

## Financial Review

### Business Performance Review Fiscal Year 2020/21

#### Healthy growth, good profitability and strong cash generation

In fiscal year 2020/21, Barry Callebaut achieved a healthy volume growth of +4.6% to 2,191,572 tonnes. The chocolate business surpassed the pre-COVID levels of fiscal year 2018/19 and with volume growth of +6.5% clearly outpaced the underlying global chocolate confectionery market (+1.8%)<sup>1</sup>. Sales volume in Global Cocoa improved in the second half of the year, reducing the decline for the year under review to -2.6%.

Operating profit (EBIT) increased by +18.9% in local currencies (+15.4% in CHF), compared to prior-year EBIT recurring, and amounted to CHF 566.7 million, impacted by a currency headwind of CHF -17 million. EBIT growth significantly exceeded volume growth, supported by all Regions and a positive product and customer mix.

Net profit for the year grew by +24.2% in local currencies (+20.4% in CHF) compared to prior-year Net profit recurring and amounted to CHF 384.5 million. The increase was driven by good EBIT growth. Compared to reported net profit in prior year, the increase amounted to +27.3% in local currencies (+23.4% in CHF).

Strong Free cash flow generation continued and amounted to CHF 355.0 million, compared to CHF 317.0 million in the prior year. Adjusted for the effect of cocoa beans considered as readily marketable inventories (RMI), the adjusted Free cash flow amounted to CHF 314.9 million, compared to CHF 403.8 million in the prior year. The Group maintained a stable capital expenditure of CHF 275.2 million (CHF 280.9 million in prior year) to continue its focus on investments that best support its strategy of 'smart growth'.

#### Raw material price inflation under control thanks to cost-plus model

The vast majority of Barry Callebaut business is running on a cost-plus model, passing on price fluctuations of raw materials as well as other production cost components like energy cost or freight and transportation cost.

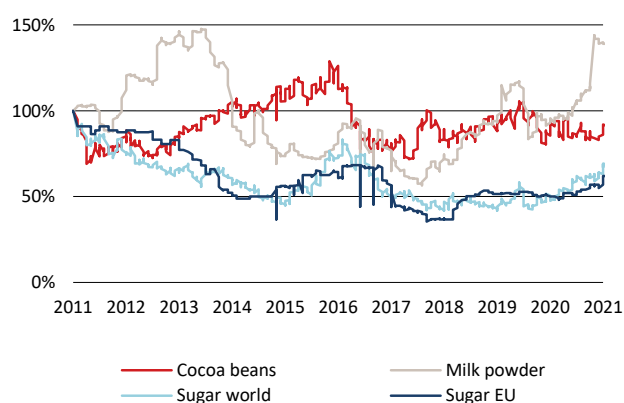
During fiscal year 2020/21, cocoa bean prices fluctuated between GBP 1,607 and GBP 1,869 per tonne and closed at GBP 1,757 per tonne on August 31, 2021. On average, cocoa bean prices decreased by -7.0% versus prior year. Global bean supply and demand shifted to a large surplus in 2020/21. On the one hand, demand was subdued related to the COVID-19 pandemic. On the other hand, exceptionally good crop levels in key origins contributed to an increased cocoa bean supply.

The average combined ratio remained fairly stable at a level of 3.5x, compared to 3.6x in prior year. This was the result of very resilient cocoa powder prices, while cocoa butter prices were pressured by weaker demand for chocolate due to the COVID-19 pandemic.

Sugar prices in Europe increased on average by +3.6% during the fiscal year under review, mainly due to poor crops and a reduction in capacity induced by low prices in previous years. The world market price for sugar increased on average by +22.3% on the back of strong demand from China in combination with a poor Brazilian crop.

Dairy prices increased on average by +11.6% during the fiscal year 2020/21. Strong demand from Asia in combination with growing concerns around milk supply, logistical bottlenecks, sharply higher energy prices and general market inflation boosted dairy product prices.

#### Raw material prices September 2011 to August 2021



Source: Data compiled by Barry Callebaut, based on key market price indicators.

<sup>1</sup> Source: Nielsen volume growth excluding e-commerce – 25 countries, September 2020 to August 2021, data subject to adjustment to match Barry Callebaut's reporting period. Nielsen data only partially reflects the out-of-home and impulse consumption.

