



# Barry Callebaut

Roadshow presentation

June 2010



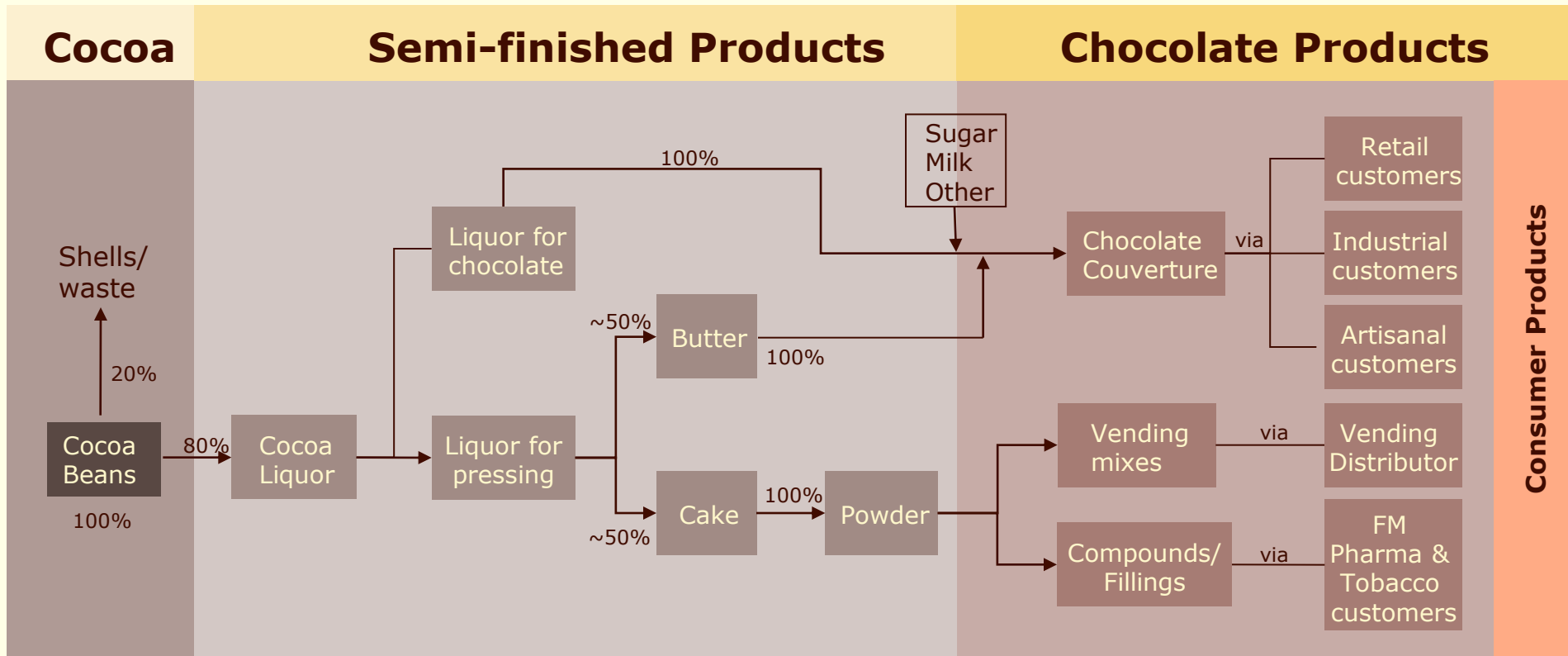


# Agenda

- ▶ **Barry Callebaut at a glance**
- ▶ Highlights H1 2009/10 and strategy going forward
- ▶ Financial and operational performance
- ▶ Outlook



# Barry Callebaut is active along the entire cocoa and chocolate value chain

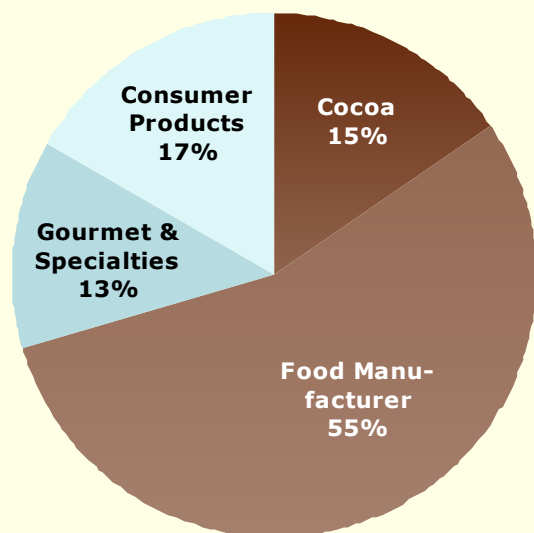


# Barry Callebaut at a glance



FY 2008/09

Net revenue: CHF 4.9 bn



EBIT CHF 350.8 m

Net Profit CHF 226.9 m

- ▶ **World leader** in high-quality cocoa and chocolate products and **outsourcing partner** of choice, with over **40% share** in the open industrial chocolate market
- ▶ World's **largest supplier of Gourmet & Specialties chocolate** for artisanal customers
- ▶ **Global service and production** network, employing about more than **7,000 people** worldwide, over 40 production factories
- ▶ **Fully integrated** with a strong position in the countries of origin
- ▶ **Close to 1,700 recipes** to cater for a large variety of individual customer needs
- ▶ **Low cost production** with large number of focused chocolate & cocoa factories
- ▶ Achieved **consistent earnings stream**

# Cocoa, dairy, and sugar are the most important raw materials we source



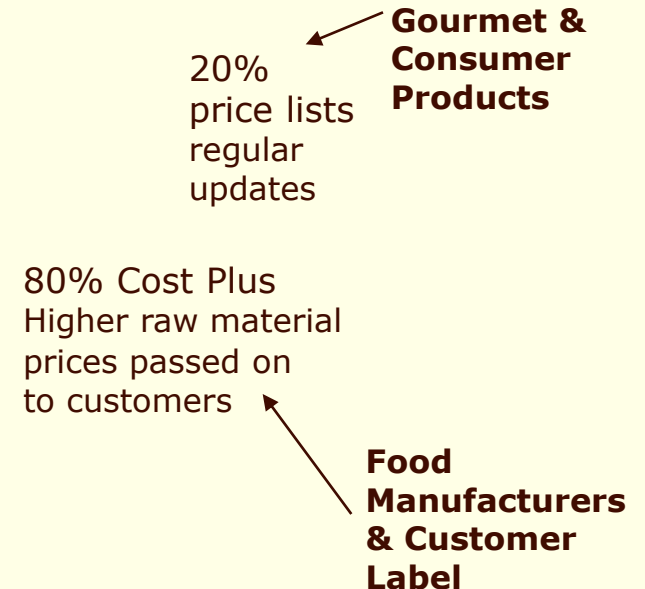
## 100g chocolate tablet contains:

	Milk	Dark
Cocoa liquor	11g	44g
Cocoa butter	24g	12g
Milk powder	22g	-
Sugar	42g	43g
Other	1g	1g

## BC sourced in 08/09:

		% of total raw material value
Cocoa	541 KT	51%
Sugar	450 KT	11%
Dairy	120 KT	12%
Oils and Fats	58 KT	3%
Other		24%

## Barry Callebaut business model

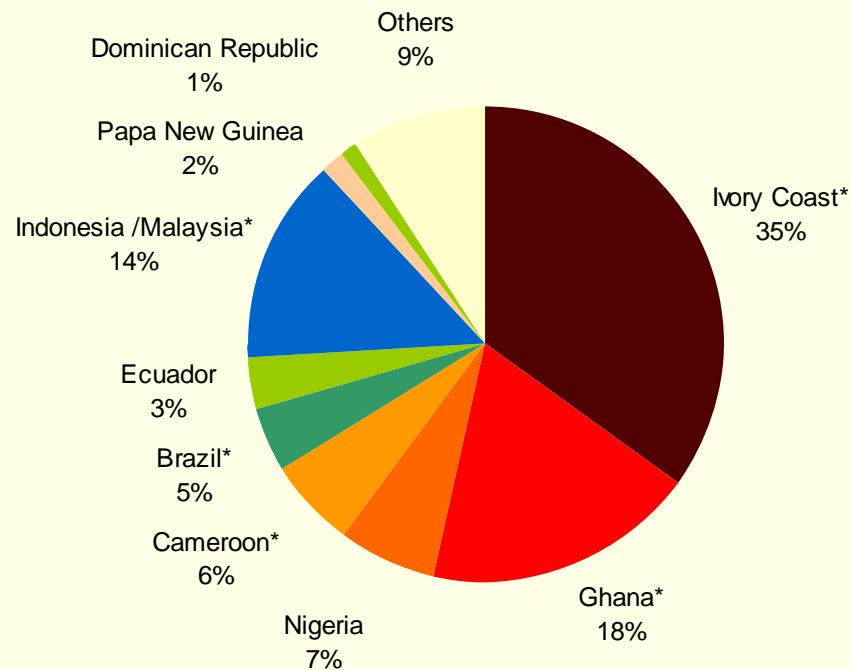


**Major profit drivers** are in manufacturing (capacity utilization), supply chain optimization, logistic costs and competitive environment (commodities vs specialties)

# West Africa is the world's largest cocoa producer – BC sources locally



Total world harvest (08/09): 3 456 k MT



- ▶ BC sources ~540k MT/y (08/09) cocoa, thereof 65% directly from farmers, cooperatives & local trade houses
- ▶ BC has various cocoa processing facilities in origin countries\*, in Europe and in the USA



