Financial Review

Business Performance Review Fiscal Year 2022/23

In fiscal year 2022/23, Barry Callebaut saw a slight sales volume decline of -1.1% to 2,280,925 tonnes. Volumes were negatively affected by the prior year's salmonella incident in Wieze which continued to impact results in Q1 2022/23, as well as by the weaker customer demand and increasing raw material prices.

The chocolate business reported a decline of -2.0%, with the global chocolate confectionery market declining -1.0%[1].

While EMEA volume declined in the first half of the year, recovery of +3.2% growth in the second half resulted in flat performance of -0.4% in the year. Asia Pacific and Americas both continued to see softer customer demand amid challenging markets, declining -2.0% and -4.6% in the year respectively.

In terms of the key growth drivers: Outsourcing (strategic partnership) volumes grew +1.7% (+4.8% in Q4). Gourmet & Specialties declined -4.8% due to lower demand and temporary stock unavailability earlier in the year due to the Wieze incident, but gradually recovered and ended the final quarter positive at +0.2%. Emerging Markets were broadly flat at -0.2%. Sales volume in Global Cocoa increased to 467,877 tonnes, a year-on-year increase of +2.4%.

Operating profit (EBIT) amounted to CHF 659.4 million, up +12.2% in local currencies (+5.6% in CHF) compared to prior-year EBIT recurring[2],well ahead of volume. Performance improved in comparison to the softer prior year, which was heavily impacted by the Wieze incident in the final fiscal quarter, leading to lower volumes and related Operating profit (EBIT) recurring[2]. In addition, the strong result in the Global Cocoa business contributed to the year-on-year increase. EBIT per tonne improved to CHF 289 compared to EBIT per tonne recurring[2] in the prior year of CHF 271. EBIT reported amounted to CHF 659.4 million vs. CHF 553.5 million in the prior year.

Net profit amounted to CHF 443.1 million, up +9.6% in local currencies (+3.4% in CHF) compared to prior-year Net profit recurring[2]. The net finance costs slightly increased to CHF -124.1 million, up from CHF -121.8 million in prior year, as a result of higher interest benchmark rates. The income tax expense amounted to CHF -92.1 million in 2022/23, corresponding to an effective tax rate of 17.2% (16.4% in prior year). Net profit reported for the year amounted to CHF 443.1 million, up +30.1% in local currencies (+22.8% in CHF).

The **adjusted Free cash flow**[3] decreased to CHF 251.8 million, compared to CHF 358.5 million in the prior year. Before the adjustment for cocoa bean inventories regarded by the Group as readily marketable inventories (RMI), cash flow generation declined to CHF 113.0 million, compared to a strong prior year (CHF 266.2 million). Free cash flow was heavily impacted by increases in raw material prices, particularly cocoa, which strongly affected net working capital.

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[1] Source: Nielsen volume growth excluding e-commerce – 26 countries, September 2022 to August 2023, data subject to adjustment to match Barry Callebaut's reporting period. Nielsen data only partially reflects the out-of-home and impulse consumption.
[2] Refer to page 189 for the detailed recurring results reconciliation.
[3] Free cash flow adjusted for the cash flow impact of cocoa bean inventories regarded by the Group as readily marketable inventories (RMI).

Raw material price developments

The vast majority of Barry Callebaut's 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 2022/23, the cocoa bean price fluctuated between GBP 1,809 and GBP 2,977 per tonne and closed at GBP 2,950 per tonne on August 31, 2023 (London prices). The average daily closing price of cocoa beans for this year is +23.5% higher compared to 2021/22. Emerging expectations in the market of a large supply deficit for 2023/24 during the 2022/23 crop year, where a deficit was also expected, triggered a price rally for both London and New York terminal markets.