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### Foreign currencies

In fiscal year 2020/21, foreign exchange markets remained volatile and the Swiss franc continued to strengthen against many major currencies. The Group is naturally hedged to the extent that it produces and sells products locally and hedges any remaining currency exposure that arises from commercial transactions. The impact arising from the translation of results into the Group’s reporting currency (Swiss franc) however is not hedged.

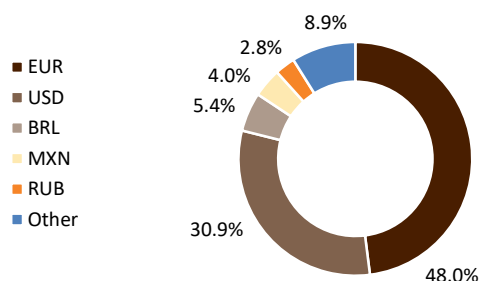
For the fiscal year under review, the average exchange rate for the euro, which accounts for around half of the Group’s sales revenue, appreciated by +1.0% against the Swiss franc. The average exchange rate for the US dollar, accounting for around a third of the Group’s sales revenue, significantly depreciated by –5.9% against the Swiss franc. Several major emerging market currencies remained very volatile during fiscal year 2020/21, with the Brazilian real (–18.2%), the Russian ruble (–14.6%), and the Mexican peso (–3.8%), further depreciating against the Swiss franc.

The currency translation effects mentioned above had a negative impact of –4.1% on sales revenue and –3.5% on Operating profit (EBIT).

### Global chocolate demand recovering

The underlying global chocolate confectionery market progressively recovered and according to Nielsen grew +1.8%<sup>1</sup> in the year under review. Nielsen data only partially reflects the out-of-home and impulse consumption, which was impacted by the COVID-19 pandemic.

### Sales revenue in functional currencies



<sup>1</sup> Nielsen volume growth excluding e-commerce – 25 countries, September 2020 to August 2021, data subject to adjustment to match Barry Callebaut’s reporting period. Nielsen data only partially reflects the out-of-home and impulse consumption.



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### Consolidated Income Statement

#### Back to healthy volume growth with sound profitability

**Sales volume** in fiscal year 2020/21 grew by +4.6% to 2,191,572 tonnes. Volume growth was supported by all Regions (Asia Pacific +8.7%, Americas +7.9%, EMEA +5.5%) and all Key growth drivers (Gourmet & Specialties +18.3%, Emerging Markets +9.7%, Outsourcing +4.5%). Sales volume in Global Cocoa improved in the second half of the year, reducing its decline for the year under review to -2.6%.

**Sales revenue** increased by +8.7% in local currencies (+4.6% in CHF) to CHF 7,207.6 million. Sales revenue growth outpaced volume growth due to rising raw material prices and a positive product mix.

**Gross profit** grew faster than sales volume and amounted to CHF 1,147.2 million, an increase of +10.8% in local currencies (+7.9% in CHF), compared to prior year. The healthy volume growth, in particular in Gourmet & Specialties, had a positive impact on the mix.

**Marketing and sales expenses** decreased by -3.8% to CHF 135.4 million. The Group continued to promote its innovations and its CHOCOLATE ACADEMY™ Centers, while overall activity was still reduced due to COVID-19 restrictions.

**General and administration expenses** increased by +3.3% to CHF 430.4 million, broadly in line with volume growth.

**Other income** amounted to CHF 3.1 million, compared to CHF 4.8 million in the prior year.

**Other expense** decreased to CHF 17.8 million, compared to CHF 28.1 million in prior year. The prior year had included impairment and severance costs attributed to the closure of the cocoa factory in Makassar, Indonesia.

**Operating profit (EBIT)** increased by +18.9% in local currencies (+15.4% in CHF) to CHF 566.7 million, compared to prior-year EBIT recurring. Currency translation had a negative effect of CHF -17 million. EBIT growth significantly exceeded volume growth, supported by all Regions and a positive product and customer mix. Compared to prior-year reported Operating profit (EBIT), the increase was +20.8% in local currencies (+17.3% in CHF). The Group's **EBIT per tonne** amounted to CHF 259, up +13.7% in local currencies (+10.4% in CHF), compared to prior-year EBIT per tonne recurring of CHF 234.

**Finance income** decreased to CHF 3.6 million from CHF 7.0 million in prior year, mainly due to the lower interest rate environment.

**Finance expense** amounted to CHF 105.3 million, compared to CHF 109.4 million in prior year. The decrease is mainly due to the lower interest rate environment and reduced short-term debt. The decrease was partly offset by a loss on derivative financial instruments caused by the termination of fixed-to-floating interest rate derivatives following the Group's decision to discontinue issuing commercial paper.

