

# News Release

## Barry Callebaut Group – Half-Year Results, Fiscal Year 2017/18

### Strong performance in the first six months

- Sales volume growth +8.0%
- Sales revenue of CHF 3.5 billion, –1.8% in local currencies (+0.3% in CHF)
- Operating profit<sup>1</sup> (EBIT) up +20.6% in local currencies (+24.6% in CHF)
- Net profit<sup>1</sup> up +32.9% in local currencies (+37.5% in CHF)
- Mid-term guidance<sup>2</sup> confirmed

Zurich/Switzerland, April 11, 2018 – Antoine de Saint-Affrique, CEO of the Barry Callebaut Group, said: “We had a very strong performance in the first six months of the current fiscal year, which was supported by all product groups and regions, as well as our key growth drivers. This resulted in the continued improvement of our profitability, driven by a favorable mix, operational leverage and a more supportive market.”

#### Group Key Figures

for the first 6 months of Fiscal Year 2017/18		Change in %		6 months up to Feb 28, 2018	6 months up to Feb 28, 2017
		in local currencies	in CHF		
Sales volume	Tonnes		8.0%	1,022,565	946,782
Sales revenue	CHF m	(1.8%)	0.3%	3,549.9	3,538.7
Gross profit	CHF m	15.5%	19.2%	553.0	464.0
Operating profit (EBIT)	CHF m	12.3%	16.1%	276.8	238.4
Operating profit (EBIT) (recurring <sup>1</sup> )	CHF m	20.6%	24.6%	276.8	222.1
EBIT per tonne (recurring <sup>1</sup> )	CHF	11.6%	15.4%	270.7	234.6
Net profit	CHF m	17.6%	21.7%	173.0	142.1
Net profit (recurring <sup>1</sup> )	CHF m	32.9%	37.5%	173.0	125.8
Free Cash flow	CHF m	N/A	N/A	39.0	(32.1)

In the first six months of fiscal year 2017/18 (ended February 28, 2018), the Barry Callebaut Group – the world’s leading manufacturer of high-quality chocolate and cocoa products – grew its **sales volume** by +8.0% to 1,022,565 tonnes, which is significantly above the global chocolate confectionery market growth rate of +2.5%<sup>3</sup>. The Group’s growth in the second quarter was +8.1%. The strong volume growth was supported by all key growth drivers: Gourmet & Specialties (+7.1%), Outsourcing (+8.1%) and Emerging Markets (+11.0%), as well as the gradual recovery in market demand. **Sales revenue** declined by –1.8% in local currencies (+0.3% in CHF) to CHF 3,549.9 million, mainly due to lower cocoa and other raw material prices, which, based on the company’s cost-plus model, are for the majority of its business passed on to customers.

<sup>1</sup> On a recurring basis (excluding the one-off impact from comparable prior year period)

<sup>2</sup> On average for the 4-year period 2015/16 to 2018/19: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events

<sup>3</sup> Source: Nielsen Chocolate confectionery sales in volume, August 2017 to January 2018 – 25 countries

**Gross profit** amounted to CHF 553.0 million, corresponding to +15.5% in local currencies (+19.2% in CHF). The increase, which is significantly above volume growth, was fuelled by a good product and customer mix, and a more supportive market environment.

**Operating profit (EBIT)** improved by +12.3% in local currencies (+16.1% in CHF) and amounted to CHF 276.8 million, as a result of the increased gross profit. The increase of recurring EBIT was +20.6% in local currencies (+24.6% in CHF). On a recurring basis, the Group improved its EBIT per tonne by +11.6% in local currencies (+15.4% in CHF) to CHF 271.

**Net profit** for the period was up +17.6% in local currencies (+21.7% in CHF) to CHF 173.0 million. This was due to the strong increase in EBIT as well as lower net finance costs and despite higher income tax expenses due to a one-off impact of tax reforms in Belgium and the US. On a recurring basis, the net profit for the period was up +32.9% in local currencies (+37.5% in CHF).

**Net working capital** decreased by -16.0% from CHF 1,398.4 million in the same prior year period to CHF 1,174.7 million. The growth-related impact was offset by lower average raw material prices compared to prior year.

