Financial Review

Business Performance Review Fiscal Year 2021/22

Strong results, on track to achieve mid-term guidance

In fiscal year 2021/22, Barry Callebaut achieved strong sales volume growth of +5.3% to 2,306,681 tonnes. The chocolate business reported strong volume growth of +5.9%, clearly outpacing the flat underlying global chocolate confectionery market (+0.3%)[1]. All Regions (Asia Pacific +15.8%, Americas +6.4%, EMEA +4.3%) and all key growth drivers (outsourcing (+4.8%), emerging markets (+7.9%) contributed to volume growth, including a particularly strong performance by Gourmet & Specialties (+22.5%). Sales volume growth in Global Cocoa further normalized to 456,970 tonnes, an increase of +2.5%.

Operating profit (EBIT) recurring[2] amounted to CHF 624.7 million, up +13.5% in local currencies (+10.2% in CHF), well ahead of volume growth. Reported EBIT amounted to CHF 553.5 million, up +0.1% in local currencies (-2.3% in CHF), and included a positive impact of CHF 13.5 million due to the recovery of indirect tax credits for prior fiscal periods in Brazil, as well as a net one-off impact of CHF -76.9 million related to the salmonella incident at the Wieze factory in Belgium, and a negative impact of CHF -7.8 million for the closure of the chocolate factory in Moreton, UK.

Net profit recurring[2] amounted to CHF 428.5 million, up +14.1% in local currencies (+11.4% in CHF) compared to prior year. The reported Net profit for the year amounted to CHF 360.9 million, down -4.7% in local currencies (-6.1% in CHF).

The adjusted Free cash flow increased to CHF 358.5 million, compared to CHF 314.9 million in prior year. Even before the adjustment for the cash flow effect of cocoa beans considered as readily marketable inventories (RMI), cash flow generation remained solid and amounted to CHF 266.2 million, compared to a very strong prior year (CHF 355.0 million).

Raw material prices - moderate increase in cocoa bean prices, benefit of cost-plus model

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 2021/22, cocoa bean prices fluctuated between GBP 1,636 and GBP 1,882 per tonne and closed at GBP 1,878 per tonne on August 31, 2022. On average, cocoa bean prices increased by +4.2% versus prior year. While the global bean supply and demand expectations for 2021/22 indicate a deficit, large stocks carried from prior-year surpluses allow for sufficient bean supply, which should lead to an overall more balanced situation. The average combined ratio slightly increased to 3.6x, compared to 3.5x in prior year. This was the result of rising cocoa powder prices, while cocoa butter prices suffered from the ripple effects of the COVID-19 pandemic. Towards the end of the fiscal year 2021/22, cocoa butter prices started to increase thanks to strong chocolate consumption in Europe and the USA.

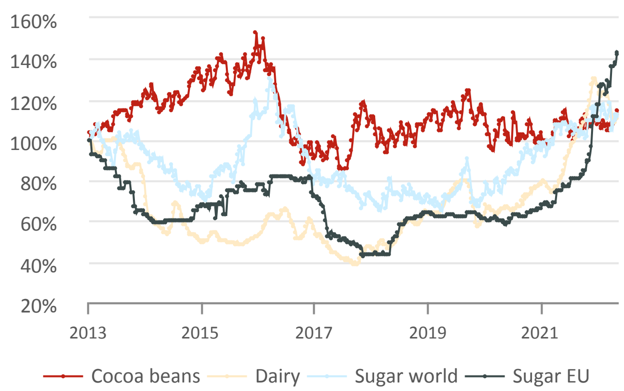
The world market price for sugar increased on average by +18.7%. This was due to a substantially lower Brazilian crop and a macro environment impacted by high energy prices and geopolitical uncertainties. Sugar prices in Europe increased on average by +56.4% during the fiscal year 2021/22. Robust demand was confronted with low supply due to reduced acreage and dry weather. The additionally surging energy costs contributed to the strong price increase.

Dairy prices increased on average by +51.5% during the fiscal year 2021/22. Increased demand coupled with a substantial decline in milk supply, driven by drought in the northern hemisphere and input inflation due to the war in Ukraine, pushed dairy product prices to historical highs.

