exchange forward and future contracts	Derivative financial assets and liabilities
Fair value hedges:	
Cocoa and chocolate stocks	Inventories
Risk component of cocoa and chocolate purchase and sales contracts	Derivative financial assets and liabilities
Commodity futures contracts	Derivative financial assets and liabilities
Foreign exchange forward and future contracts	Derivative financial assets and liabilities
Firm purchase and sales commitments denominated in foreign currency	Derivative financial assets and liabilities
Receivables	Trade receivables and other current assets
Payables	Trade payables and other current liabilities
Debt	Short-term debt; long-term debt
Cash instruments	Cash and cash equivalents

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.
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 may enter into cocoa bean futures to hedge the cocoa price risk arising from forecasted sales, and into foreign exchange forwards and futures contracts to hedge the currency risk arising from forecasted 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	The Group 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.

3.8 Financial result

Composition of finance income

in thousands of CHF	2021/22	2020/21
Interest income	8,077	3,640
Share of result of equity-accounted investees, net of tax	—	(59)
Foreign exchange gains, net	—	47
Total finance income	**8,077**	**3,628**

Composition of finance expense

in thousands of CHF	2021/22	2020/21
Interest expense	(99,876)	(88,766)
Amortization of structuring fees	(3,844)	(2,958)
Charges on undrawn portion of committed credit facilities	(2,178)	(2,381)
Net interest costs related to defined benefit plans (Note 4.2)	(2,716)	(3,119)
Total interest expense	**(108,614)**	**(97,224)**
Bank charges and other financial expense	(5,298)	(4,286)
Foreign exchange losses, net	(13,545)	—
Loss on interest rate derivative financial instruments	(2,374)	(3,787)
Total finance expense	**(129,831)**	**(105,297)**

Interest expenses include among other the cost of leasing, the cost of interest rate swaps resulting 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 debt instruments referenced in the overview table of note 3.5.2 Long-term debt.

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

4 Employees

4.1 Personnel expenses

in thousands of CHF	2021/22	2020/21
Wages and salaries	(598,281)	(571,930)
Compulsory social security contributions	(108,705)	(105,112)
Equity-settled share-based payments (Note 4.2)	(13,317)	(16,028)
Expenses related to defined benefit pension plans (Note 4.2)	(14,201)	(15,860)
Expenses related to other long-term benefit plans (Note 4.2)	1,345	(238)
Contributions to defined contribution plans (Note 4.2)	(15,900)	(13,532)
Total personnel expenses	**(749,059)**	**(722,700)**
Amounts capitalized as assets	22,394	25,599
Total personnel expenses recognized in Consolidated Income Statement	**(726,665)**	**(697,101)**

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 96% (2021: 95%) of the Group's total gross defined benefit pension liabilities and 98% (2021: 98%) of the Group's total plan assets.

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

	Defined benefit pension plans						Other long-term benefit plans	
as of August 31,			2022			2021	2022	2021
in thousands of CHF	Funded	Unfunded	Total	Funded	Unfunded	Total	Total	Total
Switzerland								
Weighted average duration in years	13	–		16	–		–	–
Present value of liabilities	97,605	–	97,605	104,571	–	104,571	–	–
Fair value of plan assets	(90,508)	–	(90,508)	(85,436)	–	(85,436)	–	–
Net plan liabilities (assets)	**7,097**	**–**	**7,097**	**19,135**	**–**	**19,135**	**–**	**–**
Belgium								
Weighted average duration in years	12	–		17	–		10	12
Present value of liabilities	79,205	–	79,205	106,740	–	106,740	7,870	10,547
Fair value of plan assets	(52,316)	–	(52,316)	(51,579)	–	(51,579)	–	–
Net plan liabilities (assets)	**26,889**	**–**	**26,889**	**55,161**	**–**	**55,161**	**7,870**	**10,547**
US								
Weighted average duration in years	9	–		10	–		3	4
Present value of liabilities	69,398	–	69,398	78,387	–	78,387	34	71
Fair value of plan assets	(52,168)	–	(52,168)	(58,747)	–	(58,747)	–	–
Net plan liabilities (assets)	**17,230**	**–**	**17,230**	**19,640**	**–**	**19,640**	**34**	**71**
UK								
Weighted average duration in years	15	–		18	–		–	–
Present value of liabilities	55,506	–	55,506	80,674	–	80,674	–	–
Fair value of plan assets	(77,170)	–	(77,170)	(95,730)	–	(95,730)	–	–
Net plan liabilities (assets)	**(21,664)**	**–**	**(21,664)**	**(15,056)**	**–**	**(15,056)**	**–**	**–**
Rest of the world								
Weighted average duration in years	13	8		16	10		18	21
Present value of liabilities	11,801	15,349	27,150	17,517	17,489	35,006	4,275	5,003
Fair value of plan assets	(4,729)	–	(4,729)	(6,230)	–	(6,230)	–	–
Net plan liabilities (assets)	**7,072**	**15,349**	**22,421**	**11,287**	**17,489**	**28,776**	**4,275**	**5,003**
Total								
Present value of liabilities	313,515	15,349	328,864	387,889	17,489	405,378	12,179	15,621
Fair value of plan assets	(276,890)	–	(276,890)	(297,722)	–	(297,722)	–	–
Net plan liabilities (assets)	**36,625**	**15,349**	**51,974**	**90,167**	**17,489**	**107,656**	**12,179**	**15,621**
Net balances recognized in the Consolidated Balance Sheet								
Net employee benefit assets	**–**	**–**	**(21,664)**	**–**	**–**	**(15,056)**	**–**	**–**
Net employee benefit liabilities	**–**	**–**	**73,638**	**–**	**–**	**122,712**	**12,179**	**15,621**