**Free cash flow**<sup>4</sup> for the 6-month period under review increased to CHF 39.0 million compared to CHF -32.1 million in prior year. This is largely due to the higher profitability, whereas all other items were largely offsetting. The free cash flow on a rolling 12-month basis amounted to CHF 546.7 million. This is the result of a stronger operating profit, lower working capital and continued discipline on capital expenditure (CAPEX).

**Net debt** amounted to CHF 1,208.4 million, down by -16.9% from CHF 1,454.9 million in the prior year period as a result of debt repayment out of the generated cash flow.

#### **Outlook – Good portfolio visibility and diligent ‘smart growth’ execution**

Looking ahead, CEO Antoine de Saint-Affrique said: “We continue to see healthy market dynamics. We have good visibility in our portfolio and together with the diligent execution of our ‘smart growth’ strategy, we feel confident to deliver on our 4-year guidance<sup>5</sup>.”

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<sup>4</sup> Net cash flow from operating activities./Net cash flow from investing activities (adjusted for acquisitions/disposals of subsidiaries)

<sup>5</sup> On average for the 4-year period 2015/16 to 2018/19: 4–6% volume growth and EBIT above volume growth in local currencies, barring any major unforeseen events

**Strategic milestones achieved in the first six months of fiscal year 2017/18**

- **“Expansion”**: The integration of the recent acquisitions of D'Orsogna Dolciaria in Italy, in October 2017, and Gertrude Hawk Ingredients in the US, in December 2017, further expanding Barry Callebaut's value-adding Specialties & Decorations business, is well on track. Furthermore, to keep serving its customers optimally, Barry Callebaut invested in the expansion of its global chocolate production capacity in Region EMEA, Singapore and Region Americas.
- **“Innovation”**: Since its launch in September 2017 by Barry Callebaut, the fourth type of chocolate: Ruby, is hitting the consumer market. The first consumer-facing Ruby products were introduced in Japan and South Korea. Barry Callebaut also announced the launch of Ruby for the Gourmet & Specialties customers under the Callebaut brand. Furthermore, inspired by wine, coffee and craft beer categories, Barry Callebaut introduced a sensory language and tasting ritual for chocolate in January 2018. These tools will enable brands and artisans to help consumers appreciate chocolate even more than they do today. In addition, Barry Callebaut's sugar-reduced solutions are enticing customers and growing by double-digits.
- **“Sustainability”**: Barry Callebaut launched its first Forever Chocolate pilot in Indonesia. This is the first in a series of five pilot programs planned in cocoa origin countries that are intended to test theories of change in the quest to accelerate impact in sustainable cocoa production. Barry Callebaut is partnering with Dutch Wageningen University & Research which is providing the Group with robust, scientific support to provide the baseline and analytical framework against which the outcomes can be assessed.

**Regional/Segment performance****Region EMEA – Exceptional volume growth**

Barry Callebaut's sales volume in Region EMEA went up by +9.6% to 471,120 tonnes, thus significantly outperforming the market, which grew +2.8%<sup>6</sup>. Growth was fueled by long-term outsourcing agreements, Gourmet and emerging markets within the Region, as well as the acquisition of D'Orsogna Dolciaria in Italy (since October 2017). Overall, sales revenue was almost flat at +0.4% in local currencies (+7.3% in CHF) and amounted to CHF 1,577.8 million. On a recurring basis (excluding the one-off positive impact from prior year), operating profit (EBIT) was up by +12.1% in local currencies (+19.8% in CHF), reflecting the good product mix.

**Region Americas – Accelerated performance in Q2**

Sales volume in Region Americas increased by +5.5% to 265,904 tonnes, compared to the regional chocolate confectionery market which grew by +1.4%<sup>6</sup>. All countries in the region contributed to the Group's volume growth, with a particularly strong performance in Brazil, Mexico and Canada. Sales revenue was flat in local currencies (-1.9% in CHF) and amounted to CHF 825.5 million. Operating profit (EBIT) increased by +9.2% in local currencies (+7.6% in CHF), as a result of a balanced product portfolio and further cost leverage in the region. The integration of the bolt-on acquisition of Gertrude Hawk Ingredients started in December 2017.