**Income tax expense** increased to CHF 80.5 million, from CHF 69.2 million in the prior year, largely in line with the higher Profit before income taxes. The Group's effective tax rate amounted to 17.3%, compared to 18.2% in the prior year. The prior year effective tax rate was 17.9%, when corrected for the non-recurring negative impact from the Swiss tax reform in 2019/20.

**Net profit for the year** increased by +24.2% in local currencies (+20.4% in CHF) to CHF 384.5 million, compared to prior-year Net profit recurring. The increase was driven mainly by good Operating profit (EBIT) growth and lower finance expense. Compared to prior-year reported Net profit, the increase was +27.3% in local currencies and +23.4% in CHF.

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### Consolidated Balance Sheet

#### Continued Net debt reduction

**Total assets** increased to CHF 7,244.0 million at the end of August 2021, compared to CHF 7,141.1 million in the prior year. The increase was attributable to higher receivables and inventories as a result of a return to business growth. In addition, property, plant and equipment (PPE) grew due to investments in new production facilities. This increase was partly offset by a lower cash position and derivative financial assets.

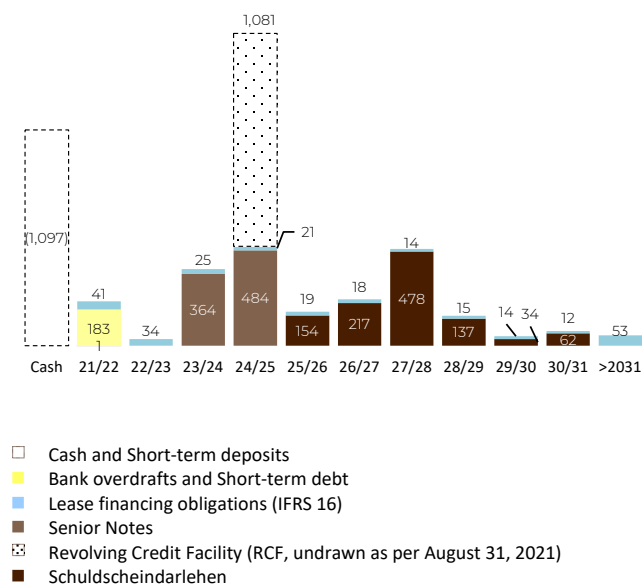
**Net working capital** as of August 31, 2021, increased to CHF 1,241.8 million from CHF 1,192.0 million in the prior year. The increase was slower than the Group's volume growth thanks to good working capital management. The effect of receivables increasing in line with regained business momentum was largely offset by higher payables and good inventory management.

**Net debt** decreased to CHF 1,281.3 million from CHF 1,365.9 million in the prior year. Taking into consideration cocoa beans considered as readily marketable inventories (RMI), adjusted Net debt decreased to CHF 547.4 million from CHF 593.9 million in the prior year. The decrease was attributed to a reduction in outstanding debt resulting from a partial, early repayment of the floating-rated Schuldscheindarlehen issued in July 2020 for an amount of CHF 27.0 million, and the decision not to roll forward Commercial paper (hedged with fixed-to-floating interest rate derivatives) for an amount of CHF 135.2 million. The decrease was partly offset by higher Long-term lease liabilities of CHF 224.5 million (prior year CHF 150.3 million), as a result of the opening of the Group's Global Distribution Center in Lokeren, Belgium, and the relocation of the head office in Zurich, Switzerland.

**Equity** – including equity attributable to the shareholders of the parent company and non-controlling interests – increased to CHF 2,685.2 million, compared to CHF 2,355.3 million in the prior year. The increase was a result of Net profit generated and lower cumulative currency translation adjustments, partly offset by the dividend payout to shareholders. The debt-to-equity ratio improved to 47.8%, compared to 58.0% in the prior year. The return on invested capital (ROIC) improved from 10.3% to 12.2%, returning almost to pre-COVID levels.

### Liquidity – debt maturity profile

in CHF million



### Consolidated Cash Flow Statement

#### Strong Free cash flow generation

**Cash generated from operating activities** increased to CHF 778.9 million, compared to CHF 742.7 million in the prior year, mainly due to higher profitability. As a result, **net cash from operating activities** increased to CHF 615.6 million, compared to CHF 593.5 million the year before.