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

	Defined benefit pension plans		Other long-term benefit plans	
in thousands of CHF	**2021/22**	**2020/21**	**2021/22**	**2020/21**
Present value of defined benefit liabilities as of September 1,	**405,378**	**381,476**	**15,621**	**16,497**
Currency translations	873	(60)	(73)	(9)
Current service cost	14,201	15,814	1,096	1,210
Past service cost	—	46	—	—
Remeasurement of other long-term employee benefits	—	—	(2,441)	(972)
Interest expense	4,645	4,621	430	436
Losses/(gains) on curtailment	—	—	—	—
Total recognized in income statement	**19,719**	**20,421**	**(988)**	**665**
Actuarial losses/(gains)	(70,886)	6,274	(1,146)	(1,301)
thereof:				
arising from changes in demographic assumptions	5	(6,130)	—	—
arising from changes in financial assumptions	(81,835)	12,574	(1,371)	(813)
arising from experience adjustments	10,944	(170)	225	(488)
Exchange differences on foreign plans	(15,282)	5,514	(743)	310
Total recognized in other comprehensive income	**(86,168)**	**11,788**	**(1,889)**	**(991)**
Reclassifications	3	—	(3)	—
Contribution by employees	4,534	4,425	—	—
Benefits received	11,366	9,237	—	—
Benefits paid	(25,968)	(21,969)	(562)	(550)
Total other	**(10,065)**	**(8,307)**	**(565)**	**(550)**
Present value of defined benefit liabilities as of August 31,	**328,864**	**405,378**	**12,179**	**15,621**
thereof:				
funded plans	313,515	387,889	—	—
unfunded plans	15,349	17,489	12,179	15,621

The Group expects to pay CHF 16.1 million in employer contributions to defined pension plans in the next fiscal year (2021/22: CHF 17.0 million).

Actuarial gains amounted to CHF 72.0 million for the current fiscal year (2020/21: actuarial losses of CHF 5.0 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.

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

	Defined benefit pension plans	
in thousands of CHF	**2021/22**	**2020/21**
Opening fair value of plan assets as of September 1,	**297,722**	**258,819**
Currency translations	873	(30)
Interest income	2,359	1,938
Total recognized in income statement	**3,232**	**1,908**
Return on plan assets excluding interest income	(20,861)	16,650
Exchange differences on foreign plans	(12,404)	5,221
Total recognized in other comprehensive income	**(33,265)**	**21,871**
Contributions by employer	17,532	21,757
Contributions by employees	4,534	4,425
Benefits received	11,368	9,237
Benefits paid	(24,233)	(20,295)
Total other	**9,201**	**15,124**
Fair value of plan assets as of August 31,	**276,890**	**297,722**

The plan assets consist of the following categories of securities:

as of August 31,	Defined benefit pension plans	
in thousands of CHF	**2022**	**2021**
Equities	77,967	95,387
Bonds	133,340	149,962
Insurance portfolio	11,300	13,219
Cash and other assets	54,283	39,154
Total fair value of plan assets	**276,890**	**297,722**

Most of the equity and debt securities have a quoted market price in an active market. Real estate and alternative investments, which include hedge funds, 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:

	Defined benefit pension plans		Other long-term benefit plans	
in thousands of CHF	**2021/22**	**2020/21**	**2021/22**	**2020/21**
Current service costs	14,201	15,814	1,096	1,210
Net interest expense	2,286	2,683	430	436
Net currency translations	—	(30)	(73)	(9)
Past service cost	—	46	—	—
Remeasurement	—	—	(2,441)	(972)
Total expenses related to defined benefit plans and other long-term benefit plans recognized in income statement	**16,487**	**18,513**	**(988)**	**665**

in thousands of CHF	**2021/22**	**2020/21**
Total defined contribution expenses recognized in income statement	**15,900**	**13,532**

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	**2021/22**	**2020/21**
Cost of goods sold	3,501	3,355
Marketing and sales expenses	1,058	1,278
General and administration expenses	7,599	10,703
Research and development expenses	698	762
Personnel expenses	**12,856**	**16,098**
Interest expense	2,716	3,119
Foreign exchange gains/(losses)	(73)	(38)
Finance expense	**2,643**	**3,081**
Total expenses related to defined benefit plans and other long-term benefit plans recognized in income statement	**15,499**	**19,179**

Actuarial assumptions

Weighted average actuarial assumptions used are as follows:

	Defined benefit pension plans		Other long-term benefit plans	
	2021/22	**2020/21**	**2021/22**	**2020/21**
Discount rate	6.4 %	1.7 %	5.2 %	2.8 %
Expected rate of pension increase	1.7 %	0.6 %	0.0 %	0.0 %
Expected rate of salary increase	3.2 %	2.4 %	2.5 %	2.3 %

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

		Life expectancy at age 65 for a male member		Life expectancy at age 65 for a female member	
	Mortality table	**2022**	**2021**	**2022**	**2021**
Switzerland	LPP 2020	22	22	24	24
Belgium	MR / FR	21	21	25	25
UK	S3NMA / S3NFA	22	22	25	25
US	PRI-2012	21	21	23	22

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 liabilities by the amounts shown below:

as of August 31,	Increase		Decrease	
in thousands of CHF	**2022**	**2021**	**2022**	**2021**
Discount rate (1% movement)	(36,145)	(56,670)	45,558	73,412
Expected rate of pension increase (1% movement)	13,760	21,956	(13,760)	(21,956)
Expected rate of salary increase (1% movement)	17,298	27,717	(17,298)	(27,717)
Life expectancy at age 65 (1 year)	5,721	9,187	(5,721)	(9,187)

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 reinsurance of 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.

The plan regulations in Switzerland were partially modified and certain components of the Swiss pension plans that meet the specific requirements are accounted for as defined contribution 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.

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 only, 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. This tranche has vested at 50%.

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 criterion rewards 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.

For the members of the Executive Committee only, and effective for fiscal year 2022/23, the RSU will be discontinued, which means that the members of the Executive Committee will be awarded PSU only. The vesting period will continue to amount to three years (cliff), and the vesting will be conditional on forward-looking performance conditions (relative share price and ROIC). The maximum vesting level will be reduced from 300% to 200% for all plan participants.