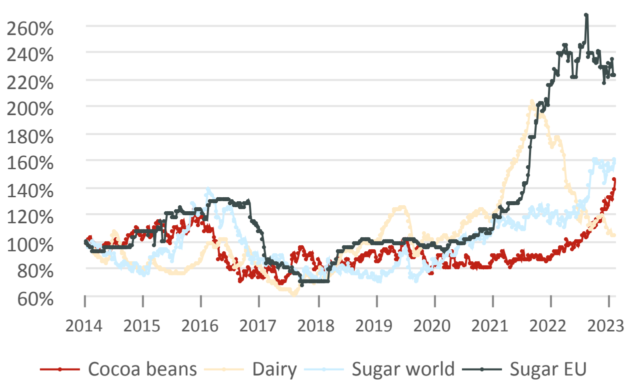
The combined ratio (calculated with Western Europe cocoa products prices) was at 3.5x on average but deteriorated down to 3.1x at the end of the fiscal year due to the weaker cocoa powder ratios compensating for the higher terminal market base. The cocoa butter ratio maintained its level despite the terminal market rally due to stable demand and the need to maintain processing margins at sustainable levels for the industry.

The world raw sugar price increased on average by +16.1% during the fiscal year 2022/23, as a result of an emerging world balance deficit due to downward revisions of crop output in key exporting regions such as India and Thailand. Sugar prices in Europe increased on average by +46.3% during the fiscal year 2022/23, essentially due to low stocks and increasing sugar beet prices paid to farmers.

Dairy prices in Europe decreased on average by -24.9% during the period under review, as global milk supply saw healthy growth in primary producing and exporting markets, due to high payments to dairy farmers and declining production costs. Demand for dairy products was also stifled by inflation, and export activity was particularly weak due to depressed activity from the world's leading importer, China.

Raw material prices

September 2014 to August 2023



Source: Company compiled data, based on key market price indicators

Foreign currencies

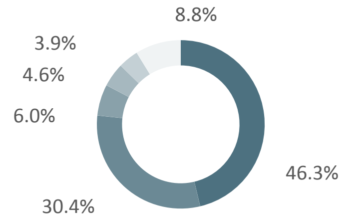
In fiscal year 2022/23, foreign exchange markets remained volatile and the Swiss franc continued to strengthen against most major currencies. The Group is naturally hedged to the extent that it produces and sells products locally and hedges any remaining currency exposure that arises from commercial 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 nearly half of the Group's sales revenue, significantly depreciated by -5.3% against the Swiss franc. The average exchange rate for the US dollar, accounting for around a third of the Group's sales revenue, depreciated by -1.8% against the Swiss franc. Several major emerging market currencies remained volatile during fiscal year 2022/23; with the Russian ruble (-4.4%) depreciating against the Swiss franc, partially offset by the appreciation of the Mexican peso (+8.6%) and Brazilian real (+1.1%) against the Swiss franc.

The currency translation effects mentioned above had a cumulative negative impact of -5.1% on sales revenue and -6.6% on operating profit compared to prior-year EBIT recurring[4].

Sales revenue

In functional currencies



EUR	46.3 %	MXN	4.6 %
USD	30.4 %	RUB	3.9 %
BRL	6.0 %	Other	8.8 %

Global chocolate demand

The underlying global chocolate confectionery market was, according to Nielsen, down (-1.0%)[5] in the year under review. While Nielsen data serves as a good proxy for the underlying market growth overall, it does not reflect e-commerce or every country in a given region. Furthermore, it only partially reflects the out-of-home and impulse channels.

[4] Refer to page 189 for the detailed recurring results reconciliation.
[5] Nielsen volume growth – 26 countries, September 2022 to August 2023, data subject to adjustment to match Barry Callebaut's reporting period.

Consolidated Income Statement

Sales volume in fiscal year 2022/23 slightly declined by -1.1% to 2,280,925 tonnes. Volumes were negatively affected by the prior year's salmonella incident in Wieze which continued to impact results in Q1 2022/23, as well as by the weaker customer demand and increasing raw material prices.

Sales revenue amounted to CHF 8,470.5 million, up +9.7% in local currencies (+4.7% in CHF). The increase was driven by high raw material price increases and the overall inflationary environment.

Gross profit exceeded volume performance and amounted to CHF 1,348.5 million, up +16.0% in local currencies (+10.8% in CHF), as the inflationary environment was well managed through the company's cost-plus pricing model.