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<sup>6</sup> Source: Nielsen Chocolate confectionery sales in volume, August 2017 to January 2018 – 25 countries

### Region Asia Pacific – Double-digit growth

The Group's sales volume growth in Asia Pacific reached +15.5% in the first six months, with strong double-digit growth in countries such as China, Indonesia, India and Japan. This performance significantly outpaced the underlying market growth of +4.0%<sup>7</sup>. Sales revenue went up by +4.6% in local currencies (+2.7% in CHF) to CHF 189.5 million. Operating profit (EBIT) grew in line with volume growth and increased by +15.6% in local currencies (+15.8% in CHF).

### Global Cocoa – Strong momentum

The good momentum in the cocoa products market continued and was reflected in the strong sales volume growth of +6.2% to third-party, against the low base of prior year. Sales revenue declined by –7.6% in local currencies (–8.2% in CHF) due to lower cocoa product prices. Operating profit (EBIT) improved significantly by +130.5% in local currencies (+132.0% in CHF) as a reflection of a more supportive cocoa processing market environment, as well as some additional benefits from the Group's 'Cocoa Leadership' project.

### Raw material price developments

During the first half of fiscal year 2017/18 **cocoa bean** prices increased by +4.4%, from GBP 1,516 per tonne on September 1 2017 to GBP 1,582 per tonne on February 28, 2018. On average cocoa bean prices decreased by –23.1% versus prior year. A smaller-than-anticipated cocoa bean surplus at the end of the season, due to a slight drop in cocoa production and increasing market demand and growing financial speculation activity, started to put upward pressure on cocoa prices going forward. The combined ratio improved, due to lower cocoa bean prices as well as higher prices for cocoa butter.

Favorable weather conditions and good **milk** prices for farmers globally led to a considerable production increase worldwide since summer 2017. As a consequence, prices for milk powder dropped. World market prices for **sugar** moved lower, driven by large surpluses in the main producing countries. On the EU side, a record crop kept local prices at lower levels.

For more detailed financial information see the Barry Callebaut Group's Letter to Investors "Half-Year Results 2017/18": [www.barry-callebaut.com/LetterToInvestors](http://www.barry-callebaut.com/LetterToInvestors)

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#### Media and Analyst Conference of the Barry Callebaut Group

Date: Wednesday, April 11, 2018 at 10:00–11:30 CEST, followed by a light lunch

Location: Barry Callebaut Head Office, CHOCOLATE ACADEMY™ center,  
Pfungstweidstrasse 60, 8005 Zurich / Switzerland

The conference can be followed via telephone or audio webcast. All dial-in and access details can be found on the Barry Callebaut Group's [website](#)

<sup>7</sup> Source: Nielsen Chocolate confectionary sales in volume, August 2017 to January 2018 – 25 countries

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**Financial Calendar for Fiscal Year 2017/18 (September 1, 2017 to August 31, 2018):**

9-month key sales figures 2017/18 (news release)	July 13, 2018
Full-year results 2017/18 (news release & conference)	November 7, 2018
Annual General Meeting 2017/18	December 12, 2018

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**About Barry Callebaut Group ([www.barry-callebaut.com](http://www.barry-callebaut.com)):**

With annual sales of about CHF 6.8 billion (EUR 6.3 billion / USD 6.9 billion) in fiscal year 2016/17, the Zurich-based Barry Callebaut Group is the world's leading manufacturer of high-quality chocolate and cocoa products – from sourcing and processing cocoa beans to producing the finest chocolates, including chocolate fillings, decorations and compounds. The Group runs close to 60 production facilities worldwide and employs a diverse and dedicated global workforce of about 11,000 people.

The Barry Callebaut Group serves the entire food industry, from industrial food manufacturers to artisanal and professional users of chocolate, such as chocolatiers, pastry chefs, bakers, hotels, restaurants or caterers. The two global brands catering to the specific needs of these Gourmet customers are Callebaut® and Cacao Barry®.

