

Letter to Shareholders

Outperforming the global chocolate market

As we have done consistently for the last ten years, we managed to outpace the market. Going forward, we will strike a balance between volume growth, enhanced profitability and free cash flow generation.

After a slow start to fiscal year 2014/15, volume growth accelerated, particularly during the last quarter, and reached 4.5% or nearly 1.8 million tonnes for the year. This compares favorably to the -2.7% decline in the global confectionery market according to Nielsen. Sales volume growth was broadly based with strong contributions from the developed markets in Western Europe and North America, but also from our key growth drivers Outsourcing, Emerging Markets and Gourmet & Specialties. Sales revenue was up 12.1% in local currencies (6.4% in CHF) to CHF 6,241.9 million, as a result of volume growth and higher cocoa bean prices over the entire fiscal year. Despite the historically weak cocoa products market, and excluding a significant negative currency translation effect, operating profit (EBIT) rose 7.4% in local currencies (-0.3% in CHF) to CHF 414.8 million, thereby outpacing volume growth. The low EBIT in Global Cocoa was compensated for by the positive EBIT contribution of all other regions and product groups. This is also the result of a good gross margin development and fixed cost discipline.

Net profit for the year in local currencies was 2.7% below prior year (-5.9% in CHF) and came in at CHF 239.9 million. This is a reflection of the higher average financing requirements mainly due to higher cocoa bean prices, a foreign exchange loss, as well as higher income tax expenses.

This is a robust performance in a challenging environment. We would like to thank our team of more than 9,000 employees for their dedication and hard work as well as our customers and shareholders for their continued trust.

The Board proposes a payout to shareholders of CHF 14.50 per share. This represents a stable payout ratio of 33% of the net profit.

Consistent strategy implementation as key to success

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

Expansion

Acquisition of the industrial chocolate manufacturing assets from World's Finest® Chocolate, in the attractive U.S. Midwest region, and signing of a long-term supply agreement. Signing of the first outsourcing agreement in Southeast Asia with GarudaFood of Indonesia for the delivery of an important part of their compound chocolate requirements. Inauguration of a new chocolate factory in Paine, Chile. Expansion of existing chocolate factories in Extrema, Brazil, and in Lodz, Poland. Opening of a low-cost compound chocolate factory in Pune, India. Relocation of the CHOCOLATE ACADEMY™ center in Russia to down-town Moscow and opening of three such training centers for professionals in Tokyo, Cologne and Dubai to further boost the Gourmet business, bringing the total number of CHOCOLATE ACADEMY centers to 19. Acquisition of nut specialist American Almond in the U.S. to enhance the specialties product offering in the Americas.

Innovation

Development of new chocolate and compound recipes with higher thermo tolerance to satisfy the demand for chocolate products in warmer climates. Opening of a new Chocolate Application Center in Wieze, Belgium, and the first Cocoa Application Center in Asia Pacific, located in Pasir Gudang, Malaysia. 10% of the sales volume in fiscal year 2014/15 came from new or renovated products.



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“Our focus going forward will be on fine-tuning the execution of our long-term strategy and on striking a balance between volume growth and enhanced profitability as well as free cash flow generation.”

Antoine de Saint-Affrique, CEO

“We are convinced that our integrated value model and our deep expertise in cocoa and chocolate make us well placed to capture the growth opportunities that exist in our dynamic global environment.”

Andreas Jacobs, Chairman of the Board

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Cost Leadership

Establishment of a Shared Service Center in Lodz, Poland, bundling transactional activities across Europe.

Sustainable Cocoa

Launch of independent, non-profit Cocoa Horizons Foundation to improve the livelihoods of cocoa farmers and their communities and as a platform for chocolate companies and other contributors to invest in sustainable cocoa. More than CHF 20 million paid in farmer and farmer group premiums. Barry Callebaut partnering with the Hershey Company and Mondelez International, respectively, to support them in their sustainability commitments and with the implementation of their cocoa sustainability programs on the ground.

Evolving market dynamics

A number of changes in our environment will reframe the universe in which we operate.

Increased volatility in currencies and commodity prices has become the new normal. A soft economic environment and high cocoa bean prices have also affected chocolate demand in developed markets. Consolidation in our industry is constantly changing the competitive landscape.

Consumer behavior is also changing, opening new market opportunities. More than ever, consumers want to know what is in their food, where the ingredients come from and how they have been produced. More and more want food products made with as few ingredients as possible. There is also a big trend towards premiumization, personalization and snacking, which will shape the products

we deliver to our customers. Food safety and nutritional requirement standards will continue to rise in the future.

We are convinced that our integrated value model from cocoa bean to chocolate product and our deep expertise make us well placed to capture the many growth opportunities that we see in this dynamic, global environment.

Driving smart growth going forward

We see significant growth opportunities ahead and we are committed to achieving consistent, above-market volume growth based on our three key growth drivers Outsourcing & Partnerships, Emerging Markets and Gourmet & Specialties. We will strike a balance between volume growth and enhanced profitability as well as free cash flow generation – in brief: “smart growth.”

Looking ahead, we foresee a challenging fiscal year 2015/16 due to the current cocoa products market, which will temporarily affect our profitability. We are driving a number of strategic initiatives, such as the Cocoa Leadership project, to fully leverage our global scale in cocoa, optimize our footprint and strengthen our profitability in the mid-term.

We adapt our mid-term guidance to 4–6% volume growth, and EBIT above volume growth in local currencies on average for the 3-year period 2015/16 to 2017/18, barring any major unforeseen events.

Andreas Jacobs
Chairman of the Board

Antoine de Saint-Affrique
Chief Executive Officer

Changes at the helm of Barry Callebaut

On October 1, 2015, Antoine de Saint-Affrique took over from Juergen Steinemann as CEO of Barry Callebaut. Antoine joined us from Unilever where he was President Foods and Member of the Group Executive Committee. His impressive track record in the food industry, excellent knowledge of consumer markets, strong customer and stakeholder focus, extensive international working experience, and remarkable success in building and integrating teams to create innovative, margin-accretive growth made Antoine de Saint-Affrique the ideal successor to our long-standing CEO Juergen Steinemann. We are excited to have Antoine on board and wish him the best of success.

The Board of Directors and the Jacobs family are very grateful to Juergen Steinemann for his outstanding leadership since 2009. Together with our more than 9,000 employees, Juergen made our business truly global, grew our leading positions in Western Europe and North America, and took important steps towards an unparalleled footprint in emerging markets. Outsourcing and partnerships are reaping big rewards and our global Gourmet business is flourishing. Sustainable Cocoa became our fourth strategic pillar, while the biggest acquisition in our history – the Cocoa Division of Petra Foods – established us as the number one in cocoa. With his passion for people, Juergen has led the design and implementation of a modern HR structure that enables us to attract, develop and retain the talents we need to achieve further growth. We are very happy that Juergen Steinemann will continue to serve on the Board of Barry Callebaut.

Andreas Jacobs, Chairman