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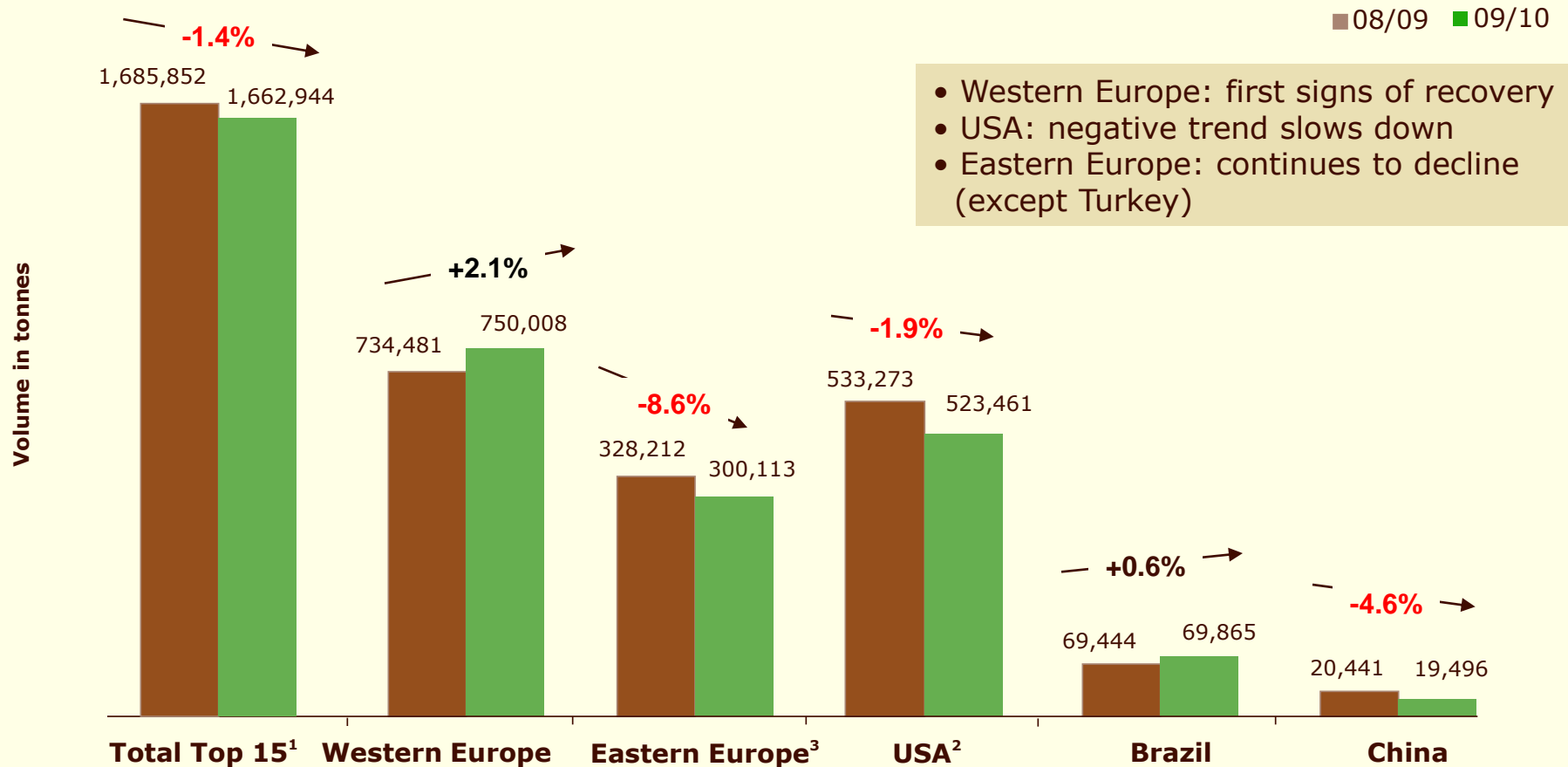


# Challenging market environment

## Global chocolate market down in volume by -1.4%, picking up since early 2010



### Chocolate confectionery market – Sep 09-Jan/Feb 10



1. Top 15 (countries): represents app. 73% of the global chocolate confectionery market in terms of volume

2. USA total volumes are estimated based on a world market share distribution by Euromonitor (USA Nielsen data is reported in units only)

3. Eastern Europe: Russia, Ukraine, Poland, Turkey

Note: coverage and reporting periods of Nielsen data varies from country to country. YTD reporting: all countries are reported Sep – Jan, except Turkey and USA Sep - Feb



# Raw material price development

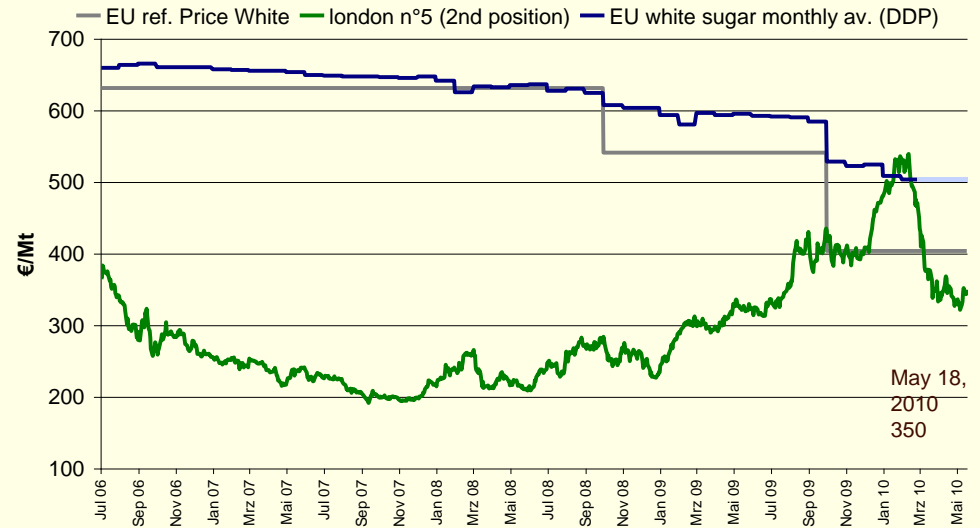
## Prices are high and volatile – recently slightly easing



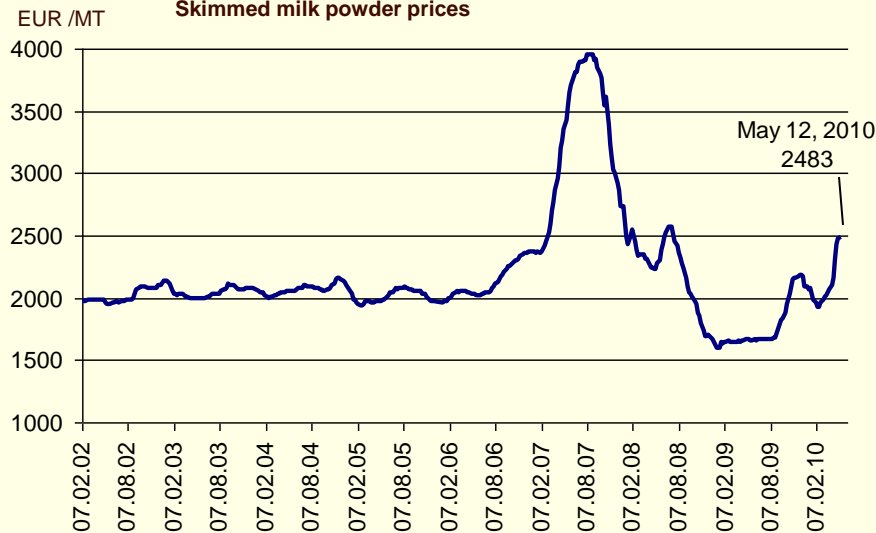
London Cocoa 2nd Position – Daily high/ low close, £/tonne



Av. Price for white sugar (communicated by EU sugar producers & refiners)



Skimmed milk powder prices



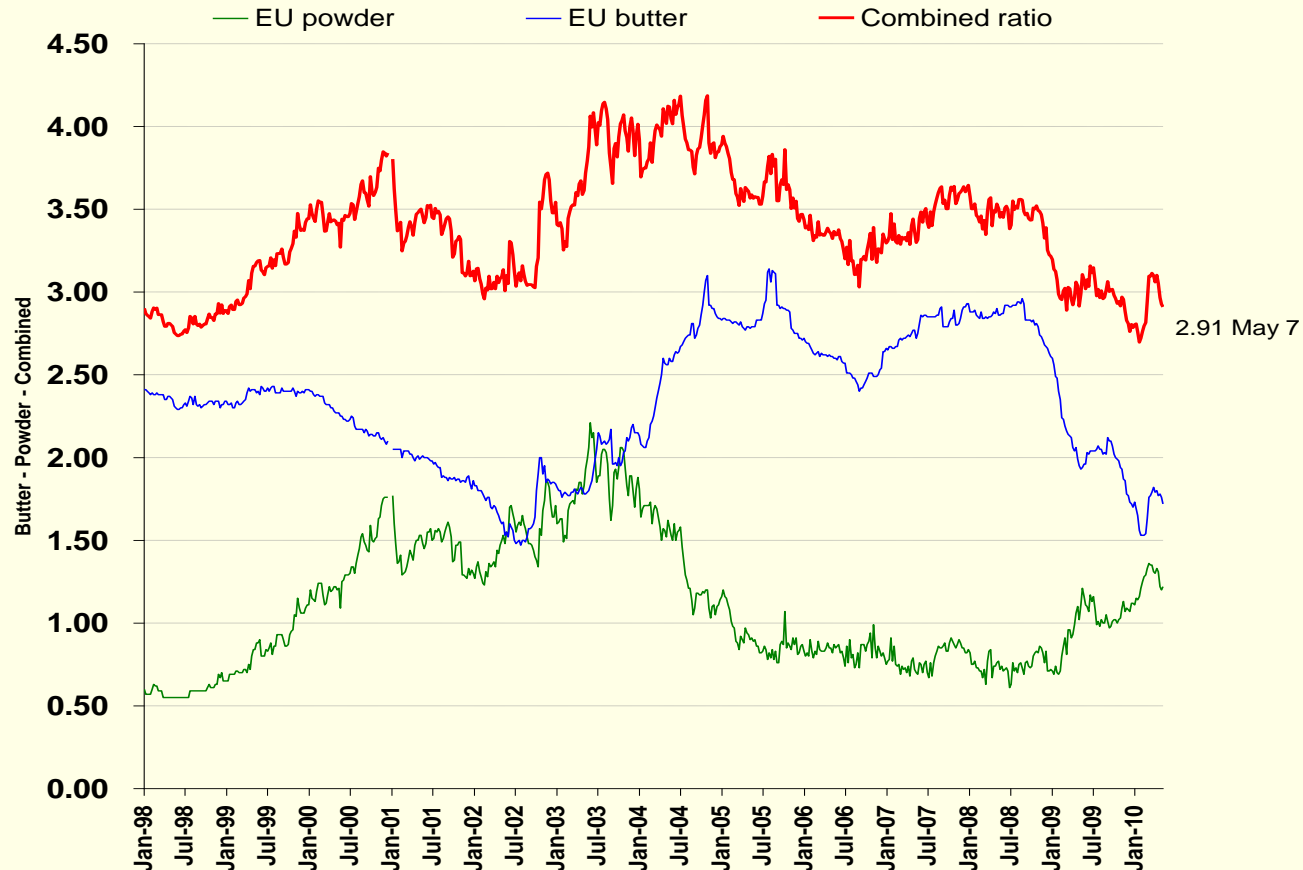
- ▶ BC's cost plus model for 80% of volume
- ▶ Cocoa price significantly above long-term average
- ▶ World sugar price has corrected. BC mainly sources in local, regulated sugar markets with different price mechanics
- ▶ Dairy prices are stabilizing



