



## Letter to Shareholders

# “Smart growth” getting traction, strong free cash flow

Twenty years ago, Callebaut and Cacao Barry merged to form Barry Callebaut. Since then, we have created the world’s leading chocolate and cocoa company. Over all those years, we have remained focused on generating value in the long term for our shareholders and all other stakeholders.

Our proven strategy has remained unchanged for more than a decade. But through a more focused execution, which we call “smart growth”, we started this year to strive for a better balance between volume growth, enhanced profitability and free cash flow generation. The goal is to generate even more value in the long term for our shareholders and all other stakeholders.

We are pleased to see that this focus on “smart growth” starts to get traction. In the past fiscal year, we managed once more to significantly outperform the global market in our chocolate business. In our Global Cocoa business, we deliberately phased out less profitable contracts. Good profitability in our chocolate business was offset by a challenging cocoa products market, as anticipated. We also see the very satisfactory result of our increasing focus on free cash flow generation.

Our sales volume increased +2.2% to reach 1,834,224 tonnes. Amid a global chocolate confectionery market, which declined by –1.7% according to Nielsen, sales volume growth in our chocolate business, including both Food Manufacturers and Gourmet, was strong and rose by +7.6%. All our three key growth drivers contributed to this positive development, led by Gourmet & Specialties which grew +12.4%, but Outsourcing and Emerging Markets also supported the Group’s volume increase. In Global Cocoa, our intentional phase-out of less profitable contracts led to a decline of –12.0% in volume.

Sales revenue was up +8.8% in local currencies (+7.0% in CHF) to CHF 6,676.8 million, partly driven by a better product mix and overall higher sales prices over the entire fiscal year.

Operating profit (EBIT) was basically flat at +0.1% in local currencies (–3.2% in CHF) and amounted to CHF 401.7 million. As anticipated, this year’s profitability was affected by the challenging cocoa products market, but also by restructuring costs related to the manufacturing footprint and a negative currency translation effect, offset by our greater focus on margins including product and customer mix.

Net profit for the year decreased by –5.1% in local currencies to CHF 219.0 million (–8.7% in CHF). This is a reflection of a higher tax rate and one-off costs related to issuing a new bond in spring 2016.

Based on our efforts to focus on “smart growth”, our free cash flow increased significantly to CHF 404.0 million, compared to CHF 21.8 million in the previous fiscal year, amongst other things as a consequence of lower working capital and stricter discipline in capital expenditure.

As a result, Net debt amounted to CHF 1,452.8 million, down by –15.9% in CHF compared to prior year.

These results have been achieved in a challenging market environment. We would like to thank our global team of close to 10,000 colleagues for their relentless efforts and extraordinary commitment. We would also like to express our sincere gratitude to our customers and shareholders for their continued trust.

The Board of Directors proposes a payout to shareholders of CHF 15.50 per share, compared to CHF 14.50 a year ago.



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**“The key message for 2016/17 is very simple: Growth! It is about competitive growth, ‘smart growth’ as we continue to deploy our strategy, and sustainable growth as sustainability is going to play a much bigger role in our agenda.”**

Antoine de Saint-Affrique, CEO

**“Twenty years ago, Callebaut and Cacao Barry merged. Since then, we have created the world’s leading chocolate and cocoa company – with a lot of passion, hard work and dedication from all our colleagues to whom I am very grateful.”**

Andreas Jacobs, Chairman of the Board



## Letter to Shareholders

### Consistent strategy implementation

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

#### Expansion

Expansion of existing US West Coast chocolate factory. Acquisition of the FrieslandCampina Kievit vending activities in Germany, making us a leading supplier of vending powder mixes. Various new long-term agreements, for instance with Colian in Poland and Romega in Romania. New chocolate factory in Gresik (Indonesia) went on stream.

#### Innovation

More than 200 co-creation sessions conducted with customers to support them in their product innovation. Roll-out of our new Barry Callebaut Studio concept at the most important trade shows in Europe and the US. Two relocated CHOCOLATE ACADEMY™ centers opened in Mumbai and Moscow. First Beverage Academy opened in Kageröd, Sweden. Licensing agreement with food supplement producer Naturex on the commercialization of the EFSA health claim on cocoa extracts.

#### Cost Leadership

Streamlining of our cocoa manufacturing footprint in Asia as part of the Cocoa Leadership project. Successful expansion of the Shared Service Center in Poland.

### Sustainability

Inclusion in the SXI 25 Sustainability index of the most sustainable listed companies in Switzerland. Launch of HORIZONS sustainable cocoa and chocolate products. Acquisition of Licensed Buying Company Nyonkopa in Ghana. Introduction of Katchilè, an innovative tool for geo-traceability and farm impact measurement. Additional partnerships with customers like Tony’s Chocolonely and Kim’s Chocolates for sustainable cocoa farming.

### Continuing to drive “smart growth”

The key message for fiscal year 2016/17 is very simple: Growth! It is about competitive growth as well as “smart growth” as we continue to deploy our strategy, but also about sustainable growth as sustainability is going to play a much bigger role in our agenda.

We have good visibility on volume growth and expect to see a positive contribution to profitability from our Cocoa Leadership project, supported by some recent recovery in the cocoa products market.

On this basis, we confirm our three-year guidance, which is on average 4–6% volume growth and EBIT growth on average above volume growth in local currencies, barring any major unforeseen events.

**Andreas Jacobs**  
Chairman of the Board

**Antoine de Saint-Affrique**  
Chief Executive Officer

### Many thanks, Andreas Jacobs!

Barry Callebaut’s remarkable success is clearly attributable to the stewardship and farsightedness of Andreas Jacobs. Andreas Jacobs joined the Board of Directors in 2003 and was elected its chairman in December 2005. After eleven years at the helm of our company, he will be stepping down from his post at the Annual General Meeting 2016.

Barry Callebaut owes its departing chairman a lot. The company’s undisputed global leadership in cocoa and chocolate production is largely due to the bold strategic decisions that Andreas Jacobs made in recent years. He had the strength and determination to turn his visions into reality. Andreas Jacobs had little appetite for short-termism nor was he obsessed with the next set of quarterly results, neither as Chairman nor as a representative of Jacobs Holding AG, our majority shareholder. Passionate and knowledgeable about every aspect of the company, caring for the people as much as he was for building the business for the long term, Andreas Jacobs has been a formidable ambassador of Barry Callebaut with all its stakeholders. As custodian of family values which are at the heart of our company, he carefully introduced his brother Nicolas Jacobs to the duties of a Director enabling the family’s intergenerational succession plan. The Jacobs family will therefore continue to be duly represented on our Board.

We would like to express our sincere gratitude to Andreas Jacobs for his strong leadership that has helped make Barry Callebaut what it is today.

Board of Directors, Executive Committee and employees of Barry Callebaut