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. 1,971 share awards were granted in fiscal year 2021/22 with an average fair value of CHF 2,295 (in fiscal year 2020/21: 2,913 share awards with an average fair value of CHF 1,964).

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 0.5%. 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 17.1% to 29.5%). 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 4.6%. 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 2,334.

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 2021/22, 1,174 PSU were granted to members of the ExCo with an average fair value of CHF 2,857 (in fiscal year 2020/21: 1,626 share awards with an average fair value of CHF 2,431). To the other plan participants, 714 PSU with an average fair value of CHF 2,857 per share were awarded in fiscal year 2021/22 (in fiscal year 2020/21: 1,116 share awards with an average fair value of CHF 2,431).

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 monetary amount to be delivered for the respective service period in shares. The total number of shares awarded for the service period amounted to 1,278 with an average fair value of CHF 2,180 per share (2020/21: 1,266 share awards with an average fair value of CHF 1,930 per share).

Recognition in financial statements

The fair value of the share awards at grant date is recognized over the vesting period as a personnel expense under either of these share plans. For 2021/22, the amount thus recognized (before taxes) was CHF 13.3 million with a corresponding increase in equity (2020/21: CHF 16.0 million). Of the amount recognized in 2021/22, CHF 10.6 million related to the LTIP (2020/21: CHF 13.3 million) and CHF 2.7 million to the Board of Directors plan (2020/21: CHF 2.7 million).

Accounting policies

Employee benefit liabilities/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 liabilities 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
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.

Notes to the Consolidated Financial Statements

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.

5 Group Structure and Related Parties

5.1 Acquisitions

Acquisitions in 2021/22 ECC Group

On June 24, 2021, Barry Callebaut announced the acquisition of two related companies, Europe Chocolate Company NV, a privately owned manufacturer of chocolate specialties and decorations and Flanders Quality Machines NV, a privately owned manufacturer of machinery for chocolate specialties and decorations. The companies began manufacturing specialty chocolate ingredients in 1993 in Malle, Belgium. The transaction was successfully closed on September 1, 2021, and the Group acquired 100% of outstanding shares of the two companies.

This strategic acquisition expanded the Group's value-adding specialties capabilities, allowing Barry Callebaut to cater to the increasing demand for highly customized specialty chocolate and decorations and expanded its specialized chocolate molding capabilities by allowing the Group to offer tailor-made solutions thanks to the advanced in-house developed technology.

The preliminary fair value of the purchase consideration amounts to CHF 39.2 million, of which CHF 22.4 million paid in cash at the acquisition date. The payment was made on September 1, 2021 and was subject to customary purchase price adjustments of CHF 0.6 million, paid on November 9, 2021. On May 18, 2022 the remaining CHF 16.2 million was paid out to the previous shareholders upon the achievement of performance conditions.

The total acquisition-related costs amounted to CHF 0.4 million, of which CHF 0.2 million were expensed and included in “Other expense” in fiscal year 2021/22 and CHF 0.2 million were already expensed in fiscal year 2020/21 also included in “Other expense”.

in thousands of CHF	2021/22
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	980
Trade receivables and other current assets and Inventories	9,402
Property, plant and equipment, Right-of-use assets, Intangible assets and other non-current assets	12,349
Trade payables and other current liabilities	(6,209)
Other non-current liabilities	(2,100)
Deferred tax liabilities	(1,749)
Total identifiable net assets	**12,673**
Goodwill	26,510
Total consideration at fair value	**39,183**
thereof:	
Cash paid	22,978
Contingent Consideration	16,205

The goodwill of CHF 26.5 million arising from the acquisition is attributable to strengthening Barry Callebaut’s presence in the high-growth specialties & decorations market as well as synergies and leverage achieved by the integration of the business into the Group’s footprint. The goodwill has been allocated to Region EMEA and its amortization is not deductible for income tax purposes.

Since the first time consolidation as of September 1, the acquired business contributed CHF 50.1 million to Revenue from sales and services and CHF 1.1 million to net profit.

Acquisitions in 2020/21

There were no acquisitions completed in fiscal year 2020/21 .

5.2 Discontinued operations and disposal

The Group did not have any discontinued operations or disposals in 2021/22 and 2020/21.

5.3 Group entities

The principal subsidiaries of Barry Callebaut as of August 31, 2022, are as follows:

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 Re AG	Zürich	100	CHF	3,000,000
	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	261,521,544
	Barry Callebaut Manufacturing Halle BV	Halle	100	EUR	15,488,952
	Barry Callebaut Services N.V.	Lebbeke-Wieze	100	EUR	929,286,000
	BURG NV	Malle	100	EUR	171,047
	Cabosse Naturals N.V.	Halle	100	EUR	1,161,148
	Europe Chocolate Company NV	Malle	100	EUR	61,500
	Flanders Quality Machines NV	Malle	100	EUR	74,616
	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	451,750,810
Cameroon	Barry Callebaut Cameroon 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	142,000,000
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
	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	100	CZK	200,000
Denmark	Barry Callebaut Denmark ApS	Hostebro	100	DKK	500,000
Ecuador	Barry Callebaut Ecuador SA	Guayaquil	100	USD	20,750,000
France	Barry Callebaut France SAS	Hardricourt	100	EUR	67,900,000
	Barry Callebaut Manufacturing France SAS	Hardricourt	100	EUR	6,637,540
	Barry Callebaut Nord Cacao SAS	Gravelines	100	EUR	3,037,000
Germany	Barry Callebaut Cocoa Germany GmbH	Hamburg	100	EUR	25,000
	Barry Callebaut Deutschland GmbH	Cologne	100	EUR	52,000
	Barry Callebaut Manufacturing Norderstedt GmbH & Co. KG	Norderstedt	100	EUR	50,100
	C.J. van Houten & Zoon Holding GmbH	Norderstedt	100	EUR	72,092,155
	Tagungs- und Seminarzentrum Schloss Marbach GmbH	Öhningen	100	EUR	3,600,000
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.	Kumasi	100	GHS	2,850,000
Great Britain	Barry Callebaut (UK) Ltd	Banbury	100	GBP	3,200,000
	Barry Callebaut Beverages UK Ltd	Chester	100	GBP	40,000
	Barry Callebaut Manufacturing (UK) Ltd	Banbury	100	GBP	15,467,852
Greece	Barry Callebaut Hellas Single Member SA	Athens	100	EUR	25,000
Hong Kong	Barry Callebaut Hong Kong Limited	Hong Kong	100	HKD	2