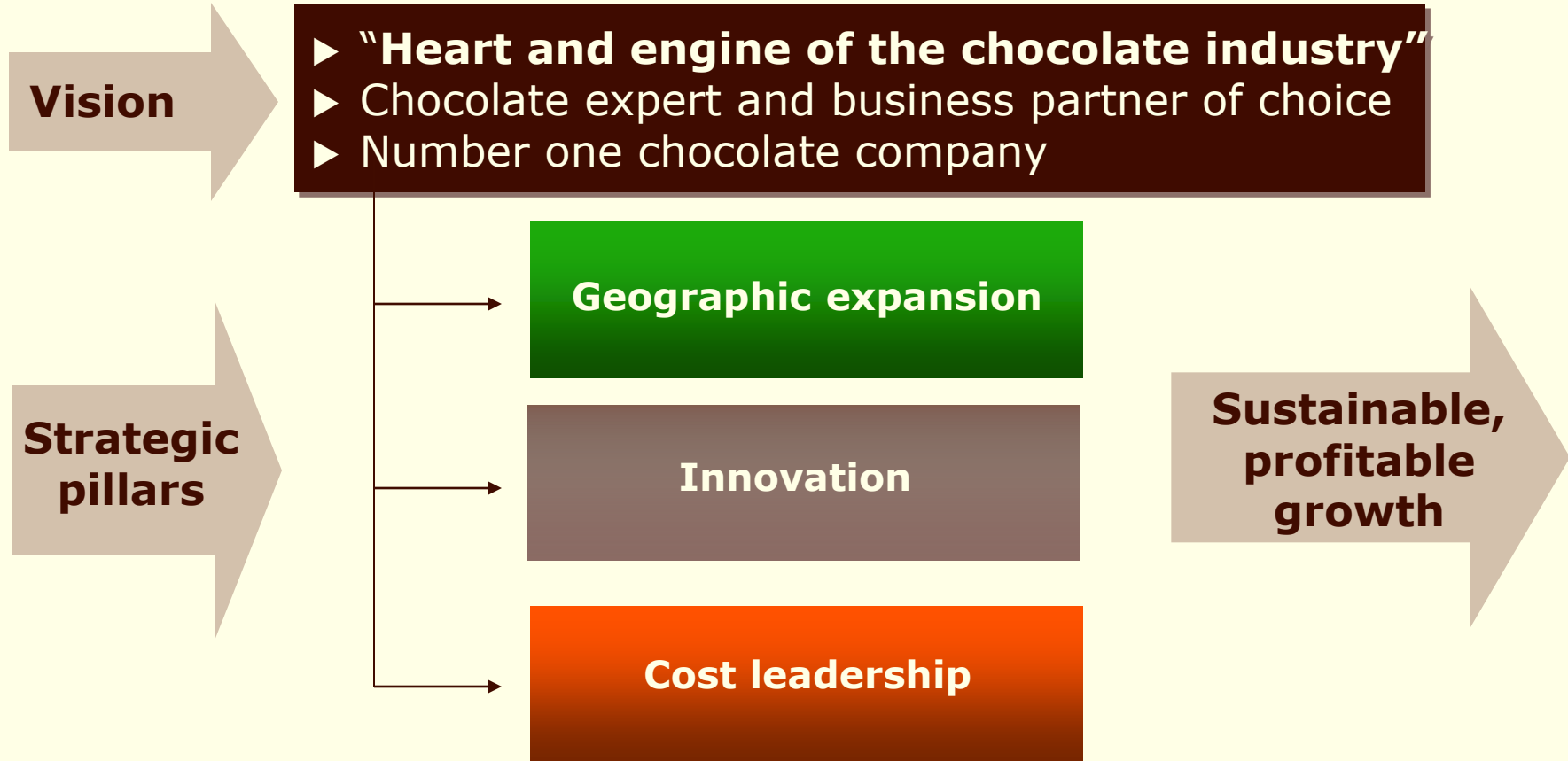
## Raw material price development

# Combined ratio low, increasing since mid-february

Cocoa powder-butter combined ratio\* – European ratios 6 months forward against LIFFE



- ▶ Combined cocoa ratio\* was favorable in H1 2008/09, yet has been falling since start CY 2008 and again since November 2009 – volatile since February 2010
- ▶ Low combined cocoa ratios have a negative impact on BC cocoa (semi-finished products) business



Geographic expansion



# Growth comes from new regions & outsourcing deals

Barry Callebaut share in sales volumes in % of total (chocolate and cocoa)



Innovation

## Stepping up controlled fermentation...

### What is “Controlled Fermentation”

Full control of the cocoa bean fermentation by the addition of a specific microbial starter culture mix at the beginning of the fermentation step, with the aim to provide a constant and predictable high cocoa bean quality.



### Benefits of controlled fermentation:

#### Quality characteristics

- Superior grade cocoa beans
- Consistency in quality
- Processing advantages

#### Taste & components

- Fine-flavor beans
- Increased functional components

#### Benefits for the farmer

- Higher income
- Training in farming techniques



Cost leadership

Factory costs on per tonne activity down by 5%\*



E

- ▶ **Capacity utilization** for liquid chocolate: up from 79.4% to 82.5%
- ▶ **Energy consumption** per tonne activity: down by 7%
  - ▶ CO<sub>2</sub> per tonne activity down by 5.4%
- ▶ **Headcount** in factories and logistics: down by -4.7% despite volume increase, i.e. significant productivity improvement
- ▶ **Maintenance costs** per tonne activity: down -3% at constant exchange rates

\* At constant currencies



# 3 Main growth drivers support our strategy

## Gourmet

- The Professional segment is a very fragmented market to be further developed. Currently only 13% of BC's business.



## Outsourcing

- Chocolate players currently outsource only 10-12% of their total production, with high potential to be increased



## Market

- Special focus on emerging markets (e.g Russia, China, Brazil, Mexico, EE)
- Chocolate market expected to recover in the future and grow at 2% per year
- Increase of market share and further consolidation could be possible



# Barry Callebaut's Gourmet & Specialties business: The preferred solutions provider for chocolate professionals – up 18.1% in sales volume



- ▶ >200 chocolates used as ingredient by professionals
- ▶ Convenience products that are easy to use
- ▶ Innovative, creative decoration articles that differentiate our customers products
- ▶ Focused offering for vending operators
- ▶ 100,000+ premium artisan users
  - ▶ >30,000 bakeries and pastry shops
  - ▶ >75,000 hotels, restaurants and catering companies
  - ▶ >2,000 artisan confectioners
- ▶ A global activity present in 80+ countries
  - ▶ 22 countries have dedicated teams
  - ▶ Large network of leading importers and distributors

3 distinct European brands:



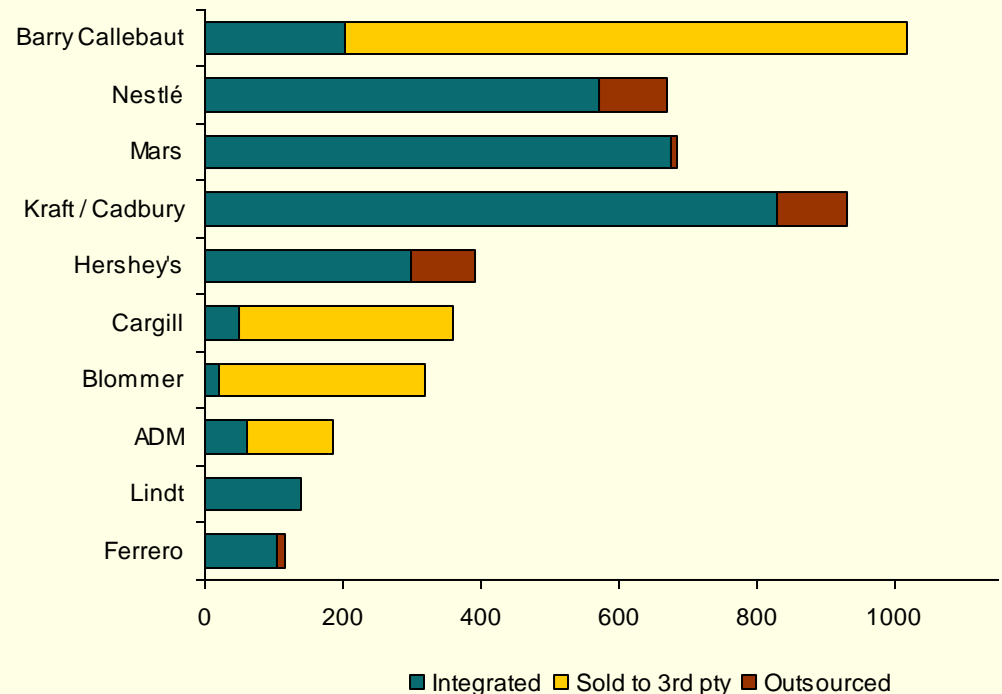




# Additional market outsourcing potential between 250,000 and 500,000 tonnes

- ▶ Total global industrial yearly chocolate production is estimated at 5.5 million tonnes
- ▶ The top five players (w/o BC) account for about half of this volume
- ▶ Top 4 consumer chocolate players currently outsource on average 12% of their chocolate production
- ▶ This is expected to increase to 20-40% over the next 5 years, equal to an additional outsourcing potential of 250-500,000 tonnes