Marketing and sales expenses increased by +10.1% to CHF 163.4 million. The growth was driven by an increase in promotional brand activity as well as the impact of an overall inflationary environment.

General and administration expenses increased by +15.6% to CHF 502.6 million. The increase was attributed to a continuing inflationary environment and preparatory activities for the BC Next Level strategic investment program.

Other income decreased to CHF 4.8 million from CHF 21.4 million in the prior year. The decrease in income is mainly due to the prior fiscal period recovery of Brazilian indirect tax credits for prior fiscal periods related to a decision by the Brazilian Supreme Court applicable to all taxpayers (CHF 13.5 million) reported as non-recurring.

Other expense decreased to CHF 27.9 million, compared to CHF 101.9 million in the prior year. The prior fiscal period includes non-recurring items related to the negative impact of CHF -76.9 million related to the salmonella incident at the Wieze factory in Belgium, and costs of CHF -7.8 million related to the closure of the chocolate factory in Moreton, UK.

Operating profit (EBIT) increased by +12.2% in local currencies (+5.6% in CHF) to CHF 659.4 million, compared to prior year EBIT recurring[6]. Currency translation had a negative effect of CHF 41 million. Performance improved in comparison to the softer prior year, which was heavily impacted by the Wieze incident in the final fiscal quarter, leading to lower volumes and related Operating profit (EBIT) recurring[6]. In addition, the strong result in the Global Cocoa business contributed to the year-on-year increase. EBIT per tonne improved to CHF 289 up +13.4% in local currencies (+6.7% in CHF), compared to EBIT recurring[6] per tonne in the prior year of CHF 271. EBIT reported amounted to CHF 659.4 million vs. CHF 553.5 million in the prior year.

Finance income increased to CHF 13.4 million from CHF 8.1 million in prior year on the back of rising interest benchmark rates.

Finance expense amounted to CHF 137.5 million, compared to CHF 129.8 million in prior year, as interest benchmark rates were subject to material increases, partly offset by lower FX losses.

Income tax expense increased to CHF 92.1 million, from CHF 70.8 million in the prior year, resulting from a much higher Net profit before income taxes and a somewhat less favorable country mix of Net profit before taxes. The Group's effective tax rate amounted to 17.2%, compared to 16.4% in the prior year.

Net profit for the year increased by +9.6% in local currencies (+3.4% in CHF) to CHF 443.1 million, compared to prior-year Net profit recurring[6]. The increase was driven mainly by higher Operating profit (EBIT) compared to prior-year Operating profit (EBIT) recurring[6], partly offset by higher finance and tax expense. Compared to prior year, reported Net profit increased at an even higher rate of 30.1% in local currencies (+22.8% in CHF) to CHF 443.1 million as the prior year had been affected by the aforementioned non-recurring items.

Consolidated Balance Sheet

Total assets increased to CHF 8,432.7 million at the end of August 2023, compared to CHF 7,760.9 million in the prior year. The increase was attributable to higher levels of derivative financial assets, inventories and receivables, which were all significantly impacted by increases in raw material prices, particularly cocoa. This increase was partly offset by a lower cash position.

Net working capital increased to CHF 1,466.2 million, compared to CHF 1,293.1 million in prior year.