Notes to the Consolidated Financial Statements

Country	Subsidiary	Municipality of registration	%-owned	Currency	Capital
India	Barry Callebaut Cocoa & Chocolate Ingredients India Private Limited	Pune	100	INR	218,460,570
Indonesia	P.T. Barry Callebaut Indonesia	Bandung	100	IDR	66,213,000,000
	P.T. Papandayan Cocoa Industries	Bandung	100	USD	40,000,000
Israel	Barry Callebaut Israel Ltd	Tel Aviv	100	ILS	71,212
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.	Takasaki	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 Cocoa Management Services SA de CV	Mexico City	100	MXN	100,000
	Barry Callebaut Mexico Distributors SA de CV	Escobedo N.L.	100	MXN	109,000,000
	Barry Callebaut Mexico, S. de R.L. de CV	Monterrey	100	MXN	13,030,200
	DCMX Cocoa, SA de CV	Mexico City	100	MXN	1,304,967
Morocco	Barry Callebaut Maroc SARLAU	Casablanca	100	MAD	280,000
Nigeria	BC Nigeria Cocoa & Chocolate Limited	Lagos	100	NGN	10,000,000
Philippines	Cocoa Ingredients (Philippines) Inc.	Makati City	100	USD	200,000
Poland	Barry Callebaut Manufacturing Polska Sp. z o.o.	Łódź	100	PLN	10,000,000
	Barry Callebaut Polska Sp. z o.o.	Łódź	100	PLN	50,000
	Barry Callebaut SSC Europe Sp. z o.o.	Łódź	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
	Barry Callebaut Kaliningrad LLC	Kaliningrad	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	558,130,230
South Africa	Barry Callebaut South Africa (Pty) Ltd	Johannesburg	100	ZAR	—
Spain	Barry Callebaut Ibérica SLU	Barcelona	100	EUR	25,000
	Barry Callebaut Manufacturing Ibérica SA	Gurb	100	EUR	987,600
	La Morella Nuts SA	Reus	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	THB	125,000,000
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
Türkiye	Barry Callebaut Eurasia Gida Sanayi Ve Ticaret Ltd. Sti.	Istanbul	100	TRY	333,000,000
Uganda	Barry Callebaut East Africa Ltd	Kampala	100	UGX	70,000,000
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, Barry Callebaut Holdings (UK) Ltd., BC Chocodesign Participacoes Ltda., Barry Callebaut Produktions Deutschland GmbH, Barry Callebaut Nigeria, Biopartenaire SA, Barry Callebaut Cocoa USA Inc. and P.T. Barry Callebaut Comextra Indonesia.

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.

5.4 Significant shareholders and related parties

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,	2022	2021
Jacobs Holding AG	30.1 %	30.1 %
Renata Jacobs	5.0 %	5.0 %
BlackRock Inc.[1]	3.1 %	3.1 %
T. Rowe Price Associates Inc.[1]	3.0 %	— %
UBS Fund Management (Switzerland) AG[1]	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	2021/22	2020/21
Other operating expenses charged by related parties		**(250)**	**(250)**
Jacobs Holding AG	Management services	(250)	(250)

as of August 31, in thousands of CHF		2021/22	2020/21
Other payables to related parties		**63**	**63**
Jacobs Holding AG		63	63

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	2021/22	2020/21
Short-term employee benefits	13.1	15.6
Post-employment benefits	2.3	2.3
Share-based payments	8.5	10.2
Total	**23.8**	**28.1**

Further details related to the requirements of the Swiss Transparency law (Art. 663bbis and 663c Swiss Code of Obligations) are disclosed in Notes 2.8, 3.4 and 3.5 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	2021/22	2020/21
Current income tax expenses	(92,600)	(76,250)
Deferred income tax expenses	21,808	(4,264)
Total income tax expenses	**(70,792)**	**(80,514)**

Reconciliation of income taxes

in thousands of CHF	2021/22	2020/21
Profit before income taxes	431,732	465,019
Expected income tax expenses at weighted average applicable tax rate	(88,866)	(99,245)
Non-tax deductible expenses	(10,735)	(6,193)
Tax-deductible items not qualifying as an expense under IFRS	35,638	28,310
Tax-exempt income	23,764	15,638
Income recognized for tax declarations purposes only	(3,233)	(8,083)
Prior-period-related items	(11,710)	(11,788)
Changes in tax rates	1,169	1,549
Losses carried forward not yet recognized as deferred tax assets	(22,879)	(6,711)
Tax relief on losses carried forward formerly not recognized as deferred tax assets	6,060	6,009
Total income taxes	**(70,792)**	**(80,514)**

For the reconciliation above the weighted average applicable tax rate was 20.6% in 2021/22 (2020/21: 21.3%).

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 by modified corporate tax rates in certain tax jurisdictions. The application of the Swiss tax reform, which became effective as of January 1, 2020, has resulted in the recognition of a deferred tax income of CHF 17.2 million in 2021/22 (2020/21: CHF 12.8 million).

The Group's effective tax rate in 2021/22 is 16.4% (2020/21: 17.3%).

The tax relief on losses carried forward previously not recognized as deferred tax assets of CHF 6.1 million (2020/21: CHF 6.0 million) consists of CHF 4.9 million tax relief of utilization on tax losses carried forward previously not recognized (2020/21: CHF 5.9 million) and CHF 1.2 million of tax losses recognized for the first time in 2021/22 (2020/21: CHF 0.1 million).