**Top 11 Manufacturers of Industrial Chocolate**  
(in '000 tonnes)

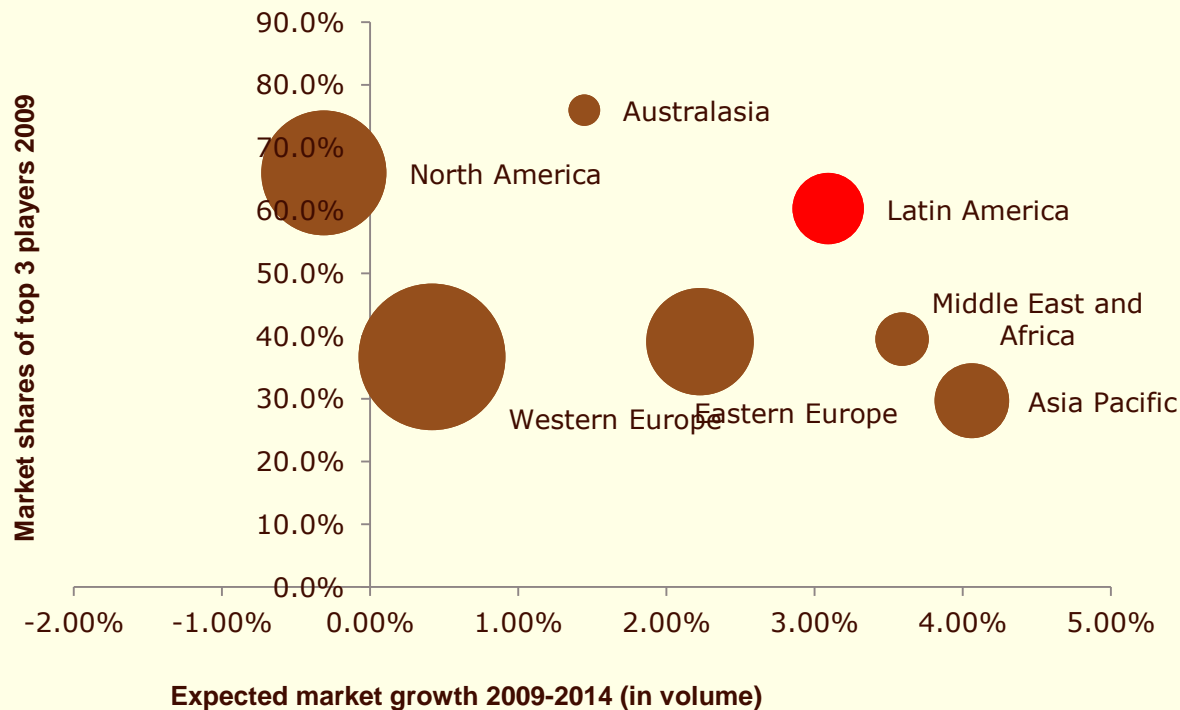


Source: BC Estimates – 2009



# Chocolate consumption in LATAM and Asia Pacific has a high growth potential

Global Chocolate Market



Source: Euromonitor



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## Volumes – 1H 2009/10

# All regions contributed to growth



Sales volume in `000 Metric tonnes

	Change in %	1H 09/10	1H 08/09
Group	+7.8%	659.5	611.9
Global Sourcing & Cocoa	+10.2%	105.9	96.1
Europe	+4.6%	392.4	375.3
Americas	+13.1%	136.8	121.0
Asia-Pacific	+24.4%	24.4	19.6

- ▶ Sales volumes up 7.8% in a still fragile economic environment
- ▶ Volumes in Europe increased in the wake of recessionary markets
- ▶ Strong sales performance of Americas driven by national accounts and implementation of outsourcing
- ▶ Strong performance of Asia on a still low basis

## Good volume growth but depressed combined cocoa ratio impacting profit



Volume

+10.2%



EBIT

-26.3%  
(- 28.9% in loc curr.)



- ▶ Volume sold to third-party customers increased by 10.2% to 105,886 tonnes, driven primarily by strong cocoa powder sales in the Americas
- ▶ Combined (forward) cocoa ratio:
  - Further deteriorated, impacting the Group operating profit
  - Improvement since Feb 2010, which should positively impact the profit as from summer 2010



# Europe Strong volume and EBIT growth

Volume  
+4.6%



EBIT  
+13.1%  
(+ 17.0% in loc curr.)



- ▶ Market demand in Western Europe showing slight recovery, Eastern Europe still affected by crisis in Russia
- ▶ Gourmet business with good development stemming from recovering markets, share gains and the integration of Eurogran/Chocovic
- ▶ Consumer products decreased in volume in the still difficult German market – good profit development

# Continued strong growth, profit pressure



Volume  
+13.1%



EBIT  
-12.2%  
(-5.5 % in loc curr.)



- ▶ Chocolate market with mixed signs, improving in some segments, other still depressed (e.g. foodservice full-service restaurants)
- ▶ Strong volume growth driven by
  - Implementation of outsourcing contract
  - Strong local accounts
  - Strong Gourmet business especially with large confectioners
- ▶ Profit affected by temporary margin pressure due to stiff price competition in the market, cost increases, product mix

# Recovering customer demand and growth with new customers



Volume

+24.4%



EBIT

-58.0%  
(-58.0 in loc. curr.)  
+55.7% adj. for scope

One-off  
gain on  
sale of  
van  
Houten



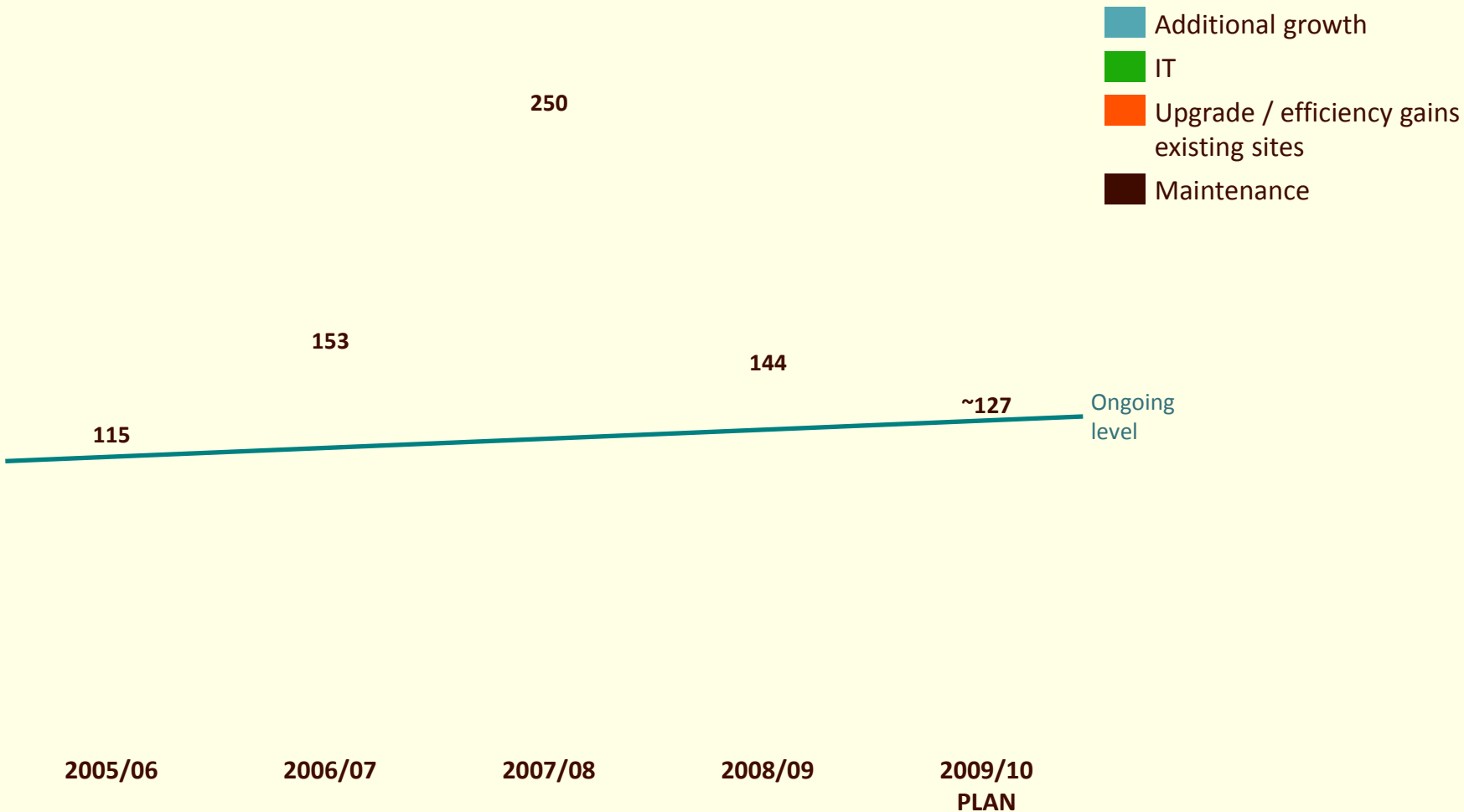
- ▶ Markets starting to recover, with the exception of Japan
- ▶ Gourmet & Specialties products saw a double-digit sales volume increase
- ▶ Excluding the CHF 16.5 million one-off contribution from the sale of the Asian consumer business Van Houten Singapore recorded in the same prior-year period, operating profit EBIT went up 55.7%.



