Consolidated Income Statement

Explanatory comments to the Consolidated Financial Statements:
On June 30, 2013, the Group closed the acquisition of the Cocoa Ingredients Division from Petra Foods Ltd., Singapore (referred to hereinafter as "acquired cocoa business"). The Consolidated Financial Statements of the fiscal year 2012/13 and of the fiscal year under review contain one-off transaction costs related to this acquisition as well as the operating results since its completion. For comparability reasons, certain key figures are provided excluding these effects (i.e. "stand-alone").

In the fiscal year under review, the Group adopted the revised IAS 19 standard (Employee Benefits). It was applied for the first time retrospectively in compliance with the transitional provisions and affected the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet and the Consolidated Cash Flow Statement. The retrospective application resulted in the restatement of certain comparative figures.

Sales volume grew significantly by 11.8% from 1,535,662 tonnes to 1,716,766 tonnes (stand-alone by 2.9% to 1,541,654 tonnes). Whereas Region Europe's volume slightly declined, all other Regions and all Product Groups contributed to this growth.

Revenue from sales and services rose even faster than sales volume, by 20.1% (stand-alone 10.0%) from CHF 4,884.1 million to CHF 5,865.9 million. This is the result of higher average cocoa ingredient prices, which are largely passed on to customers in accordance with the Group's business model. Adjusted for currency translation effects, revenues from sales and services grew by 23.4% (stand-alone 13.0%).

Gross profit augmented by 18.2% from CHF 728.7 million to CHF 861.1 million (excl. translation effects up 20.7%). On a stand-alone basis, gross profit increased by 10.6%. Despite the continuously low combined cocoa ratio, gross profit showed stronger growth than volume as a result of the Group's continued focus on margins and on improving its product mix towards more specialties and Gourmet products. Gross profit per tonne increased from CHF 475 in prior year to CHF 502 (stand-alone it increased from CHF 492 to 529).

Marketing and sales expenses grew by 13.2% to CHF 121.0 million compared to CHF 106.8 million last year. The increase is mainly due to the ongoing strengthening of the Group's global Gourmet brands and to its focus on customer relationships as well as on the further expansion of the distribution and sales network in emerging markets and in the Gourmet business. Marketing and sales expenses also increased as a result of the Group's acquisitions and its general growth.

General and administration expenses amounted to CHF 329.8 million compared to CHF 283.1 million in prior year, up 16.5%. The increase stems from scope effects related to acquisitions and from the continuation of investments in processes, structures and emerging markets. In addition to effects from the general growth of the Group, the increase also includes a one-time effect related to the Group's long term incentive plan.

Other income of CHF 18.2 million was recorded, compared to CHF 14.8 million in the prior year. In both years, this position included operating as well as non-sales-related income items, such as income generated by the Group's Training Center, Schloss Marbach, claims related to insurance companies and suppliers, sales of waste products and some other smaller items.

Other expenses amounted to CHF 12.3 million compared to CHF 10.6 million in the prior year. This position comprises litigation and claims, restructuring and severance costs, impairment charges and some other non-recurring items.

Operating profit (EBIT) increased by 21.4% to CHF 416.2 million (23.9% in local currencies), compared to CHF 342.9 million in the prior year. Stand-alone – i.e. excluding the non-recurring, transaction-related costs and the operating results of the acquired cocoa business, which contributed the net amount of CHF 23.4 million to operating profit (EBIT) – EBIT grew 5.6% (7.6% in local currencies). In prior year, the acquired business impacted EBIT by CHF –29.2 million, including significant transaction costs and an operating loss. All Regions and Product Groups contributed positively to operating profit and to EBIT growth of both the Group and the stand-alone business. The largest absolute contribution to EBIT, in terms of geographical area, came from Region Europe and, in terms of Product Group, from Food Manufacturers Products. Global Cocoa was the biggest contributor to EBIT growth thanks to the acquired cocoa business followed by Region Americas. EBIT per tonne increased from CHF 223.4 to CHF 242.4 (stand-alone it increased from CHF 248.3 to CHF 254.8).

Finance income decreased from CHF 14.8 million in prior year to CHF 3.2 million as a result of the absence of the significant hedging gains and exchange results, which affected prior year.

Finance costs amounted to CHF 122.0 million, up from CHF 92.6 million in prior year mainly due to increased interest expenses. The increase is largely attributable to the additional debt assumed for the aforementioned acquisition, including a USD 400 million bond issuance and to increased financing requirements for the net working capital resulting primarily from higher cocoa bean prices.

Share of result of equity-accounted investees, net of tax amounted to CHF –0.1 million compared to CHF 0.0 million in prior year. The position comprises the Group's share in equity movements of participations in companies over which the Group has significant influence but not control.

Income tax expenses increased from CHF 35.5 million to CHF 42.4 million largely due to the higher profit before tax and, to some extent, due to the adverse effects from the mix of jurisdictions in which the taxable results were achieved. These negative effects were partly offset by an increase of tax deductible expenses not qualifying as expenses for IFRS purposes.