[1] Source: Nielsen volume growth excluding e-commerce – 25 countries, September 2021 to August 2022, 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 175 for the detailed recurring results reconciliation.

Raw material prices

September 2013 to August 2022



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

Foreign currencies

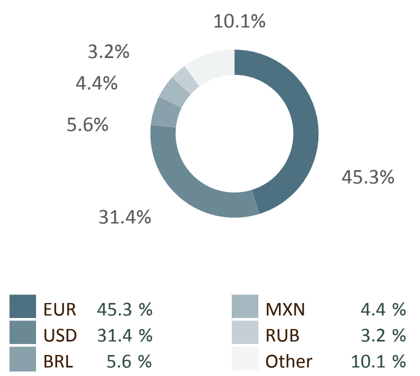
In fiscal year 2021/22, foreign exchange markets remained volatile and the Swiss franc continued to strengthen against the euro. The Group is naturally hedged to the extent that it produces and sells products locally and hedges any remaining currency exposure that arises from commercial transactions. 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 close to half of the Group's sales revenue, significantly depreciated by -4.9% against the Swiss franc. The average exchange rate for the US dollar, accounting for around a third of the Group's sales revenue, appreciated by +3.4% against the Swiss franc. Several major emerging market currencies remained very volatile during fiscal year 2021/22, with the Brazilian real (+5.5%), the Russian ruble (+5.1%), and the Mexican peso (+3.2%), appreciating against the Swiss franc.

The currency translation effects mentioned above had a cumulative negative impact of –2.3% on sales revenue and –3.3% on Operating profit (EBIT) recurring[3].

Sales revenue

In functional currencies



Global chocolate demand

The underlying global chocolate confectionery market was, according to Nielsen, about stable (+0.3%)[4] 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.

Consolidated Income Statement

Sales volume in fiscal year 2021/22 grew by +5.3% to 2,306,681 tonnes. Volume growth was supported by all Regions and all Key growth drivers.

Sales revenue amounted to CHF 8,091.9 million, up +14.6% in local currencies (+12.3% in CHF). The increase was impacted by the overall inflationary environment, which Barry Callebaut managed through the cost-plus pricing model it uses for the majority of its business.

Gross profit grew faster than sales volume and amounted to CHF 1,217.2 million, an increase of +8.4% in local currencies (+6.1% in CHF). Despite the lost volume due to the temporary stoppage of the Wieze factory, the volume contribution was very healthy. In particular the growth in Gourmet & Specialties and the solid cost-plus business model contributed to the positive mix. As anticipated, profitability in the Cocoa business improved and led to a positive contribution for the financial year 2021/22.

Marketing and sales expenses increased by +9.7% to CHF 148.5 million due to the resumption of investment in business growth following the lifting of COVID-19 restrictions in order to promote the Group's product innovations and CHOCOLATE ACADEMY™ Centers.

General and administration expenses increased by +1.0% to CHF 434.7 million, at a slower pace than business growth thanks to good cost discipline.

Other income increased to CHF 21.4 million, compared to CHF 3.1 million in the prior year. The increase in income is mainly due to the 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) and a gain on net monetary positions due to the application of Hyperinflation (IAS 29) accounting in Türkiye (CHF 2.3 million).

Other expense increased to CHF 101.9 million, compared to CHF 17.8 million in the prior year. The current year included the net one-off 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) recurring[3] increased by +13.5% in local currencies (+10.2% in CHF) to CHF 624.7 million. Currency translation had a negative effect of CHF 18 million. EBIT (recurring)[3] was well ahead of volume growth, supported by all Regions and segments.

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[3] Refer to page 175 for the detailed recurring results reconciliation.
[4] Nielsen volume growth – 25 countries, September 2021 to August 2022, data subject to adjustment to match Barry Callebaut's reporting period.

Compared to prior-year reported Operating profit (EBIT), the increase was +0.1% in local currencies (-2.3% in CHF). The Group's **EBIT (recurring)**[5] **per tonne** amounted to CHF 271, up +7.8% in local currencies (+4.7% in CHF), compared to EBIT per tonne in the prior-year of CHF 259.

Finance income increased to CHF 8.1 million from CHF 3.6 million in prior year, mainly due to the rising interest rate environment.

Finance expense amounted to CHF 129.8 million, compared to CHF 105.3 million in prior year. The increase is partly due to the rising interest rate environment.