# CAPEX development: Back at sustainable levels



mCHF





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- ▶ **Outlook**



Outlook:

## Financial targets for 3-year period 2009/10-2011/12



- ▶ Annual growth targets on average\* for 2009/10 through 2011/12:
  - ▶ Volumes: 6-8%
  - ▶ EBIT: at least in line with volume growth

\*Our view for the 2009-2012 period reflects current economic forecasts for the markets we operate in as well as internal developments and their assumed impact on our performance

Barring any major unforeseen events and based on local currencies

# Summary



**Ongoing robust growth**  
**Emerging markets developing well**  
**Excellent growth in high-margin**  
**Gourmet & Specialties business**

**Solid operational improvements**

**Global chocolate market expected**  
**to slowly recover in 2010;**  
**combined cocoa ratio to improve**

**Three-year financial targets**  
**confirmed**



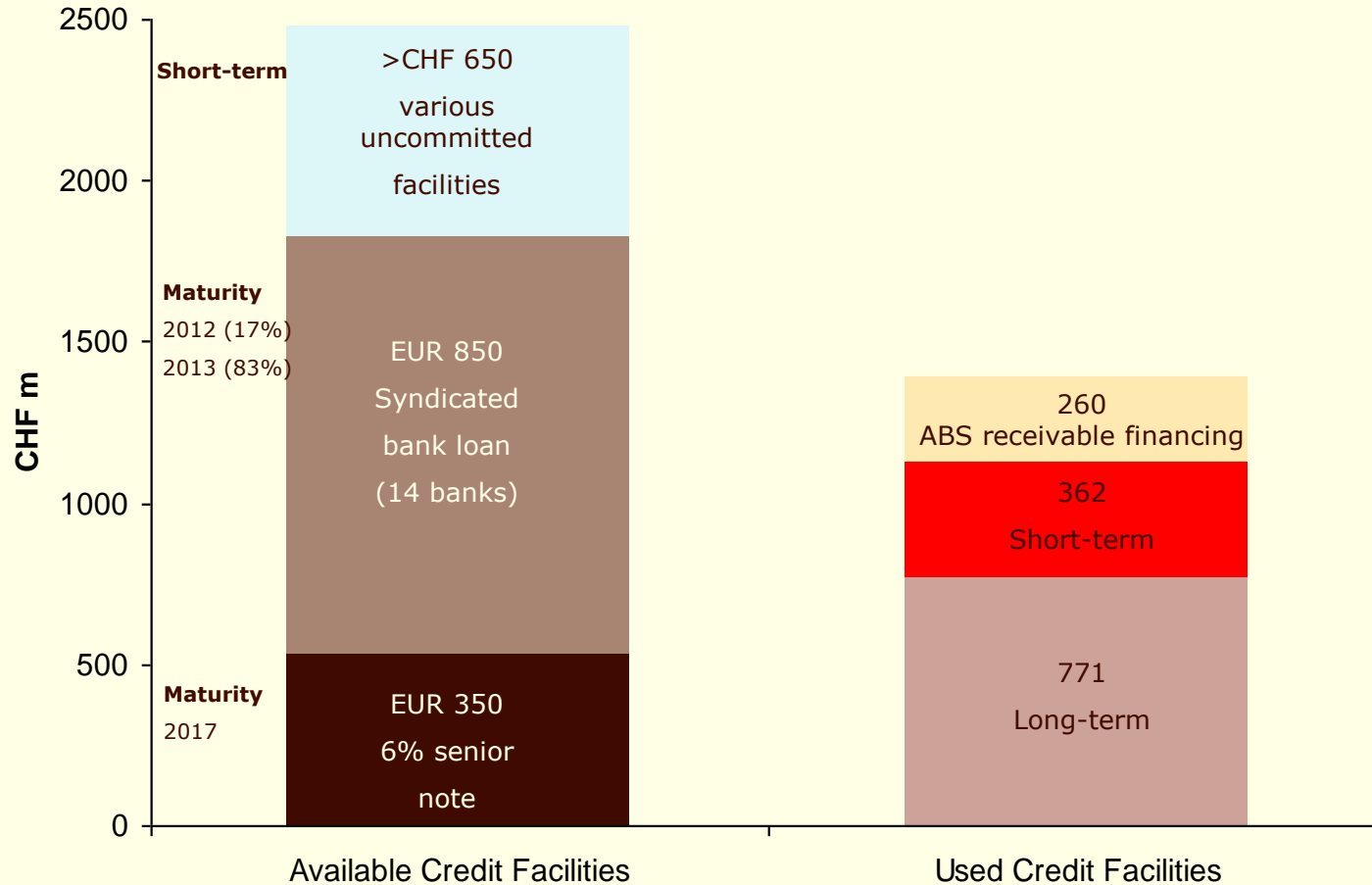


# Back-up

# Stable financing situation due to long-term secured credit-lines



Financing and liquidity situation as at Feb 28, 2010 [CHF m]



# Geographic expansion: BC doubles network to 40 factories in 5 years

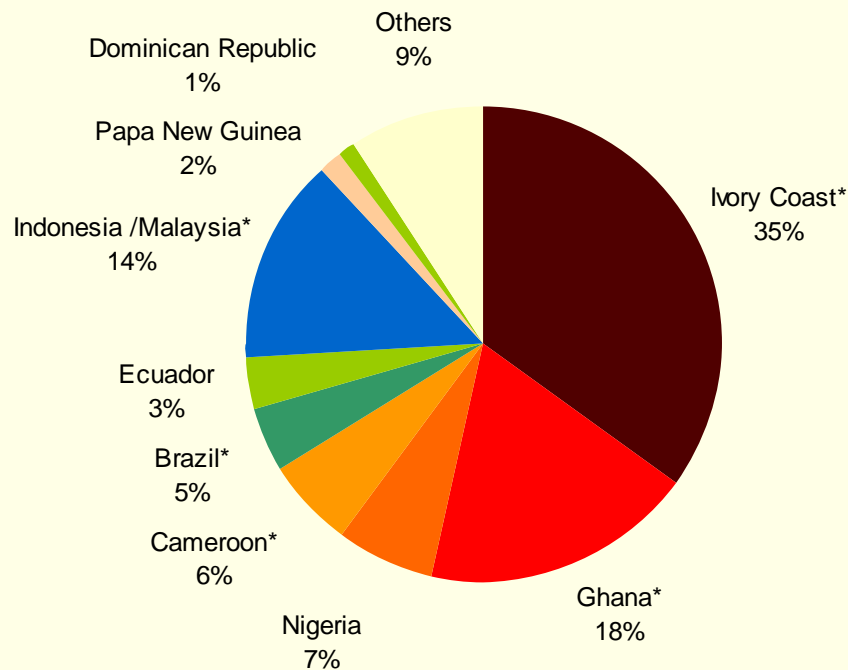


- Barry Callebaut in 2001
- BC New factories

# West Africa is the world's largest cocoa producer – BC sources locally



Total world harvest (08/09): 3 456 k MT



- ▶ BC sources ~540k MT/y (08/09) cocoa, thereof 65% directly from farmers, cooperatives & local trade houses
- ▶ BC has various cocoa processing facilities in origin countries\*, in Europe and in the USA





# Third year of cocoa deficit despite significantly decreased grinding volumes

Cocoa production versus consumption

<b>Crop year</b>	<b>Gross crop</b>	<b>Grinding</b>	<b>Surplus/d eficit*</b>	<b>End of season stock</b>
<b>2005/06</b>	3776	3508	239	1891
<b>2006/07</b>	3426	3658	-266	1625
<b>2007/08</b>	3718	3743	-62	1563
<b>2008/09</b>	3456	3494	-73	1490

\*Current net world crop (gross crop adjusted for loss in weight) minus grindings

- ▶ Three years with crop deficit in a row
- ▶ A fourth deficit is expected (weak main crop 09/10 in Ivory Coast, also weak mid-crop expected)

# Financial summary H1 2009/10

## Strong growth continues



- ▶ Ongoing strong **sales volume** growth: up 7.8%
- ▶ Gourmet & Specialties: excellent sales volume growth of 18.1%
- ▶ **Sales revenue** up 8.4% in local currencies
- ▶ Solid operational improvements offset by lower combined cocoa ratio, adverse currency effects and fewer one-off effects: **EBIT** at CHF 208.8 million, -1.7% in local currencies
- ▶ **Net profit** for the period at CHF 145.7 million, up 5.3% in local currencies
- ▶ Three-year **financial targets** 2009/10 through 2011/12 confirmed

<u>GROUP</u>		Change in %		Six months up to Feb 28, 2010	Six months up to Feb 28, 2009*
		in local currencies	in CHF		
Sales volume	mt		7.8%	<b>659,536</b>	611,920
Sales revenue	CHF m	8.4%	4.5%	<b>2,656.5</b>	2,543.1
Operating profit EBIT	CHF m	-1.7%	-4.5%	<b>208.8</b>	218.6
Net profit for the period	CHF m	5.3%	1.6%	<b>145.7</b>	143.4

\* Certain comparatives have been restated to conform with the current period's presentation

# Strategic highlights of the past 12 months: Implementing our 3-pillar strategy



**February 2009**  
Sale of Van Houten Singapore consumer business to Hershey's



**April 2009**  
Barry Callebaut Brazil S/A, and Bunge signed a distribution agreement for Brazil



**October 2009**  
Barry Callebaut joins UTZ Certified cocoa program aiming to ensure sustainable practices in cocoa production



**February 2010**  
Barry Callebaut appointed as exclusive supplier to Belgian's premier praline brands at World Expo in Shanghai 2010



**May 2010**  
Chocolate factory Brazil to be operational



**February 2009**  
Barry Callebaut joins WCF and Bill & Melinda Gates Foundation initiative to significantly improve cocoa farmer livelihoods in West Africa



**June 2009**  
Acquisition of Danish Vending mix company Eurogran to further strengthen our Vending business



**December 2009**  
Acquisition of Chocovic in Spain completed



**March 2010**  
Barry Callebaut and Malaysian Cocoa Board sign collaborative research agreement on controlled fermentation

# Innovation ...in the field and in the research labs



## West Africa:

- ▶ Field implementation fermentation technique combined with farmer training
  - ▶ Optimizing fermentation technique (efficiency & cost reduction)
  - ▶ Starterculture modifications - the impact of yeasts on flavor
  - ▶ Development of functional cocoa beans (eg health effects)

## Asia:

- ▶ Collaborative research with the Malaysian Cocoa Board on Controlled Fermentation
  - ▶ Malaysia/Indonesia are logical strategic sourcing alternatives to West Africa
  - ▶ Controlled fermentation will allow us to match the taste of West African beans
  - ▶ Cocoa will be processed into premium cocoa and chocolate products at BC Malaysia



# Sustainability

## Certified chocolate products



### What is “Certification”

The procedure by which a third party that is neither the provider nor the customer gives written assurance that a product or service conforms to specific requirements.