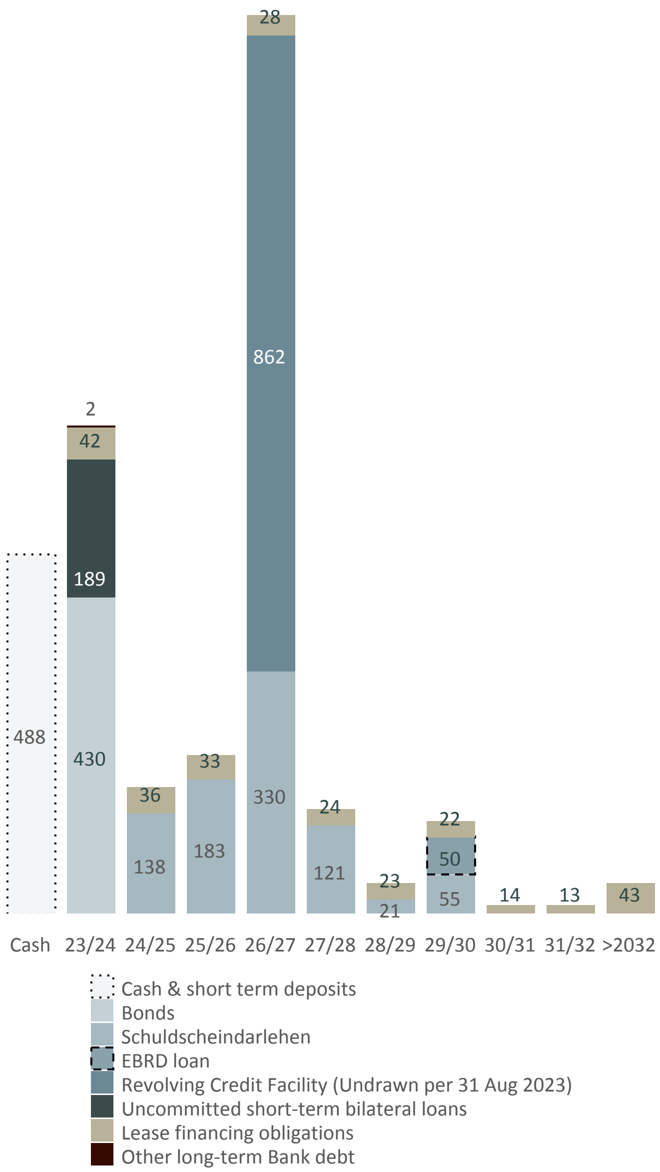
The increase was driven by the net effect of higher raw material prices on receivables, inventories and derivatives.

Net debt increased to CHF 1,308.7 million from CHF 1,199.0 million in the prior-year period as working capital requirements expanded following raw material price increases. Taking into consideration the cocoa bean inventories regarded as readily marketable inventories (RMI), adjusted net debt decreased to CHF 41.1 million compared to CHF 349.8 million in the prior-year period.

Equity including equity attributable to the shareholders of the parent company and non-controlling interests amounted to CHF 2,897.1 million, compared to CHF 2,904.3 million in the prior year. Equity slightly decreased, as the increase from the Net profit generated for the year was more than offset by the dividend paid and significant currency translation adjustment stemming from the strengthening of the Swiss franc against most other major currencies. The debt-to-equity ratio amounted to 45.2%, compared to 41.3% in the prior year. The return on invested capital (ROIC) was stable at 13.1%, compared to 13.2% in the prior year ROIC recurring[6]; prior-year reported ROIC amounted to 11.5% including the aforementioned prior-year non-recurring items.

[6] Refer to page 189 for the detailed recurring results reconciliation.

Liquidity - debt maturity profile



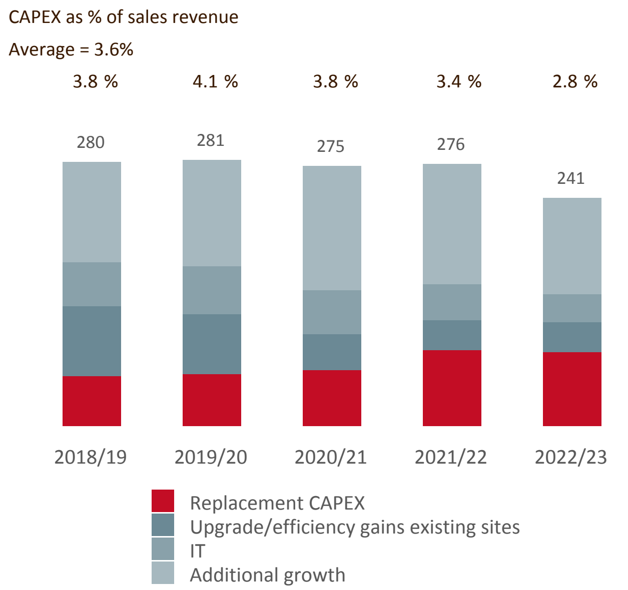
Net cash flow from financing activities amounted to CHF -555.0 million, compared to CHF -381.5 million in prior year. Net cash outflow in the current year mainly relates to the redemption of the USD bond amounting to CHF -365.2 million and the dividend payment of CHF -153.6 million.