Income tax expense decreased to CHF 70.8 million, from CHF 80.5 million in the prior year, resulting from a lower consolidated profit before income taxes and a somewhat more favorable country mix of profit before taxes. The Group's effective tax rate amounted to 16.4%, compared to 17.3% in the prior year.

Net profit for the year (recurring)[5] increased by +14.1% in local currencies (+11.4% in CHF) to CHF 428.5 million, compared to prior-year Net profit. The increase was driven mainly by Operating profit (EBIT) growth, partly offset by higher finance expense. Compared to prior year, reported Net profit decreased -4.7% in local currencies (-6.1% in CHF) to CHF 360.9 million as a result of the aforementioned non-recurring items.

Consolidated Balance Sheet

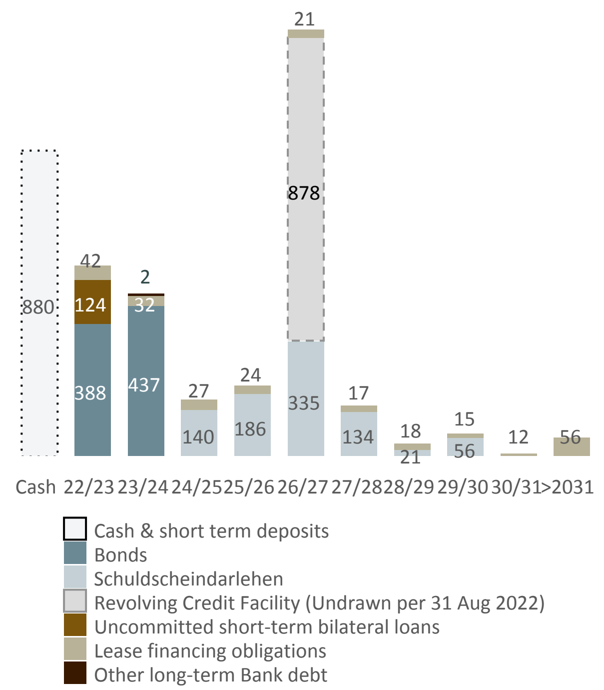
Total assets increased to CHF 7,760.9 million at the end of August 2022, compared to CHF 7,244.0 million in the prior year. The increase was attributable to higher levels of receivables, derivative financial assets and inventories due to business growth. This increase was partly offset by a lower cash position.

Net working capital as of August 31, 2022, increased to CHF 1,293.1 million from CHF 1,241.8 million in the prior year. The increase was below the Group's volume growth. Receivables increased on the back of business growth. While good inventory management largely mitigated the impact of general raw material price inflation, the temporary stoppage in Wieze led to an increase in cocoa beans and other inventory. Both developments were largely offset by higher payables.

Net debt decreased to CHF 1,199.0 million from CHF 1,281.3 million in the prior year. Taking into consideration cocoa beans considered as readily marketable inventories (RMI), adjusted Net debt decreased to CHF 349.8 million from CHF 547.4 million in the prior year. The decrease was to a large extent driven by a reduction in outstanding debt resulting from an early partial repayment of the floating-rated Schuldscheindarlehen issued in February 2019 in the amount of CHF 130.9 million.

Equity including equity attributable to the shareholders of the parent company and non-controlling interests increased to CHF 2,904.3 million, compared to CHF 2,685.2 million in the prior year. The increase was mainly the result of Net profit generated, partly offset by the dividend payout to shareholders and currency translation adjustments. The debt-to-equity ratio improved to 41.3%, compared to 47.8% in the prior year. The return on invested capital (ROIC) recurring[5] improved from 12.2% to 13.2%. Including the aforementioned one-off impacts, reported ROIC amounted to 11.5%.

Liquidity - debt maturity profile



Consolidated Cash Flow Statement

Cash generated from operating activities decreased to CHF 705.7 million, compared to CHF 778.9 million in the prior year, partly due to lower reported Net profit. Due to higher interest and income taxes paid, **net cash from operating activities** amounted to CHF 521.7 million, compared to CHF 615.6 million the year before.