### Best known certification schemes



### Our position on certification

17 years experience - Fairtrade chocolate since 1993; organic chocolate since 1995

We have programs with all major schemes and can meet all customer needs

We have more than 100 references of certified cocoa and chocolate products

We saw an increase of 50% in demand for Fairtrade chocolate in 2009

# Sustainability

## Working directly with cocoa farmers



- ▶ **“Quality Partner” program in Côte d’Ivoire – since 2005**
  - ▶ A partnership with farmer cooperatives that aims to:
  - ▶ Provide farmers with greater economic security
    - Premium for better quality
    - Pre-financing
  - ▶ Strengthen farmer cooperatives
  - ▶ Increase traceability of the cocoa we buy
  - ▶ 47 member coops, representing 42,000 farmers
- ▶ **Enabling 17 coops to get certified – new 3-year program**
  - ▶ Intensive training in sustainable agricultural practices
  - ▶ Enabling farmers to apply for one or several of the known certification schemes
  - ▶ Premium of USD 150 per tonne of certified cocoa
  - ▶ Creating 150 farmer field schools, reaching out to 10-15,000 farmers
  - ▶ Goals: to source 30,000 tonnes of certified cocoa within 3 years; to increase the yield per hectare by 20%





# Key Figures 1H 2009/10

## Strong growth continues

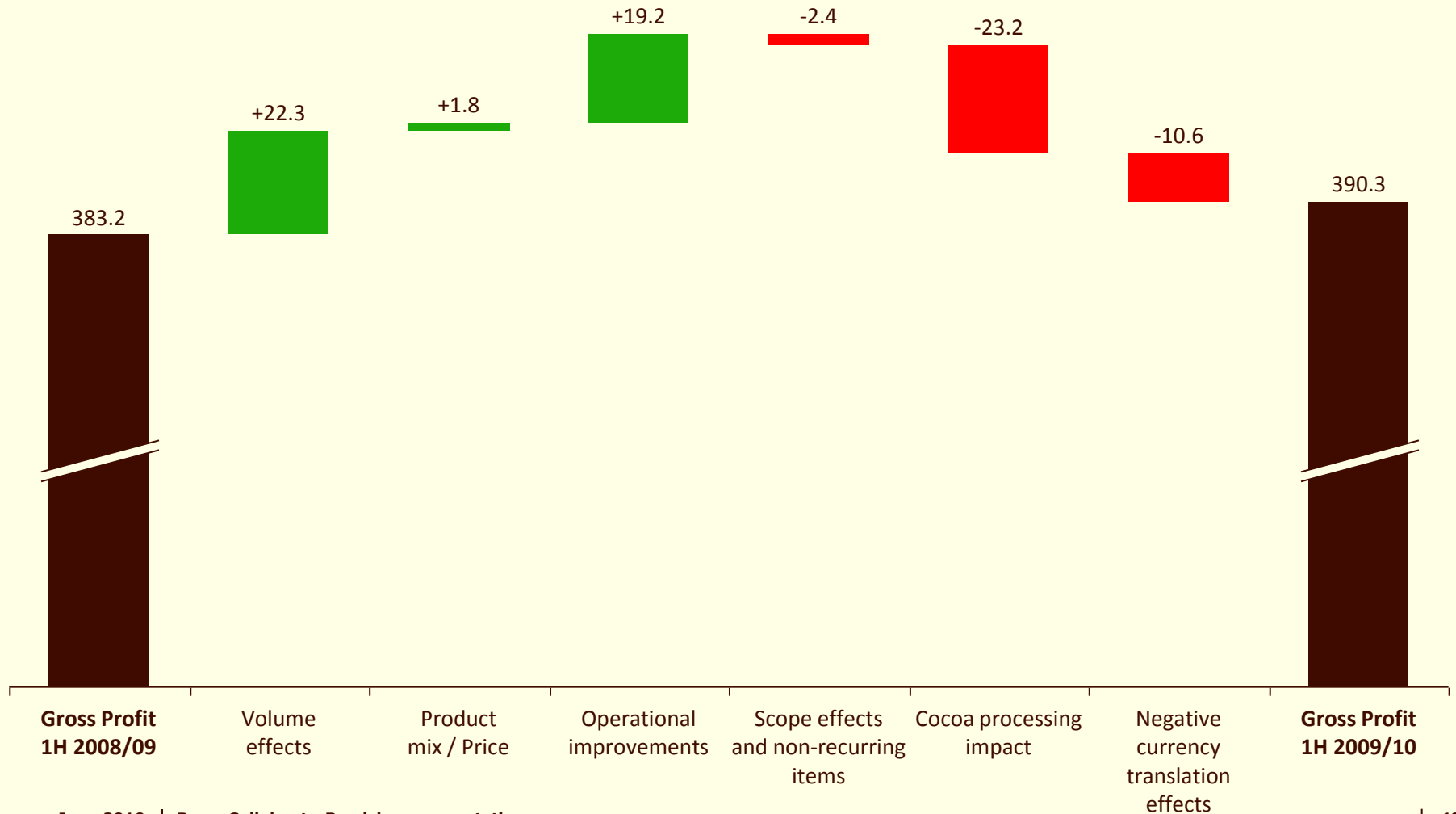
	<b>Change</b> In local currencies	<b>Change</b>	<b>1H</b> <b>2009/10</b>	<b>1H</b> <b>2008/09</b>
<b>Sales volume</b> [in tonnes]		<b>7.8%</b>	<b>659'536</b>	<b>611'920</b>
<b>Sales revenue</b> [CHF m]	8.4%	<b>4.5%</b>	<b>2'656.5</b>	<b>2'543.1</b>
<i>CHF per tonne</i>	0.6%	-3.1%	4'028	4'156
<b>Gross profit</b> [CHF m]	4.6%	<b>1.9%</b>	<b>390.3</b>	<b>383.2</b>
<i>CHF per tonne</i>	-2.9%	-5.5%	592	626
<b>EBITDA</b> [CHF m]	0.1%	<b>-2.8%</b>	<b>260.5</b>	<b>268.1</b>
<i>CHF per tonne</i>	-7.2%	-9.8%	395	438
<b>EBIT</b> [CHF m]	-1.7%	<b>-4.5%</b>	<b>208.8</b>	<b>218.6</b>
<i>CHF per tonne</i>	-8.8%	-11.4%	317	357