**Net cash flow from investing activities** improved to CHF –261.6 million (prior year CHF –289.3 million). The amount was largely related to the Group's investments of CHF –227.2 million in property, plant and equipment (prior year CHF –233.4 million) and CHF –48.1 million in intangibles (prior year CHF –47.5 million). In addition, cash outflow for M&A activity of CHF –0.9 million was lower than prior year of CHF –12.8 million.

**Net cash flow from financing activities** amounted to CHF –619.0 million, compared to CHF 582.0 million in prior year. Net cash outflow in the current year mainly relates to the repayment of short-term debt in the amount of CHF –443.8 million, the dividend of CHF –120.7 million, and the repayment of long-term debt and finance lease liabilities in the amount of CHF –68.4 million. The net cash inflow in the prior year was to a large extent related to the issuance of Schuldscheindarlehen and a private placement loan.

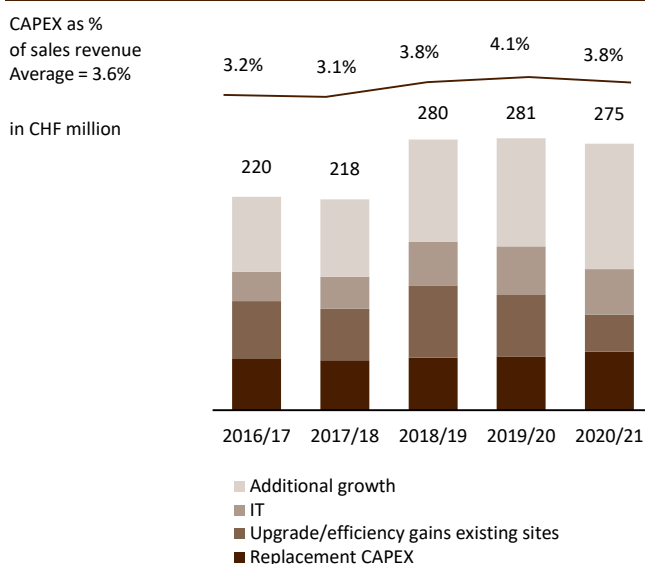
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**Free cash flow** grew to CHF 355.0 million, compared to CHF 317.0 million in the prior year. Adjusted for the cocoa beans considered as readily marketable inventories (RMI), the adjusted Free cash flow was CHF 314.9 million, compared to CHF 403.8 million in the prior year.

### Capital expenditure remained stable

Capital expenditure reflected in the cash flow statement amounted to CHF 275.2 million, about the same level as in prior year (CHF 280.9 million). The Group maintains its focus on investments that best support its strategy of ‘smart growth’.

### Capital expenditure



### Outlook

‘Smart growth’ will continue to be at the heart of the Group’s long-term strategy execution with a focus on returns and cash generation. By leveraging its global footprint, industry-best innovation, cost leadership, and impactful sustainability solutions, Barry Callebaut is on track to accelerate along the value ladder. The Group is therefore confident that it will deliver on the mid-term guidance for the 3-year period 2020/21 to 2022/23 of on average:

- 5–7% volume growth
- EBIT above volume growth in local currencies, barring any major unforeseeable events.

### Barry Callebaut share performance

Barry Callebaut shares closed at CHF 2,334 on August 31, 2021, +16.7% above the previous year’s closing price, on the back of the strong business recovery since the start of the COVID-19 pandemic. The Swiss indices performed even better with SPI +22.6%, Swiss Small and Mid Caps (SMIM) +34.2% and the SXI Switzerland Sustainability 25<sup>®</sup> index basket up +23.7%. The performance of the EURO STOXX Food & Beverage Index (+17.2%) was about in line with Barry Callebaut’s share performance.

