



Letter to Shareholders

Strategy delivering strong results across all regions

Twenty years ago, Barry Callebaut was listed on the SIX Swiss Exchange. Since then, our company has developed into the world's leading chocolate and cocoa company and the growth champion in the food industry. Our proven long-term strategy and its smart execution form the basis for our consistent value creation for our shareholders and all other stakeholders.

Dear Shareholders,

Going public was a visionary step by our founder Klaus Jacobs as it combined the professional corporate governance and access to the capital markets of a listed company with the long-term view and entrepreneurial spirit of a family as the majority owner. This unique combination enabled us to become a truly global market leader in our industry. We nearly quadrupled our sales volume and our EBIT in the past two decades. Our shareholders also benefited from this solid growth as our share price clearly outperformed relevant indices. About half of our dividends support the Jacobs Foundation which is dedicated to education and the future of young people.

In fiscal year 2017/18, the consistent execution of our 'smart growth' strategy again delivered a set of very strong results on top and bottom line across all Regions and Product Groups. Sales volume increased by +6.3%, significantly above the +1.8% volume growth of the global confectionery market, according to Nielsen data. For the first time, we sold more than 2 million tonnes of chocolate and cocoa products. Sales revenue was flat, +0.1% in local currencies, at CHF 6,948.4 million, as a result of lower raw material prices, which we pass on to our customers for a large part of our business. Operating profit (EBIT, recurring) increased by +21.2% in local currencies to CHF 554.0 million, outpacing volume growth. Net profit for the year grew by +31.0% in local currencies to CHF 357.4 million, and our free cash flow amounted to CHF 311.9 million.

Based on these strong results, the Board of Directors is proposing a payout to shareholders of CHF 24.00 per share at the Annual General Meeting of Shareholders

on December 12, 2018, an increase of +20.0% versus prior year.

Our continued above-market growth is the result of the consistent implementation of our proven long-term strategy based on four pillars: Expansion, Innovation, Cost Leadership and Sustainability. In the past fiscal year, we achieved again several strategic milestones.

Expansion. To keep serving our customers optimally, we continuously expand our capacities and capabilities. The integration of D'Orsogna Dolciaria in Italy and Gertrude Hawk Ingredients in the US, further extending Barry Callebaut's value-adding Specialties & Decorations business, is well on track. In May 2018, we opened our first CHOCOLATE ACADEMY™ Center on the African continent – our 21st globally – in Johannesburg, South Africa. We expanded our cocoa processing capacities in Côte d'Ivoire and Cameroon and our chocolate production capacities in the Regions Americas and EMEA and in Singapore.

Innovation. In September 2017, Barry Callebaut revealed the fourth type of chocolate: ruby. Since its global launch in Shanghai in September 2017, ruby has been making waves in consumer markets across the world ever since – from the iconic KitKat brand to the finest Belgian Ruby RB1 chocolate under the Callebaut brand in March 2018 and Ruby Rubina, launched under our Swiss Carma brand in May 2018. Furthermore, we extended our dairy-free chocolate product portfolio in the US, tapping into growing customer demand. In addition, our sugar-reduced solutions are enticing customers and growing by double-digits. Last but not least, Callebaut introduced a sensory language and tasting ritual for chocolate in January 2018.



Letter to Shareholders



“In the 20 years since Barry Callebaut’s initial public offering, our company has developed into the world’s leading chocolate and cocoa company, consistently delivering value for our shareholders and all other stakeholders.”

Patrick De Maeseneire, Chairman of the Board

“The continued execution of our ‘smart growth’ strategy, good visibility on volume growth and healthy global demand give us the confidence that we are well on track to achieve our mid-term guidance.”

Antoine de Saint-Affrique, CEO

Letter to Shareholders

Sustainability. We launched a number of initiatives in support of our Forever Chocolate plan to make sustainable chocolate the norm by 2025. In 2017/18, we sourced 44% of our cocoa beans and also 44% of our other chocolate ingredients from sustainable sources (vs. 36% and 30% in prior year). We were one of the driving forces behind the signing of the Cocoa and Forests Initiative at the UN Climate Summit in Bonn in November 2017, bringing together the leading cocoa and chocolate companies, NGOs and the Ivorian and Ghanaian governments to commit to eradicating deforestation from the cocoa supply chain in West Africa. In addition, we are building datasets with detailed location, agronomic and social survey data on already over 130,000 cocoa farms in our supply chain.

These unique datasets allow us to create tailor-made sustainability programs to solve the key issues of the mapped cocoa farming communities. In addition, we developed pilot projects in five key cocoa sourcing countries, Côte d’Ivoire, Ghana, Cameroon, Brazil and Indonesia, to build a model on what sustainable cocoa farming in these countries entails. Furthermore, we organized the fourth CHOCOVISION conference in June 2018, bringing together over 200 business leaders and key stakeholders in the chocolate and cocoa industry.

Looking to the future with confidence

Our proven strategy, good visibility on volume growth and healthy global demand give us the confidence that we are well on track to achieve our mid-term guidance, which is on average 4–6% volume growth and EBIT above volume growth in local currencies for the 4-year period 2015/16 to 2018/19, barring any major unforeseen events.

Going forward, we see ample opportunities to further grow our business and to do so along the lines of our ‘smart growth’ strategy: consistently, profitably, sustainably, further leveraging our regional and product mix for better returns. And obviously further developing our teams and talents, as they are – together with our values – at the heart of what makes Barry Callebaut successful.

We would like to thank our employees for the strong results they have delivered and all our customers and shareholders for their trust and continued support.

Patrick De Maeseneire
Chairman of the Board

Antoine de Saint-Affrique
Chief Executive Officer