# Gross Profit – 1H 2009/10

## Strong operational performance...



in CHF m

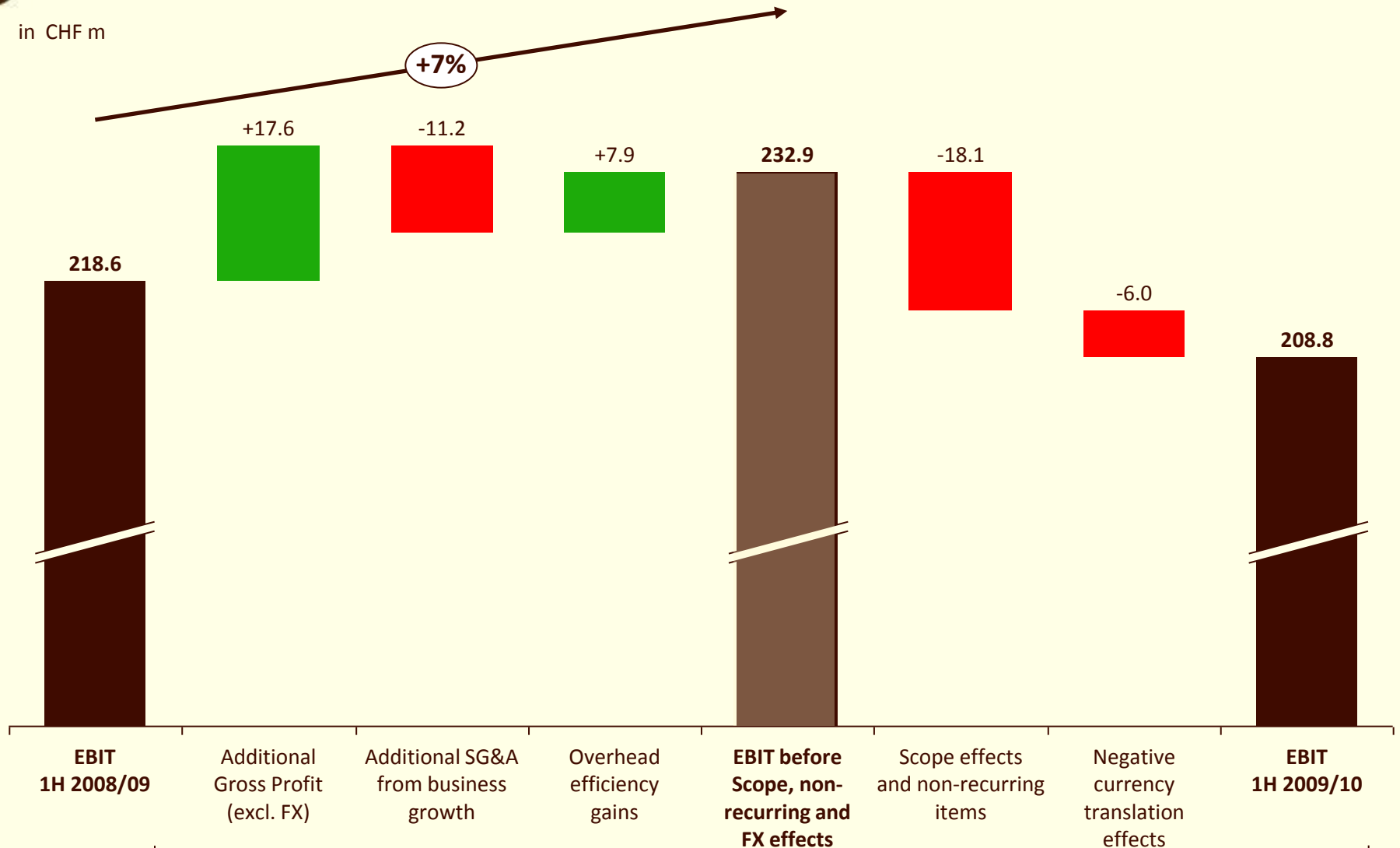




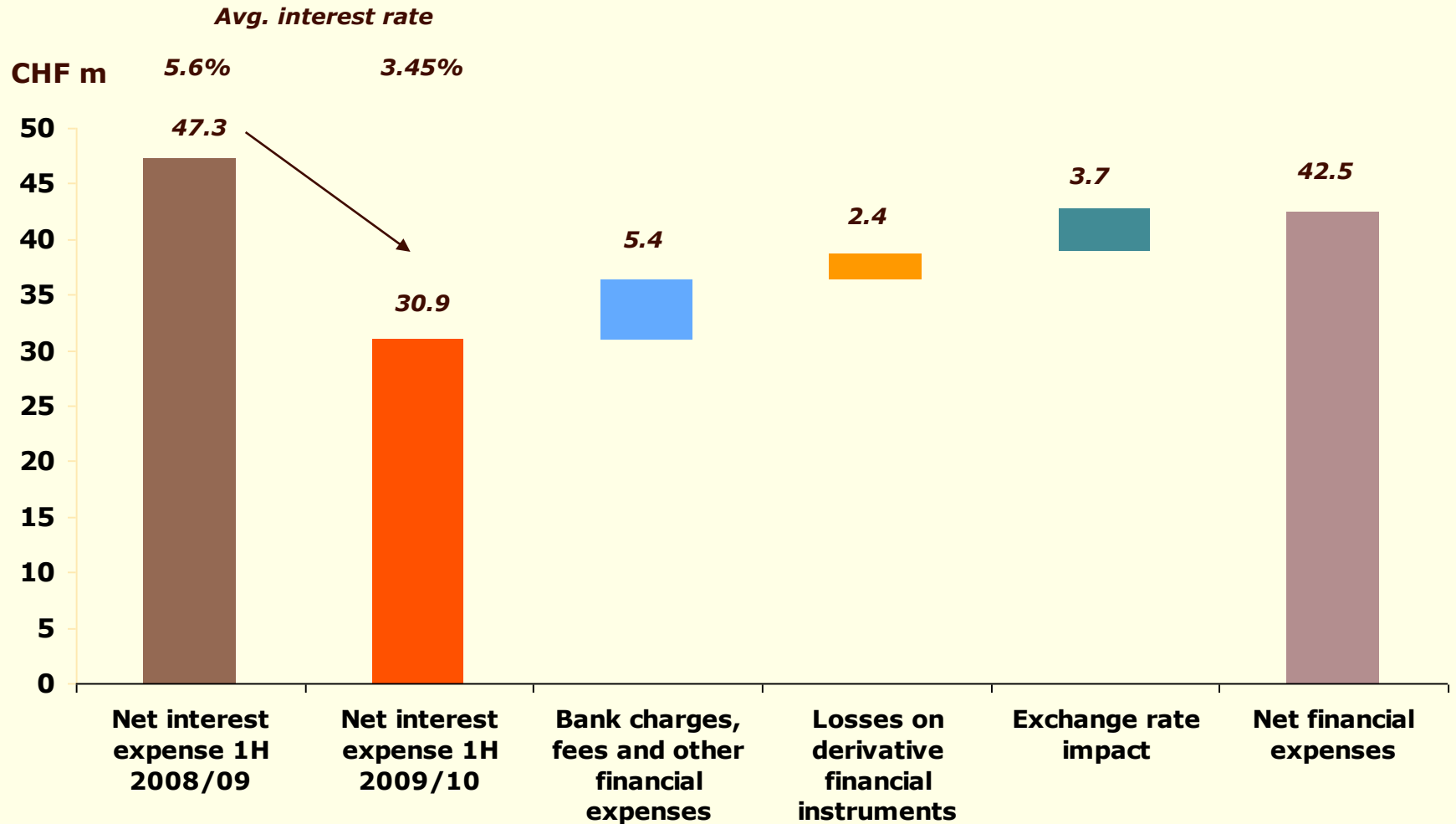
# EBIT – 1H 2009/10 ...and cost under control



in CHF m



# Below EBIT - Net financial expense: Substantially lower average interest expense



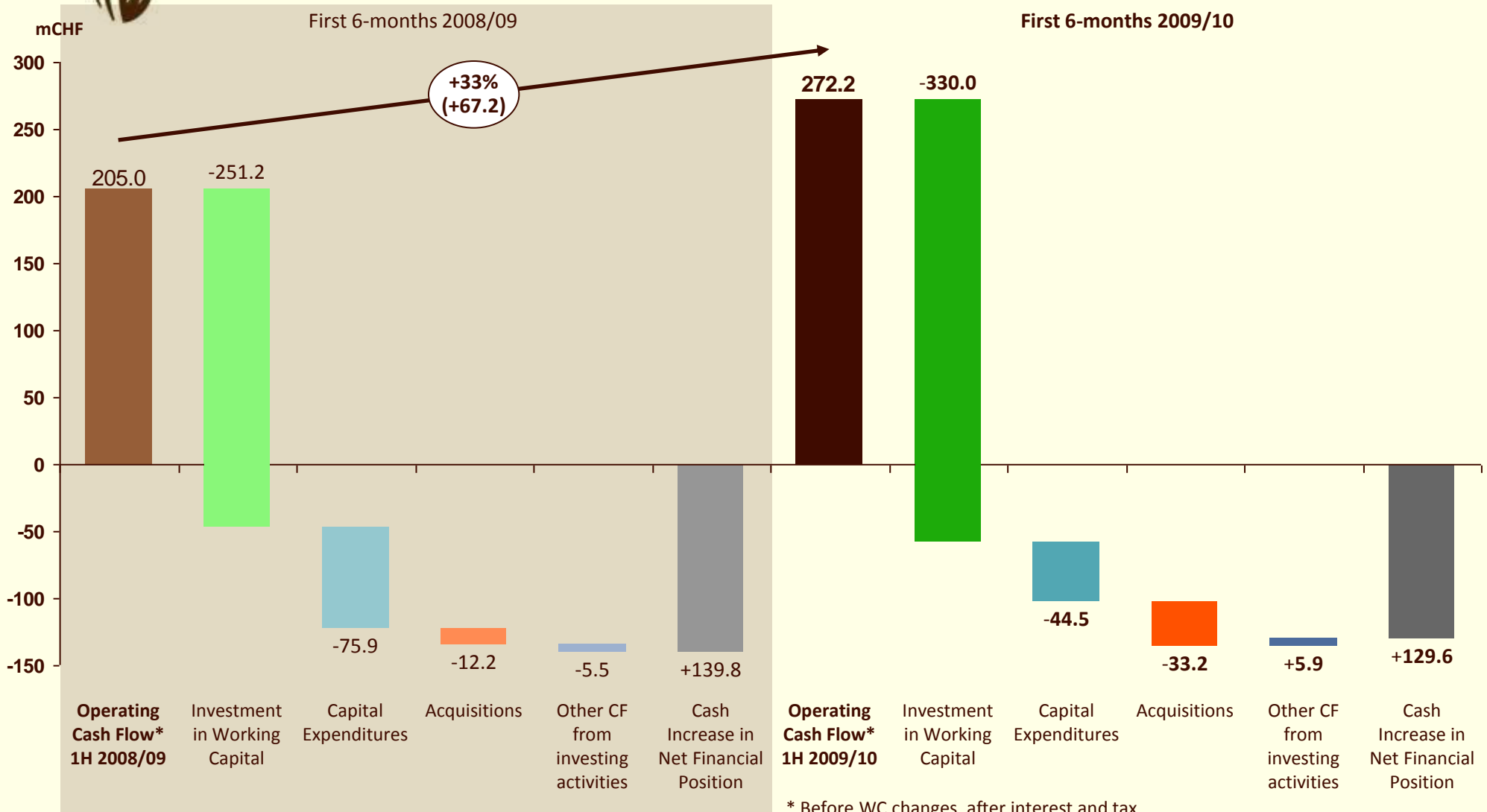


## From EBIT to PAT: Lower financial expense & tax rate

		<b>Change</b> in %	<b>1H</b> <b>2009/10</b>	<b>1H</b> <b>2008/09</b>
<b>Operating Profit (EBIT)</b>	CHF m	-4.5	<b>208.8</b>	<b>218.6</b>
<i>in local currencies</i>	CHF m	-1.7	214.9	
Financial expense, net	CHF m	-14.8	<b>(42.5)</b>	<b>(49.9)</b>
Income taxes	CHF m	-16.8	<b>(21.3)</b>	<b>(25.6)</b>
<i>Tax rate</i>	<i>in %</i>		12.8%	15.2%
<b>Net Profit for the period</b>	CHF m	1.6	<b>145.7</b>	<b>143.4</b>
<i>in local currencies</i>	CHF m	5.2		

