



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 2017 and the consolidated income statement, statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flows statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion the consolidated financial statements (pages 34 to 106) give a true and fair view of the consolidated financial position of the Group as at 31 August 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Basis for Opinion

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

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

Key Audit Matters



Valuation of Goodwill



Derivative Financial Instruments and Hedge Accounting



Existence and Valuation of Inventory

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.

**Key Audit Matter**

The Group reports goodwill totalling CHF 760.8 million as of 31 August 2017, arising from past business combinations.

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

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

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

Our response

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

In particular, we performed the following:

- Gaining an understanding and assessing the reasonableness of business plans by comparing the assumptions to prior year;
- Comparing business plan data against budgets and the mid-term plan as approved by the Board of Directors;
- Recalculating the value in use calculations;
- Challenging the robustness of the key assumptions used to determine the value in use, cash flow forecasts, long-term growth rates and the discount rates based on our understanding of the commercial prospects of the related CGUs and by comparing them with publicly available data, where possible;
- Conducting sensitivity analysis, taking into account the Group's historical forecasting accuracy; and
- Comparing the sum of net asset value to the market capitalisation of the Group.

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

For further information on Goodwill refer to the following:

- Summary of Accounting Policies, Intangible assets, Goodwill (page 46)
- Notes to the Consolidated Financial Statements – 18 Intangible assets (pages 67 to 69)



Derivative Financial Instruments and Hedge Accounting

Key Audit Matter

The Group reports net derivative financial assets at fair value of CHF 573.8 million and net derivative financial liabilities at fair value of CHF 259.8 million as of 31 August 2017.

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, their measurement and the complexity 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 applicability and accuracy of hedge accounting;
- Considering the appropriateness of disclosures in relation to financial risk management, derivative financial instruments and hedge accounting.

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

- Summary of Accounting Policies, Derivative financial instruments and hedging activities (pages 43 to 45)
- Notes to the Consolidated Financial Statements – 14 Derivative financial instruments and hedging activities (pages 63 to 64)
- Notes to the Consolidated Financial Statements – 26 Financial risk management (pages 80 to 101)



Existence and Valuation of Inventory

Key Audit Matter

Inventory forms a significant part of the Group's assets, amounting to CHF 1,317.8 million as of 31 August 2017.

Inventory is made up of physical items and commodity contracts and is managed globally by using third party warehouses and outsourcing contracts.

Inventories are measured at the lower of cost and net realizable value, except for inventories that qualify as hedged items in a fair value hedge relationship (cocoa and non-cocoa commodity raw materials, 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 and the complexity of the supply chain.

Our response

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

- Obtaining an understanding over the supply chain and testing selected key controls over recognition and measurement of inventory;
- Testing on a sample basis the accuracy of cost for inventory by verifying the actual production costs, and testing the net realizable value by comparing actual cost with relevant market data;
- Testing on a sample basis the applicability and accuracy of hedge accounting;
- For a sample of warehouses, attending the physical stock-take procedures or reconciling third party confirmations with the accounting records of the Group.

For further information on Inventory refer to the following:

- Summary of Accounting Policies, Inventories (page 46)
- Notes to the Consolidated Financial Statements – 13 Inventories (page 63)

Other Information in the Annual Report

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

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

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



Responsibility of the Board of Directors for the Consolidated Financial Statements

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

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

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

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

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

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

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

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



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

Report on Other Legal and Regulatory Requirements

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

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

KPMG AG

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François Rouiller
Licensed Audit Expert
Auditor in Charge

A handwritten signature in black ink, appearing to read 'PB' followed by a horizontal line.

Patricia Bielmann
Licensed Audit Expert

Zurich, 6 November 2017