Free cash flow amounted to CHF 113.0 million, compared to a very strong prior year (CHF 266.2 million). Adjusted for the cocoa beans considered as readily marketable inventories (RMI), the adjusted Free cash flow was CHF 251.8 million, compared to CHF 358.5 million in the prior year.

Capital expenditure

Capital expenditure (CAPEX) reflected in the cash flow statement amounted to CHF 241.2 million, a decline compared to the prior fiscal period (CHF 275.9 million). The Group's investments were focused on ensuring efficient asset usage.

Capital expenditure
in CHF million



Consolidated Cash Flow Statement

Cash generated from operating activities decreased to CHF 554.3 million, compared to CHF 705.7 million in the prior year, mainly attributable to higher net working capital requirements as a result of increases in raw material prices, partly offset by higher reported Net profit. **Net cash from operating activities** amounted to CHF 330.6 million, compared to CHF 521.7 million the year before.

Net cash flow from investing activities amounted to CHF -217.6 million (prior year CHF -293.6 million). The amount was largely related to the Group's investments of CHF -211.8 million in property, plant and equipment (prior year CHF -239.5 million) and intangibles of CHF -29.3 million (prior year CHF -36.4 million). Prior-year cash out was also higher due to the acquisition of European Chocolate Company (CHF -38.2 million).

Barry Callebaut share performance

Barry Callebaut shares closed at CHF 1,542 on August 31, 2023, -23.1% below the previous year's closing price. The broad Swiss Performance Index (price) was up +1.6% and the SPI ESG up +7.9%. The performance of Swiss Small and Mid Caps (SMIM) was up +2.5%. The EURO STOXX Food & Beverage Index (price) declined (-2.5%).

Financial Review

Key share data

as of August 31, 2023

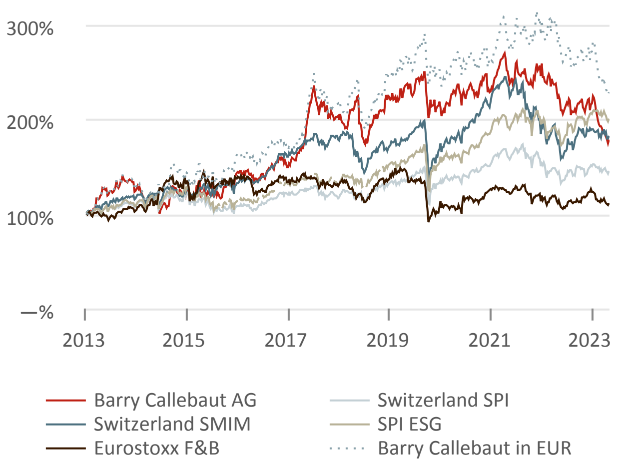
Shares outstanding	5.5 million
Closing share price	CHF 1,542
Market capitalization	CHF 8.5 billion
52-week high (closing)	CHF 1,982
52-week low (closing)	CHF 1,534
Average daily volume	8,942 shares

Source: FactSet and SIX Swiss Stock Exchange.

The chart below illustrates the long-term performance of Barry Callebaut shares compared to the relevant indices (2013–2023).

Share price development Barry Callebaut vs. indices

September 2013 to August 2023



Source: FactSet and SIX Swiss Stock Exchange.

Over a ten-year period (2013–2023), Barry Callebaut shares (+74.3%) underperformed the SPI ESG Index (+100.2%), SMI Small and Mid Cap Index (+82.4%) but outperformed the broader SPI Index (price) (+44.9%). The outperformance against the EURO STOXX Food & Beverage Index (+8.8%) is particularly pronounced when calculating Barry Callebaut's share price in EUR (+124.1%).