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, 2020	**9,032**	**(94,298)**	**30,929**	**(1,500)**	**34,289**	**25,095**	**3,547**
Charged to the income statement	(6,336)	(43,264)	22,520	735	12,963	9,118	(4,264)
Recognized in other comprehensive income	—	—	(2,154)	—	(5,716)	—	(7,870)
Effect of disposals	—	28	(28)	—	(1)	—	(1)
Currency translation effects	35	(1,758)	1,038	(25)	(613)	785	(538)
as of August 31, 2021	**2,731**	**(139,292)**	**52,305**	**(790)**	**40,922**	**34,998**	**(9,126)**
as of September 1, 2021	**2,731**	**(139,292)**	**52,305**	**(790)**	**40,922**	**34,998**	**(9,126)**
Charged to the income statement	3,102	(3,484)	71,821	308	(52,823)	2,884	21,808
Recognized in other comprehensive income	625	—	(738)	—	(18,897)	—	(19,010)
Application of hyperinflation accounting (IAS 29), deferred tax impact		(3,383)					(3,383)
Effect of acquisitions	(89)	(1,660)	—	—	—	—	(1,749)
Effect of disposals	—	(251)	966	—	(40)	—	675
Currency translation effects	834	2,020	1,427	308	(3,047)	(465)	1,077
as of August 31, 2022	**7,203**	**(146,050)**	**125,781**	**(174)**	**(33,884)**	**37,417**	**(9,708)**

For fiscal year 2021/22, deferred tax expense recognized in other comprehensive income amounted to CHF 19.0 million (2020/21: deferred tax expense CHF 7.9 million), and this relates to remeasurement of defined benefit plans of CHF 10.8 million (2020/21: deferred tax expense of CHF 2.7 million) and to cash flow hedging reserves CHF 8.2 million (2020/21: deferred tax expense of CHF 5.2 million).

Recognized deferred tax assets and liabilities

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

as of August 31,			2022			2021
in thousands of CHF	Assets	Liabilities	Net	Assets	Liabilities	Net
Inventories	18,891	(11,689)	7,202	14,003	(11,272)	2,731
Property, plant and equipment/Intangible assets/Right of use assets	12,706	(158,756)	(146,050)	9,799	(149,091)	(139,292)
Other assets	134,648	(8,867)	125,781	58,585	(6,280)	52,305
Provisions	2,264	(2,438)	(174)	1,072	(1,862)	(790)
Other liabilities	60,249	(94,133)	(33,884)	67,119	(26,197)	40,922
Tax losses carried forward	37,417	—	37,417	34,998	—	34,998
Tax assets/(liabilities)	**266,175**	**(275,883)**	**(9,708)**	**185,576**	**(194,702)**	**(9,126)**
Setoff within same tax jurisdiction	(168,892)	168,892	—	(108,404)	108,404	—
Reflected in the balance sheet	**97,283**	**(106,991)**	**(9,708)**	**77,172**	**(86,298)**	**(9,126)**

For fiscal year 2021/22, deferred tax assets amounting to CHF 11.5 million (2020/21: CHF 0.0 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.

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, in thousands of CHF	2022	2021
Expiry:		
Within 1 year	3,431	51
After 1 up to 2 years	1,022	1,020
After 2 up to 3 years	1,188	1,039
After 3 up to 10 years	15,683	11,120
After 10 years	995	305
Unlimited	459,345	376,287
Total unrecognized tax losses carried forward	**481,664**	**389,822**

Tax losses carried forward utilized during the year 2021/22 were CHF 19.0 million (2020/21: CHF 38.7 million). The related tax relief amounted to CHF 6.1 million, of which CHF 0.4 million were already recognized as a deferred tax asset in the previous year (2020/21: CHF 10.5 million of which CHF 4.6 million were already recognized as a deferred tax asset in the previous year) and CHF 5.7 million that were previously not recognized (2020/21: CHF 5.9 million).

As at August 31, 2022, the Group had unutilized tax losses carried forward of approximately CHF 628.9 million (2020/21: approximately CHF 531.1 million) available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 147.2 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 37.4 million (2021/22: CHF 141.2 million recognized resulting in a deferred tax asset of CHF 35.0 million). The net increase of CHF 2.4 million in the deferred tax asset on recognized tax losses carried forward consists of CHF 1.2 million first time recognition of prior year tax losses carried forward, CHF 0.4 million decrease resulting from utilization of tax losses already recognized as a deferred tax asset in prior year, CHF 2.0 million increase relating to current year tax losses and CHF 0.4 million decrease relating to currency translation adjustments.

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.

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.

The provision of IAS 29 "Financial Accounting in Hyperinflationary Economies", were applied to one legal entity in Türkiye for the first time in FY 2022, due to the rapid devaluation of the Turkish lira. The financial information of the Turkish subsidiary have been restated into current purchasing power before being translated and included in the consolidated financial statement of the Group. Gains and losses on net monetary items amount to CHF 2.3 million are recognized in other income (see Note 1.3). Opening balances have been restated and recorded through retained earnings. The consumer price index provided by the Turkish Statistical Institute has been used in applying IAS 29.

Major foreign exchange rates

	2021/22		2020/21	
	Closing rate	Average rate	Closing rate	Average rate
BRL	0.1919	0.1793	0.1766	0.1699
EUR	0.9760	1.0333	1.0814	1.0861
GBP	1.1351	1.2221	1.2616	1.2377
MXN	0.0485	0.0461	0.0456	0.0446
RUB	0.0160	0.0128	0.0125	0.0121
USD	0.9744	0.9391	0.9170	0.9087
XOF/XAF (unit 1,000)	1.4878	1.5750	1.6486	1.6557

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.