Net profit for the year from continuing operations increased from CHF 229.5 million in prior year by 11.1% to CHF 255.0 million. In local currencies, it grew by 12.3%.

Net result from discontinued operations amounted to CHF –6.7 million in prior year and mainly included the operational result and financial and income tax expenses of the disposed Dijon business up until completion of the transaction. During the financial year under review, no operations were discontinued or disposed.

Net profit for the year (including discontinued operations) amounted to CHF 255.0 million, compared to CHF 222.8 million in prior year. Net profit for the year attributable to the shareholders of the parent company amounted to CHF 252.4 million, compared to CHF 223.5 million in the preceding year.

Basic earnings per share (from continuing operations) increased by 4.6% to CHF 46.00, compared to CHF 43.98 last year. **Cash earnings per share,** defined as operating cash flow before working capital changes divided by the weighted average number of basic shares outstanding, rose slightly to CHF 86.34 from CHF 86.21 the year before.

Consolidated Balance Sheet and financing structure

Total assets at the end of August 2014 grew by 14.2% to CHF 5,167.5 million, compared to CHF 4,526.9 million at the end of last year. This increase is mainly due to the strong increase in the cocoa bean price resulting in higher working capital and derivative financial assets and, to a lesser extent, due to the Group's organic business growth and its investments in property, plant and equipment.

Net working capital increased by 24.4% to CHF 1,674.6 million as at August 31, 2014, compared to CHF 1,345.7 million the year before, primarily due to the higher cocoa bean price strongly affecting product values in inventories and receivables.

Net debt increased from CHF 1,525.2 million in the prior year to CHF 1,803.5 million at August 31, 2014. This again is mainly attributable to additional financing needs for the increased working capital and, to some extent, to investments in property, plant and equipment. The weighted average maturity of the Group's total debt portfolio declined from 6.3 to 5.3 years.

Equity – including equity attributable to the shareholders of the parent company and non-controlling interests – amounted to CHF 1,795.7 million. This represents an increase of CHF 109.4 million, compared to the CHF 1,686.3 million at the end of August 2013. Equity attributable to the shareholders of the parent company amounted to CHF 1,790.7 million compared to last year's CHF 1,682.5 million. The prior year's amounts have been restated due to the first time adoption of the revised IAS 19 – Employee Benefits. The increase versus prior year is mainly due to the net profit, partly offset by the payout to shareholders out of reserves from capital contributions, by currency translation adjustments, by the remeasurement of employee benefit obligations related to the current fiscal year going through equity due to the revised IAS 19, as well as some other items.

Despite the aforementioned overall increase in equity, the debt-to-equity ratio deteriorated from 90.6% to 100.7% due to higher financing requirements for the increased working capital and due to the Group's growth and its investments in property, plant and equipment. The solvency ratio decreased from 37.2% to 34.7%. The return on invested capital (ROIC) decreased slightly from 10.9% in the prior year to 10.5%.

Consolidated Cash Flow Statement

Operating cash flow before working capital changes increased to CHF 473.7 million from CHF 451.1 million in the prior year as a result of the higher operating result. **Cash outflow for working capital changes** amounted to CHF –279.4 million, compared to CHF –52.0 million in prior year. This is the result of significantly increased working capital due to higher cocoa bean prices and, to a lesser extent, of business growth. Cash outflow for interest was higher due to the increased financing requirements in light of the financing of the acquisition in prior year. Cash outflow for tax was slightly higher as well. Overall, this resulted in a decline in the **Net cash flow from operating activities** to CHF 52.4 million compared to CHF 293.1 million the year before.

Net cash flow from investing activities amounted to CHF –226.8 million, compared to CHF –1,071.3 million in the preceding year. Last year's amount was particularly affected by the cash outflow for the acquired cocoa business and two smaller business acquisitions. Similar to last year, the Group made significant investments in property, plant and equipment as well as in intangible assets in the amount of CHF –248.8 million (prior year CHF –223.5 million). The overall position also includes proceeds from the sale of deposits of CHF 14.4 million and proceeds from the sale of assets amounting to CHF 4.9 million (CHF 6.3 million in prior year) as well as some other minor items.

Net cash flow from financing activities amounted to CHF 192.3 million compared to CHF 810.1 million in prior year. The net inflow of the current year mainly stems from the net debt issue of CHF 291.4 million. The prior year cash flow amounted to a net debt issue of CHF 629.6 million, including the issuance of a USD 400 million bond. Additionally, there was a capital increase of CHF 273.1 million last year. Both measures were mainly undertaken to finance the purchase consideration of the acquired cocoa business. Furthermore, this position also includes the dividend distributed to shareholders in the amount of CHF –79.6 million out of paid-in capital reserves (prior year CHF –80.1 million partly out of paid-in capital reserves and partly from a share capital reduction). The cash outflow for the purchase of treasury shares amounted to CHF –18.6 million (prior year CHF –12.3 million).