Dividend – Payout ratio of 36%

The Board of Directors is proposing to shareholders at the Annual General Meeting of Shareholders (AGM) on December 6, 2023, an increased payout of CHF 29.00 per share. This corresponds to a payout ratio of 36% of the Net profit reported within the targeted ratio of 35-40%. The dividend will be paid to shareholders on, or around, January 10, 2024, subject to approval by the AGM.

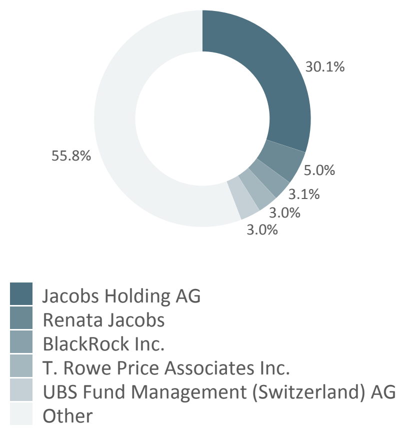
Key share capital data

The share capital of Barry Callebaut AG as at August 31, 2023, 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 2023 was 64.9%[7] with the majority held by institutional shareholders (holding 61% of total outstanding shares) that are predominantly based in Switzerland, followed by the US and the UK.

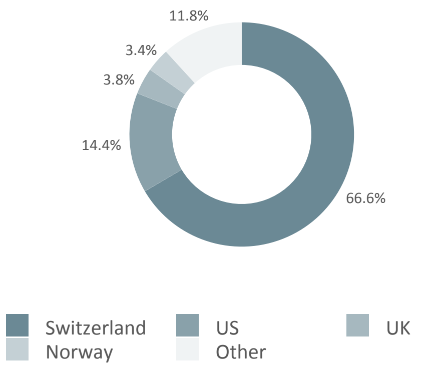
Ownership structure[7]

as at August 31, 2023



Country split

of institutional shareholders



Source: IHS Markit.

Analyst recommendations

During the fiscal year 2022/23, the number of institutions covering Barry Callebaut AG remained stable at thirteen. At the end of August 2023, nine had a buy recommendation and four had a hold recommendation.

Sustainability ratings

During the fiscal year 2022/23, for the fifth consecutive year, Sustainalytics has recognized Barry Callebaut as an industry leader, ranking as #1 in the Packaged Foods category for the management of its ESG (Environmental, Social and Governance) risks in its supply chain. The leading position once again reaffirms that the Group is consistently creating impact not only in the chocolate and cocoa sector, but also in comparison to its peers in the broader food industry. In addition, Barry Callebaut's 'AA' MSCI ESG Rating rating as at August 31, 2023 has been confirmed. Furthermore, for 2022, CDP, an independent organization that assesses the carbon reduction plans of nearly 15,000 companies every year, awarded Barry Callebaut, for the second time, an 'A' in global forest stewardship and for the fifth consecutive year an A- (Leadership level) for our carbon reduction efforts. On top of this, Barry Callebaut was also awarded again A- (Leadership level) as a Supplier Engagement Leader for its work on scope three emissions, which are emissions that extend beyond the direct supply chain. The external recognition of Barry Callebaut's sustainability strategy - Forever Chocolate - during the year under review is testimony to the Group's and its partners' ongoing commitment to create impact on the ground and lead change.

Credit ratings

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

As at August 31, 2023, current ratings were:

- Standard & Poor's: BBB with outlook stable[8]
- Moody's: Baa3 with outlook positive[9]

[7] Based on notification through the electronic publication platform of the SIX Swiss Exchange.
[8] Standard & Poor's upgraded Barry Callebaut's credit rating to 'BBB' flat, from 'BBB-', with 'stable' outlook on September 9, 2022.
[9] Moody's upgraded Barry Callebaut's outlook to 'positive' from 'stable' and affirmed its 'Baa3' rating on January 26, 2023.