7.2 Subsequent events

Approval of the Financial Statements

The Consolidated Financial Statements were authorized for issue by the Board of Directors on October 31, 2022, and are subject to approval by the Annual General Meeting of Shareholders on December 14, 2022 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 2022 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 2022, 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

Valuation of Inventory

Derivative Financial Instruments and Hedge Accounting

Valuation of Goodwill Global Cocoa

Provisions resulting from the Salmonella Incident at the Wieze Factory in Belgium

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.

Valuation of Inventory

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 2,426.5 million as of 31 August 2022.

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

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

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

Our response

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

- Obtaining an understanding over the supply chain and testing selected key controls over the recognition and measurement of inventory;
- Testing on a sample basis the accuracy of cost for inventory by verifying purchase prices and actual production costs, and testing the net realisable value by comparing actual cost with relevant market data;
- Testing on a sample basis the application and accuracy of hedge accounting and the underlying fair values;
- Evaluating the adequacy of the intercompany profit elimination on inventory and related derivative financial instruments by assessing the methodology applied based on our knowledge and understanding of the Group;
- Testing the model and recalculating the amounts used in determining the amounts of unrealised profits 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 71 to 72)

KPMG

Derivative Financial Instruments and Hedge Accounting

Key Audit Matter

The Group reports derivative financial assets at fair value of CHF 466.6 million and derivative financial liabilities at fair value of CHF 560.3 million as of 31 August 2022.

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 to 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 "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 83 to 100)

KPMG

Valuation of Goodwill

Key Audit Matter

As of 31 August 2022, the Group reports Goodwill of CHF 861.2 million 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, performing impairment risk assessment procedures at the level of the individual CGU using sensitivity analysis on key assumptions, 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 for the Global Cocoa CGU:

— 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 relevant 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 69 to 71)

Provisions resulting from the Salmonella Incident at the Wieze Factory in Belgium

Key Audit Matter

On 27 June 2022, the Group detected a salmonella-positive production lot manufactured in Wieze, Belgium. The Group informed the Belgian food authorities (FAVV) about the incident and stopped all chocolate production lines and blocked all products manufactured since the time of testing. After reaching out to all customers supplied with impacted chocolate products, the Group were able to confirm that no affected products entered the retail food chain.

The incident causes costs to fulfill contractual obligations as well as costs for transportation, storage, destruction, and disposal of contaminated products. It also includes costs for cleaning, including dismantling, disinfecting, and reassembling all contaminated product lines.

As at 31 August 2022, the Group reported a total Litigation & claim provision of CHF 79.2 million. A portion of this provision includes the estimated costs of fulfilling contractual obligations related to the salmonella incident at the Wieze factory.

The estimation requires management to apply significant judgement.

Our response

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

— Obtaining an understanding over the Group's provisions process for the estimated costs of fulfilling contractual obligations which included identification, quantification, review and approval of the provisions;

— Discussing the status of the ongoing assessment of the incident with management and the inhouse legal counsel;

— Considering the relevant claim notifications, communications with the food safety authorities as well as the minutes of the board of directors and managements meetings;

— Examining the Group's conclusion with respect to the evaluation of provisions for certain elements, considering the results of information obtained to evaluate the judgment made in determining the provision for the costs of fulfilling contractual obligations;

— For a sample selected, reperforming the calculation of the provisions and reconciling to underlying internal and external data.

We also considered the appropriateness of disclosures in the Consolidated Financial Statements.

For further information on the Salmonella incident at the Wieze factory in Belgium refer to the following:

— Notes to the Consolidated Financial Statements – 1.3 Other income and expense (page 64) and 2.7 Provisions (pages 74 to 75)

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

Marc Ziegler Licensed Audit Expert Auditor in Charge	Regula Tobler Licensed Audit Expert

Zurich, 31 October 2022

Financial Statements of Barry Callebaut AG

Income Statement

for the fiscal year		
in thousands of CHF	**2021/22**	**2020/21**
Income		
Dividend income	100,000	150,000
License income	68,944	62,365
Management fees	46,853	47,304
Other finance income	1,550	4,327
Other operating income	1,992	3,260
Total income	**219,339**	**267,256**
Expenses		
Finance expense	(32,226)	(19,159)
Personnel expenses	(43,127)	(72,054)
Other operating expense	(40,901)	(53,292)
Depreciation / impairment of property, plant and equipment	(1,341)	(657)
Amortization / impairment of intangible assets	(342)	(4,540)
Total expenses	**(117,937)**	**(149,702)**
Profit before income tax	**101,402**	**117,554**
Income tax expense	(552)	(6)
Net profit for the year	**100,850**	**117,548**

Available earnings

in thousands of CHF	**2021/22**	**2020/21**
Available earnings as of September 1,	**1,437,627**	**1,440,794**
Dividends to shareholders (gross)	(153,467)	(120,715)
Net profit for the year	100,850	117,548
Available earnings as of August 31,	**1,385,010**	**1,437,627**

Balance Sheet

Assets as of August 31, in thousands of CHF	2022	2021
Current Assets		
Cash and cash equivalents	3,205	732
Other short-term receivables		
Other short-term receivables from third parties	816	694
Other short-term receivables from Group companies	32,291	34,501
Short-term interest-bearing receivables from Group companies	14	15
Prepaid expenses and accrued income	1,299	910
Total current assets	**37,625**	**36,852**
Non-Current Assets		
Investments in Group companies	2,521,909	2,282,374
Property, plant and equipment	9,135	9,841
Intangible assets		
Trademarks	2	5
Patents/R&D Development projects	1,334	1,465
Other	145	208
Other non-current assets	785	—
Total non-current assets	**2,533,310**	**2,293,893**
Total assets	**2,570,935**	**2,330,745**

Liabilities and shareholders' equity

as of August 31,

in thousands of CHF	2022	2021
Current Liabilities		
Other short-term payables		
to third parties	8,602	6,874
to Group companies	13,654	16,603
Short-term interest-bearing loans from Group companies	480,453	255,943
Short-term provisions	19,641	30,294
Accrued expenses and deferred income		
to third parties	15,653	18,074
to Group companies	4,737	1,932
to shareholders	63	62
Total current liabilities	**542,803**	**329,782**
Non-Current Liabilities		
Long-term interest-bearing loans from Group companies	639,211	553,174
Long-term provision	49	7
Total non-current liabilities	**639,260**	**553,181**
Total liabilities	**1,182,063**	**882,963**
Shareholders’ Equity		
Share capital	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	1,284,159	1,320,079
Net profit for the year	100,850	117,548
Treasury shares	(21,886)	(15,594)
Total shareholders’ equity	**1,388,872**	**1,447,782**
Total liabilities and shareholders’ equity	**2,570,935**	**2,330,745**

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 license 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.