The Barry Callebaut Group is committed to make sustainable chocolate the norm by 2025 to help ensure future supplies of cocoa and improve farmer livelihoods. It supports the Cocoa Horizons Foundation in its goal to shape a sustainable cocoa and chocolate future.

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Christiaan Prins  
Head of External Affairs  
Barry Callebaut AG  
Phone: +41 43 204 03 76  
[christiaan\\_prins@barry-callebaut.com](mailto:christiaan_prins@barry-callebaut.com)

**for investors and financial analysts:**

Evelyn Nassar  
Head of Investor Relations  
Barry Callebaut AG  
Phone: +41 43 204 04 23  
[evelyn\\_nassar@barry-callebaut.com](mailto:evelyn_nassar@barry-callebaut.com)

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## Group Key Figures

for the first 6 months of Fiscal Year 2017/18				6 months up to Feb 28, 2018	6 months up to Feb 28, 2017
		Change in %			
		in local currencies	in CHF		
<b>Key Figures</b>					
Sales volume	Tonnes		8.0%	1,022,565	946,782
Sales revenue	CHF m	(1.8%)	0.3%	3,549.9	3,538.7
Gross profit	CHF m	15.5%	19.2%	553.0	464.0
EBITDA	CHF m	12.3%	16.0%	359.4	309.9
EBITDA (recurring <sup>1</sup> )	CHF m	13.8%	22.4%	359.4	293.6
Operating profit (EBIT)	CHF m	12.3%	16.1%	276.8	238.4
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EBIT per tonne (recurring <sup>1</sup> )	CHF	11.6%	15.4%	270.7	234.6
Net profit for the period	CHF m	17.6%	21.7%	173.0	142.1
Net profit for the period (recurring <sup>1</sup> )	CHF m	32.9%	37.5%	173.0	125.8
Free Cash flow	CHF m	N/A	N/A	39.0	(32.1)
<b>By Region</b>					
<b>EMEA</b>					
Sales volume	Tonnes		9.6%	471,120	429,867
Sales revenue	CHF m	0.4%	7.3%	1,577.8	1,470.9
EBITDA (recurring <sup>1</sup> )	CHF m	12.9%	20.6%	204.5	169.5
Operating profit (EBIT) (recurring <sup>1</sup> )	CHF m	12.1%	19.8%	175.0	146.1
<b>Americas</b>					
Sales volume	Tonnes		5.5%	265,904	252,068
Sales revenue	CHF m	0.0%	(1.9%)	825.5	841.1
EBITDA	CHF m	11.3%	9.8%	103.2	94.0
Operating profit (EBIT)	CHF m	9.2%	7.6%	84.5	78.5
<b>Asia Pacific</b>					
Sales volume	Tonnes		15.5%	54,121	46,872
Sales revenue	CHF m	4.6%	2.7%	189.5	184.5
EBITDA	CHF m	15.4%	14.2%	29.1	25.5
Operating profit (EBIT)	CHF m	15.6%	15.8%	24.2	20.9
<b>Global Cocoa</b>					
Sales volume	Tonnes		6.2%	231,420	217,975
Sales revenue	CHF m	(7.6%)	(8.2%)	957.1	1,042.2
EBITDA	CHF m	55.6%	57.9%	73.7	46.6
Operating profit (EBIT)	CHF m	130.5%	132.0%	45.7	19.7
<b>By Product Group</b>					
<b>Sales volume</b>	<b>Tonnes</b>			<b>1,022,565</b>	<b>946,782</b>
Cocoa Products	Tonnes		6.2%	231,420	217,975
Food Manufacturers Products	Tonnes		8.8%	665,763	611,713
Gourmet & Specialties Products	Tonnes		7.1%	125,382	117,094
<b>Sales revenue</b>	<b>CHF m</b>			<b>3,549.9</b>	<b>3,538.7</b>
Cocoa Products	CHF m	(13.8%)	(8.2%)	957.1	1,042.2
Food Manufacturers Products	CHF m	1.1%	3.2%	1,987.4	1,925.8
Gourmet & Specialties Products	CHF m	1.8%	6.1%	605.4	570.7

<sup>1</sup> On a recurring basis (excluding the one-off impact from comparable prior year period)