Net cash flow from investing activities amounted to CHF -293.6 million (prior year CHF -261.6 million). The amount was largely related to the Group's investments of CHF -239.5 million in property, plant and equipment (prior year CHF -227.2 million) and for M&A activity of CHF -38.2 million (prior year CHF -0.9 million) due to the acquisition of European Chocolate Company. In addition, it also includes cash out of CHF -36.4 million for investments in intangibles (prior year CHF -48.1 million).

Net cash flow from financing activities amounted to CHF -381.5 million, compared to CHF -619.0 million in prior year. Net cash outflow in the current year mainly relates to the dividend payment of CHF -153.5 million and repayment of CHF -130.9 million in long-term debt and CHF -89.6 million in short-term debt. The net cash

[5] Refer to page 175 for the detailed recurring results reconciliation.

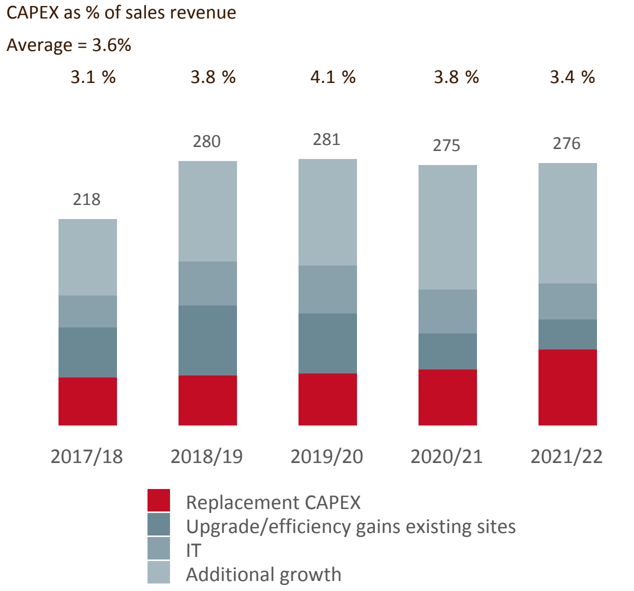
outflow in the prior year was to a large extent related to the repayment of short-term debt and the dividend payment.

Free cash flow continued to be solid at CHF 266.2 million, compared to a very strong prior year (CHF 355.0 million). Adjusted for the cocoa beans considered as readily marketable inventories (RMI), the adjusted Free cash flow was CHF 358.5 million, compared to CHF 314.9 million in the prior year.

Capital expenditure remained stable

Capital expenditure (CAPEX) reflected in the cash flow statement amounted to CHF 275.9 million, about the same level as in prior year (CHF 275.2 million). The Group maintained its focus on investments that best support its strategy of 'smart growth'.

Capital expenditure
in CHF million



Outlook

Supported by the consistency of its growth strategy and the strength of its innovation pipeline, Barry Callebaut is on track to achieve its mid-term guidance ending in fiscal year 2022/23. The Wieze factory is operating at normal capacity again, though the Group expects to experience an impact in the first quarter of fiscal year 2022/23, linked to the catch-up on delayed volume.

The mid-term guidance for the 3-year period 2020/21 to 2022/23 is, 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 2,004 on August 31, 2022, -14.1% below the previous year's closing price. Up until the last quarter of the fiscal year, the share performance was about stable, before turning negative in line with the overall market decline mainly due to the macroeconomic environment. The broad Swiss market performance was similar with the SPI down -14.7% and the SPI ESG down -8.4%. The performance of Swiss Small and Mid Caps (SMIM) was substantially weaker at -26.8%. The EURO STOXX Food & Beverage Index declined (-11.4%) slightly less than Barry Callebaut shares, but measured in EUR Barry Callebaut clearly outperformed (-5.5%).