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 future events, annual subscriptions and annual contributions for social securities.

2.2 Investments

as of August 31,					Percentage of ownership[1]	
Name and domicile	**Municipality of registration**		**Share capital**	**Purpose**	**2022**	**2021**
Barry Callebaut Belgium N.V., Belgium	BE-Lebbeke-Wieze	EUR	261,521,544	Production, sales	100 %	100 %
Barry Callebaut Services N.V., Belgium	BE-Lebbeke-Wieze	EUR	929,286,000	Centralized treasury, management services	100 %	100 %
Cabosse Naturals N.V., Belgium	BE-Halle	EUR	1,161,148	Research and development	100 %	100 %
Barry Callebaut Manufacturing Halle B.V., Belgium	BE-Halle	EUR	15,488,952	Production, sales	100 %	100 %
Barry Callebaut Sourcing AG, Switzerland	CH-Zürich	CHF	2,000,000	Sourcing	100 %	100 %
Barry Callebaut Schweiz AG, Switzerland	CH-Dübendorf	CHF	4,600,000	Production, sales	100 %	100 %
Cabosse Naturals Switzerland AG, Switzerland	CH-Zürich	CHF	1,000,000	Research and development	100 %	100 %
Barry Callebaut Management Services AG, Switzerland	CH-Zürich	CHF	100,000	Management services	100 %	100 %
Barry Callebaut Cocoa AG, Switzerland	CH-Zürich	EUR	81,515	Production, sales	100 %	100 %
Barry Callebaut Re AG, Switzerland	CH-Zürich	CHF	3,000,000	Insurance	100 %	0 %
C.J. van Houten & Zoon Holding GmbH, Germany	DE-Norderstedt	EUR	72,092,155	Holding	100 %	100 %
Tagungs- und Seminarzentrum Schloss Marbach GmbH, Germany	DE-Öhningen	EUR	3,600,000	Conference and training center	100 %	100 %
Barry Callebaut Nederland B.V., The Netherlands	NL-Zundert	EUR	21,435,000	Sales	100 %	100 %
Barry Callebaut Decorations B.V., The Netherlands	NL-Zundert	EUR	18,242	Production, sales	100 %	100 %
Barry Callebaut Nigeria Ltd., Nigeria	NG-Lagos	NGN	10,000,000	Dormant	1 %	1 %

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

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

2.3 Short-term interest-bearing loans from Group companies

as of August 31, in thousands of CHF	**Maturity**	**Interest**	**2022**	**2021**
Short-term loan from Group companies	9/20/2022	1.079 %	480,000	—
Short-term loan from Group companies	9/20/2021	0.459 %	—	255,500
Bank overdraft from Group companies	n/a	0.852 %	453	443
Total			**480,453**	**255,943**

2.4 Accrued expenses and deferred income

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

2.5 Long-term interest-bearing loans from Group companies

as of August 31, in thousands of CHF	Maturity	Interest	2022	2021
Loan from Group companies	7/28/2025	1.1850 %	15,000	15,000
Loan from Group companies	7/28/2025	1.1563 %	18,216	18,216
Loan from Group companies	2/14/2022	0.7910 %	—	11,000
Loan from Group companies	2/13/2026	1.7418 %	69,000	69,000
Loan from Group companies	2/13/2026	2.0096 %	115,000	115,000
Loan from Group companies	1/27/2027	1.2642 %	50,534	50,534
Loan from Group companies	1/27/2027	1.7679 %	5,000	5,000
Loan from Group companies	2/13/2027	1.4550 %	21,000	21,000
Loan from Group companies	2/14/2022	0.9350 %	—	110,000
Loan from Group companies	2/13/2027	1.9204 %	67,000	67,000
Loan from Group companies	7/27/2028	1.5218 %	48,424	48,424
Loan from Group companies	2/14/2022	1.0760 %	—	10,000
Loan from Group companies	2/13/2029	2.5085 %	13,000	13,000
Loan from Group companies	11/22/2031	1.5600 %	217,037	—
Total			**639,211**	**553,174**

2.6 Lease commitments

The future non-cancellable lease commitments are related to a new lease agreement entered during the fiscal year 2020/21.

for the fiscal year in thousands of CHF	2021/22	2020/21
Future lease commitments		
within the next 5 years	8,089	7,753
more than 5 years	3,229	4,492
Total future lease commitments	**11,318**	**12,245**

2.7 Share capital and authorized capital

Share capital in the amount of CHF 109,777 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
as of September 1, 2020	—	—	—	—	**12,837**
Purchase	11	1,984	2,049	2,014	9,138
Allocations to Management	3	—	—	1,856	(12,546)
Allocations to Board members	1	—	—	1,856	(1,556)
Inventory as of August 31, 2021	—	—	—	—	**7,873**
Purchase	14	1,993	2,250	2,182	7,767
Allocations to Management	7	—	—	1,998	(4,079)
Allocations to Board members	1	—	—	1,981	(1,266)
Inventory as of August 31, 2022	—	—	—	—	**10,295**

As at balance sheet date, acquisition costs for directly held treasury shares amounted to CHF 21.9 million (previous year: CHF 15.6 million).

2.9 Dividend income

In the reporting year, dividend income amounted to CHF 100.0 million (previous year: CHF 150.0 million). The amount in this year was fully related to the dividend distributed by Barry Callebaut Sourcing AG, Switzerland for fiscal year 2020/21.