### Key share data as of August 31, 2021

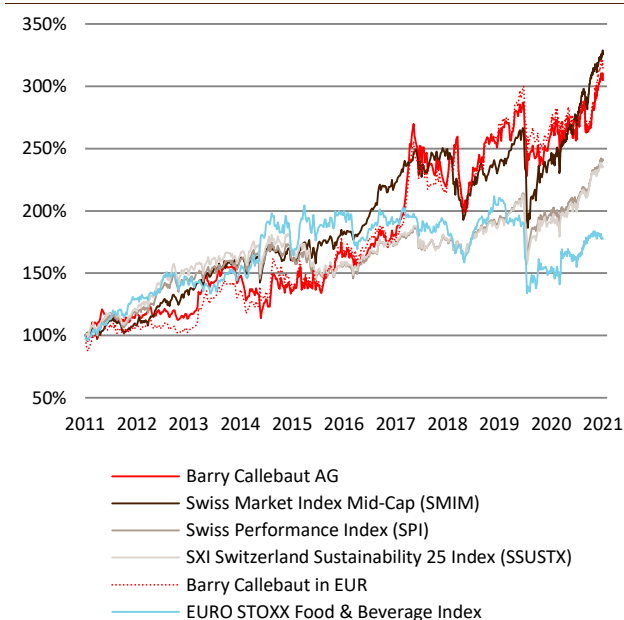
|                        |                  |
|------------------------|------------------|
| Shares outstanding     | 5.5 million      |
| Closing share price    | CHF 2,334        |
| Market capitalization  | CHF 12.8 billion |
| 52-week high (closing) | CHF 2,376        |
| 52-week low (closing)  | CHF 1,893        |
| Average daily volume   | 11,424 shares    |

Source: FactSet and SIX Swiss Stock Exchange.

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The chart below illustrates the long-term performance of Barry Callebaut shares compared to the relevant indices (2011–2021).

### Share price development Barry Callebaut vs. indices September 2011 to August 2021



Over a ten-year period (2011–2021), the long-term performance of Barry Callebaut share price (+207.7%) is slightly behind the SMI Mid Cap Index (216.9%), but clearly above the SPI (133.3%) and SXI Switzerland Sustainability Index (+127.2%). The outperformance against the EURO STOXX Food & Beverage Index (+76.3%) is even stronger when calculating Barry Callebaut’s share price in EUR (+222.8%).

### Dividend – Payout ratio of 40%

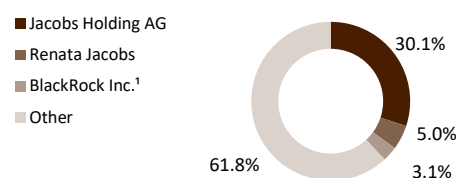
The Board of Directors is proposing a payout to shareholders of CHF 28.00 per share. This represents an increase of +27.3% versus prior year and corresponds to a payout ratio of 40% of the Net profit. Dividends will be paid to shareholders on, or around, January 6, 2022, subject to approval by the Annual General Meeting of Shareholders.

### Key share capital data

The share capital of Barry Callebaut AG as of August 31, 2021, amounted to CHF 109,777, consisting of 5,488,858 fully paid-in shares with a nominal value of CHF 0.02 each. There is one single class of shares in which every share has the same voting power and grants the same entitlement to dividends.

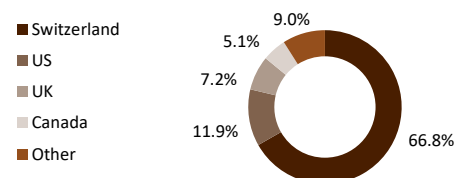
The free float, excluding the reference shareholders (Jacobs Holding AG and Renata Jacobs), at the end of August 2021 was 64.9%, with the majority held by institutional shareholders (holding 60% of total outstanding shares) that are predominantly based in Switzerland, followed by the US, the UK and Canada.

### Ownership structure as of August 31, 2021



<sup>1</sup> Based on notification through the electronic publication platform of the SIX Swiss Exchange.

### Country split of institutional shareholders



Source: IHS Markit.



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### Analyst recommendations

At the end of fiscal year 2020/21, of the eleven financial analysts covering Barry Callebaut, six had a buy recommendation, three had a hold recommendation and two had a sell recommendation. At the end of August 2021, the average target price was CHF 2,400 according to Factset.

### Sustainability ratings

The recognition of Forever Chocolate this year is testimony to our, and our partners', ongoing commitment to create impact on the ground and lead change. For the third consecutive year, Sustainalytics has recognized Barry Callebaut as an industry leader in the management of the ESG risks in our supply chain. Our position in the top three once again confirms that we are consistently leading not only in the chocolate and cocoa sector, but also in comparison to our peers in the broader food industry.

In addition, CDP, an independent organization that assesses the carbon reduction plans of over 9,500 companies every year, awarded Barry Callebaut, for the third year running, an A- (Leadership level) for our carbon reduction efforts. We were additionally awarded Leadership level as a Supplier Engagement Leader for our work on scope three emissions, which are emissions that extend beyond our direct supply chain.

### Credit rating

Barry Callebaut has active relationships with Standard & Poor's and Moody's.

The current ratings are:

- Moody's: Baa3 / stable
- Standard & Poor's: BBB- / stable