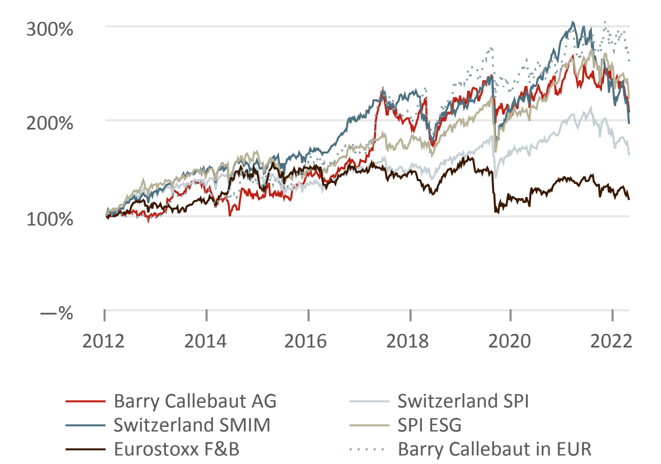
Key share data
as of August 31, 2022

Shares outstanding	5.5 million
Closing share price	CHF 2,004
Market capitalization	CHF 11.0 billion
52-week high (closing)	CHF 2,342
52-week low (closing)	CHF 2,004
Average daily volume	7,631 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 (2012–2022).

Share price development Barry Callebaut vs. indices
September 2012 to August 2022



Source: FactSet and SIX Swiss Stock Exchange.

Over a ten-year period (2012–2022), the long-term performance of Barry Callebaut shares (+124.5%) is somewhat behind the SPI ESG Index (+140.1%), but ahead of the SMI Small and Mid Cap Index (+120.0%) and the broader SPI Index (+74.9%). The outperformance against the EURO STOXX Food & Beverage Index (+20.5%) is even more impressive when calculating Barry Callebaut's share price in EUR (+174.7%).

Dividend – Payout ratio of 43%

The Board of Directors is proposing to shareholders at the Annual General Meeting of Shareholders (AGM) on December 14, 2022, a stable payout of CHF 28.00 per share. This corresponds to a payout ratio of 43% of the reported net profit, for once above the targeted ratio of 35-40% due to the one-off impacts on net profit. The dividend will be paid to shareholders on, or around, January 11, 2023, subject to approval by the AGM.

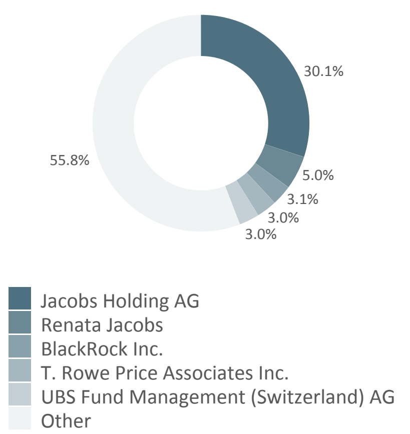
Key share capital data

The share capital of Barry Callebaut AG as of August 31, 2022, 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 2022 was 64.9%[6], 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.

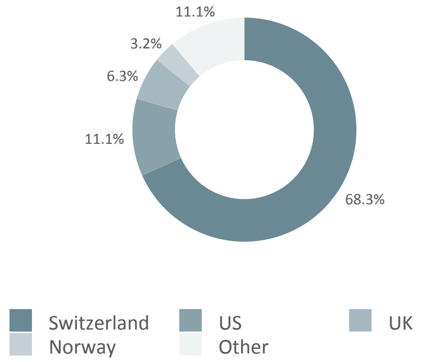
Ownership structure[6]

as of August 31, 2022



Country split

of institutional shareholders



Source: IHS Markit.

Analyst recommendations

During the fiscal year 2021/22, the number of institutions covering Barry Callebaut AG increased by two to thirteen. At the end of August 2022, nine had a buy recommendation, three had a hold recommendation and one had a sell recommendation. The average target price was CHF 2,444 according to Factset.

Sustainability ratings

For the fourth consecutive year, Sustainalytics has recognized Barry Callebaut as an industry leader in the management of the ESG risks in its supply chain, at the top of almost 600 Food & Beverage companies. The leading position once again confirms 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 was once again 'AA' rated by MSCI. Furthermore, CDP, an independent organization that assesses the carbon reduction plans of over 14,000 companies every year, awarded Barry Callebaut, for the third year running, an A- (Leadership level) for our carbon reduction efforts. Additionally, Barry Callebaut was awarded 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.

The current ratings are:

- Moody's: Baa3 with outlook stable
- Standard & Poor's: BBB with outlook stable[7]

[6] Based on notification through the electronic publication platform of the SIX Swiss Exchange.
[7] S&P upgraded from BBB- / stable to BBB (flat) / stable on September 7, 2022.