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 in thousands of CHF	2021/22	2020/21
Bank interest and charges	193	102
Interest to Group companies	14,740	10,975
Foreign exchange losses	17,293	8,082
Total	**32,226**	**19,159**

2.14 Other operating expense

for the fiscal year in thousands of CHF	2021/22	2020/21
Legal and consulting fees	14,428	10,403
Other expenses third parties	7,665	6,418
Cash contributions to subsidiaries	—	15,000
Assistance fees related parties	250	250
Assistance fees Group companies	18,558	21,221
Total	**40,901**	**53,292**

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 900.0 million (CHF 878.4 million; 2020/21: CHF 1,081.4 million) obtained by Barry Callebaut Services N.V., Belgium, on October 20, 2021, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 1,363.1 million less 35% withholding tax).
- The Company is also a co-debtor to the Senior Notes of USD 400.0 million (CHF 389.8 million; 2020/21: CHF 366.8 million) issued by Barry Callebaut Services N.V., Belgium, on June 20, 2013, to the Senior Notes of EUR 450.0 million (CHF 439.2 million; 2020/21: CHF 486.6 million) disbursed by Barry Callebaut Services N.V., Belgium, on May 24, 2016, as well as to Schuldscheindarlehen of EUR 467.0 million (CHF 455.8 million; 2020/21: 505.0 million) and CHF 21.0 million disbursed by Barry Callebaut Services N.V., Belgium, on February 13, 2019 , as well as to Schuldscheindarlehen of EUR 377.0 million (CHF 367.9 million; 2020/21: CHF 407.7 million) and CHF 20.0 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 1,363.1 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 1,605.0 million (2020/21: CHF 1,384.8 million).

3.3 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,	2022	2021
Jacobs Holding AG	30.1 %	30.1 %
Renata Jacobs	5.0 %	5.0 %
BlackRock Inc.[1]	3.1 %	3.1 %
T. Rowe Price Associates Inc.[1]	3.0 %	— %
UBS Fund Management (Switzerland) AG[1]	3.0 %	— %

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

3.4 Shareholdings of the Board of Directors and the Executive Committee

Shareholdings of the Board of Directors

Number of shares as of August 31,

Name	Function	2022	2021
Patrick De Maeseneire	Chairman	2,523	2,175
Markus R. Neuhaus	Vice-Chairman; Chairman of the AFRQCC	643	469
Fernando Aguirre	Member of the NCC	1,097	973
Angela Wei Dong	Member of the AFRQCC	457	333
Nicolas Jacobs[1]	Member of the AFRQCC	18,703	18,579
Elio Leoni Sceti	Member of the NCC	637	513
Tim Minges	Chairman of the NCC; member of the AFRQCC	1,492	1,368
Antoine de Saint-Affrique[2]	Member of the Board	2,006	1,836
Yen Yen Tan	Member of the NCC	124	n/a
Total shares held by Board of Directors		**27,682**	**26,246**

1 Excluding the 30.1% participation held by Jacobs Holding AG (see Note 3.3 "Significant shareholders").
2 Number of shares as of August 31, 2021 as Chief Executive Officer.

Notes to the Financial Statements of Barry Callebaut AG

Shareholdings of the Executive Committee

Number of shares as of August 31,

Name	**Function**	**2022**	**2021**
Peter Boone	Chief Executive Officer	553	207
Ben De Schryver	Chief Financial Officer	588	330
Olivier Delaunay	Chief Operations Officer	419	264
Pablo Perversi	Chief Innovation, Sustainability & Quality Officer; Global Head of Gourmet	740	425
Steven Retzlaff	President Global Cocoa	1,076	629
Massimo Selmo	Chief Procurement Officer (as of October 1, 2021)	100	n/a
Rogier van Sligter	President EMEA (as of October 1, 2021)	185	78
Jo Thys	President APAC	339	253
Masha Vis-Mertens	Chief Human Resources Officer (as of October 1, 2021)	70	n/a
Steve Woolley	President Americas	22	n/a
Isabelle Esser	Chief Human Resources Officer (until September 30, 2021)	n/a	115
Andrew Fleming	Co-President EMEA (until September 30, 2021)	n/a	214
Total shares held by Executive Committee		**4,092**	**2,515**

3.5 Shares granted to the Board of Directors and employees

	2021/22		**2020/21**	
	Quantity	**Value (CHF)**	**Quantity**	**Value (CHF)**
Granted to members of the Board	1,278	2,786,040	1,266	2,443,380
Granted to employees[1] of Barry Callebaut AG and subsidiaries	3,859	9,918,158	5,655	12,386,681

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.

3.6 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.

3.7 Proposed appropriation of available earnings

in thousands of CHF	
Balance carried forward as of September 1, 2021	**1,437,627**
Dividend to shareholders (gross)[1]	(153,467)
Net profit	100,850
Voluntary retained earnings as of August 31, 2022	**1,385,010**
Treasury shares	(21,886)
Available retained earnings as of August 31, 2022	**1,363,124**
Proposed appropriation of available earnings by the Board of Directors	
Dividend of CHF 28.00 per share[2]	(153,688)
Balance carryforward	**1,209,436**

1 Resolution of the General Meeting of Shareholders as of December 8, 2021; payment excludes dividends on treasury shares.
2 The total dividend amount is calculated based on all outstanding registered shares (while payment of dividend for treasury shares held by the Group on payment date will be excluded).

The Board of Directors proposes to the 2022 Annual General Meeting a dividend of CHF 28.00 per share.

The dividend is expected to be paid on or around January 11, 2023.

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 2022, and the income statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the financial statements (pages 128 to 136) for the year ended 31 August 2022 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

Marc Ziegler
Licensed Audit Expert
Auditor in Charge

Regula Tobler
Licensed Audit Expert

Zurich, 31 October 2022

KPMG AG, Badenerstrasse 172, PO Box, CH-8036 Zurich