# Cash Flow – 1H 2009/10

## Seasonal investments in Working Capital

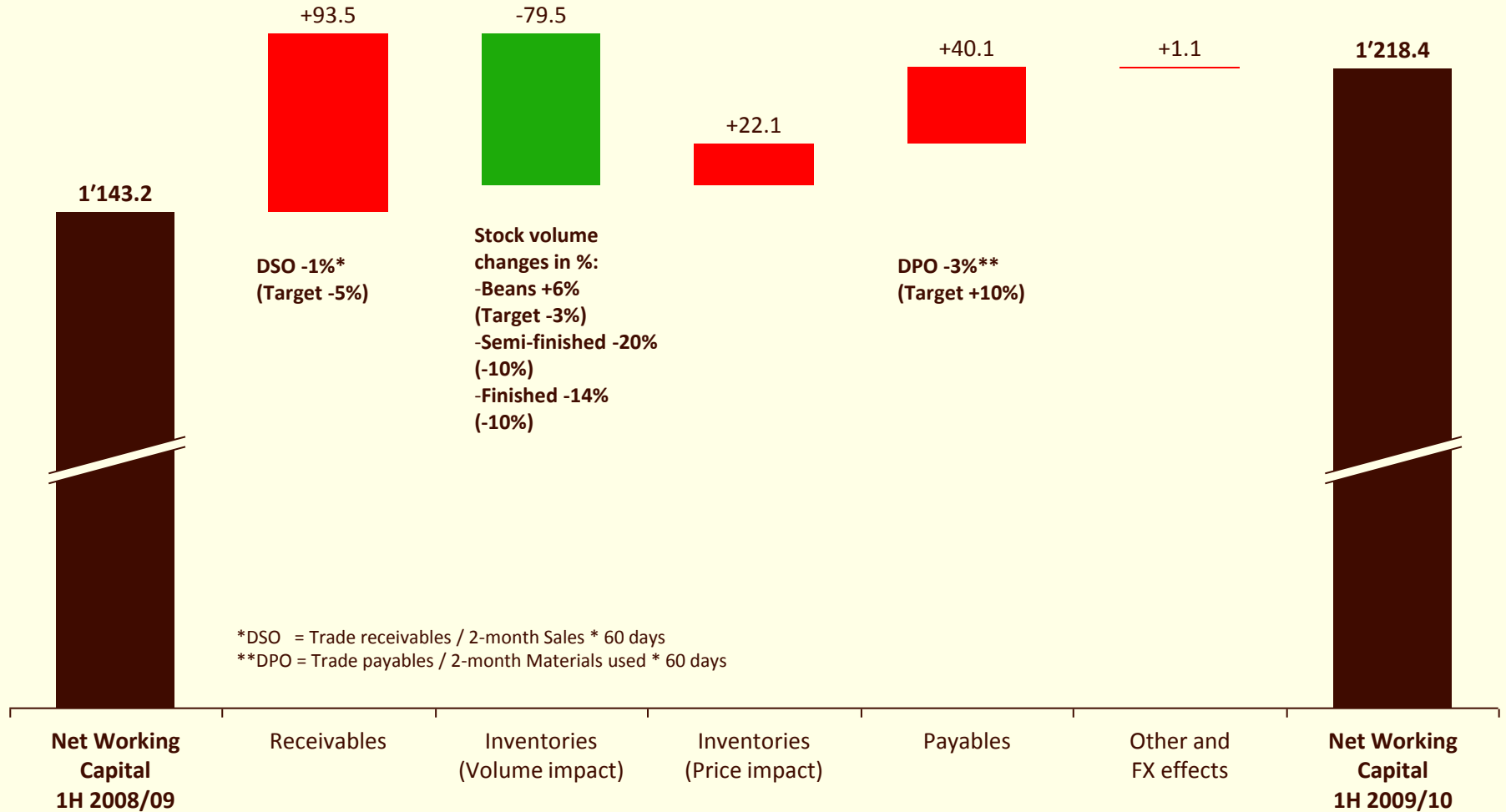


# Working Capital – 1H 2009/10

## Global project to reduce working capital



in mCHF



## Net debt reduced – strong financial ratios

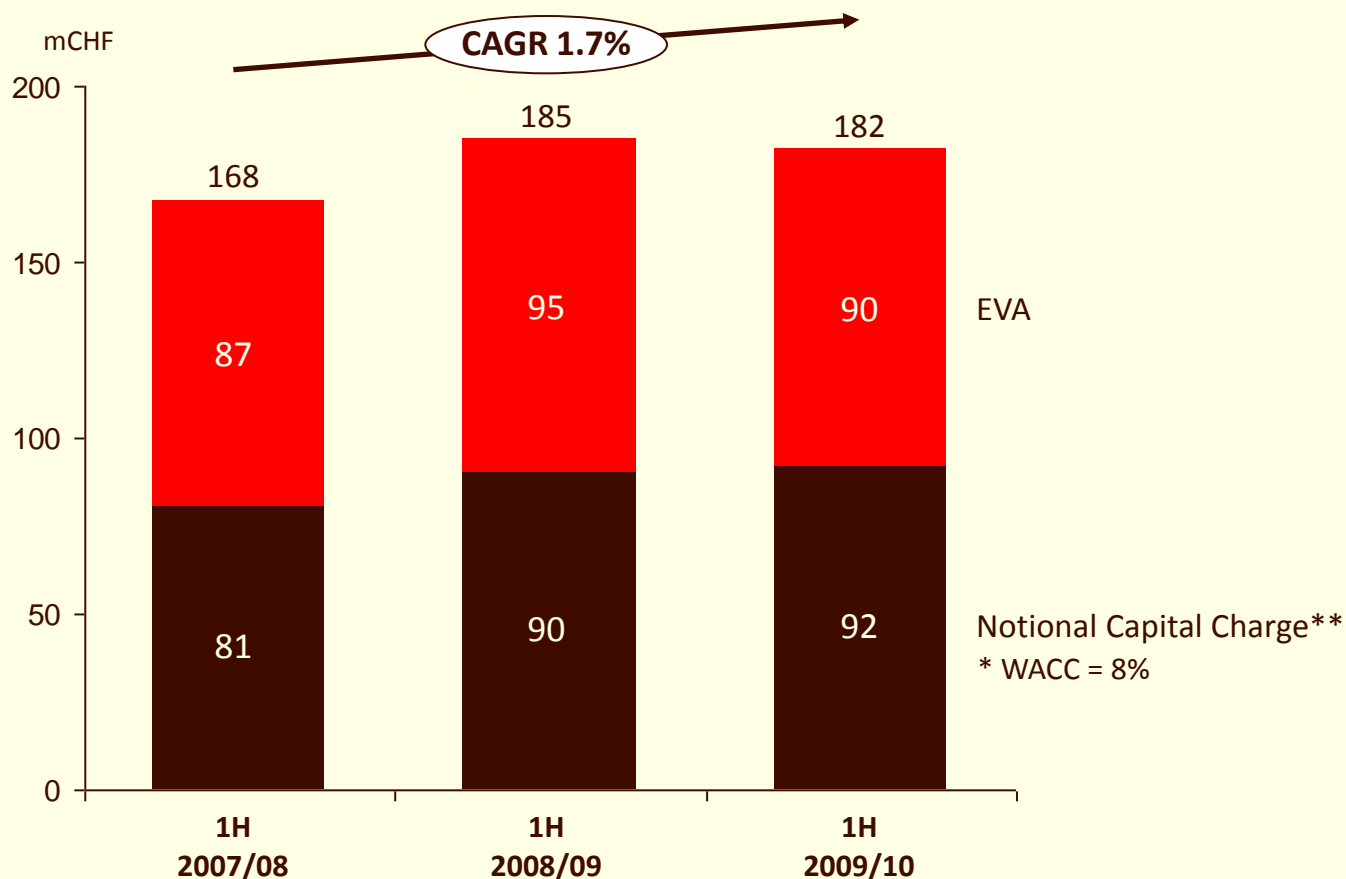


mCHF	Change		Feb 10	Feb 09
	[%]	absolute		
<b>Total assets</b>	9.8%	363.5	<b>4'068.0</b>	<b>3'704.5</b>
<b>Net working capital</b>	6.6%	75.2	<b>1'218.4</b>	<b>1'143.2</b>
<b>Non-current assets</b>	5.3%	73.0	<b>1'457.2</b>	<b>1'384.2</b>
<b>Net debt</b>	-2.1%	-23.5	<b>1'093.4</b>	<b>1'116.9</b>
<b>Shareholders' equity</b>	12.6%	147.3	<b>1'316.2</b>	<b>1'168.9</b>
<b>Debt/Equity ratio</b>			<b>83.1%</b>	<b>95.6%</b>
<b>Solvency ratio</b>			<b>32.4%</b>	<b>31.6%</b>
<b>Net debt/EBITDA</b>			<b>2.4x</b>	<b>2.5x</b>
<b>Interest cover ratio</b>			<b>5.3x</b>	<b>5.4x</b>
<b>ROIC</b>			<b>13.4%</b>	<b>14.5%</b>
<b>ROE</b>			<b>17.4%</b>	<b>19.4%</b>

# Barry Callebaut continues to generate significant Economic Value



**EVA** defined as measure to determine the value created above the return required by shareholders





# P&L overview

## Solid financial results

		% change	1H 2009/10	1H 2008/09
<b>Revenue from sales and services</b>	<b>CHF m</b>	4.5%	<b>2'656.5</b>	<b>2'543.1</b>
<i>in local currencies</i>		8.4%	<i>2'756.2</i>	
<b>Gross Profit</b>	<b>CHF m</b>	1.9%	<b>390.3</b>	<b>383.2</b>
<i>in local currencies</i>		4.6%		
<b>EBITDA</b>	<b>CHF m</b>	-2.8%	<b>260.5</b>	<b>268.1</b>
<i>in local currencies</i>		0.1%	<i>268.3</i>	
<b>EBIT</b>	<b>CHF m</b>	-4.5%	<b>208.8</b>	<b>218.6</b>
<i>in local currencies</i>		-1.7%		
Net financial expense	CHF m	-14.8%	-42.5	-49.9
Income taxes	CHF m	-16.8%	-21.3	-25.6
<b>Net Profit for the period</b>	<b>CHF m</b>	<b>1.6%</b>	<b>145.7</b>	<b>143.4</b>
<i>in local currencies</i>		5.3%		
<b>Earnings per share (EPS) (basic)</b>	<b>CHF</b>	1.2%	<b>28.18</b>	<b>27.85</b>
<b>Shareholders' Equity</b>	<b>CHF m</b>	12.6%	<b>1'316.2</b>	<b>1'168.9</b>
<b>Net debt</b>	<b>CHF m</b>	-2.1%	<b>1'093.4</b>	<b>1'116.9</b>



# Americas and Europe are biggest absolute growth contributors in 1H 09/10

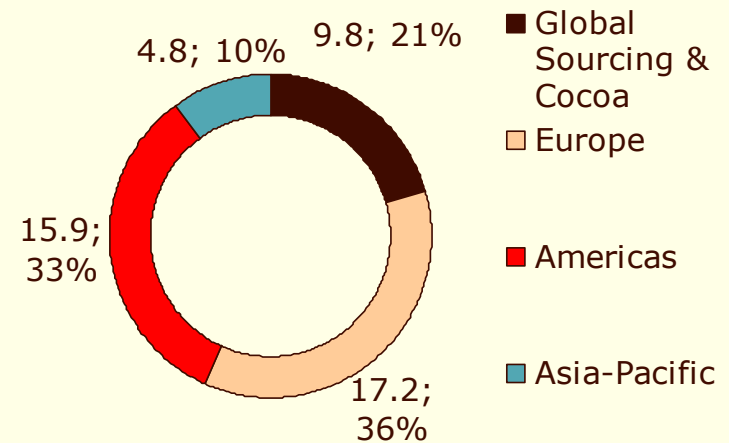
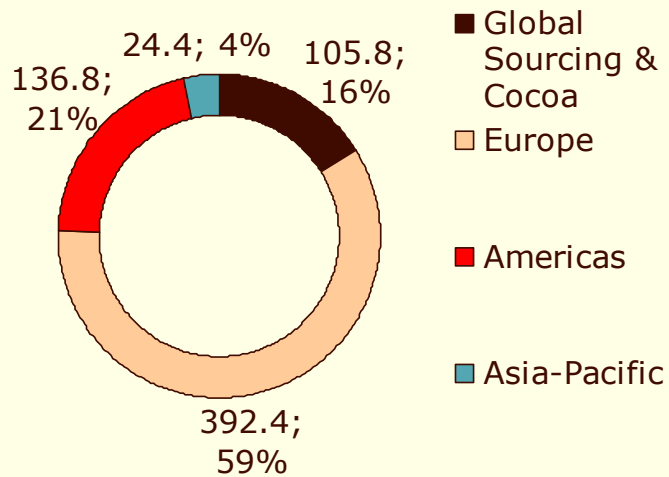


Sales volume distribution 1H 2009/10  
[000 MT]

Sales volume growth 1H 2009/10  
[000 MT]

Group: 659.5

Group: 47.6

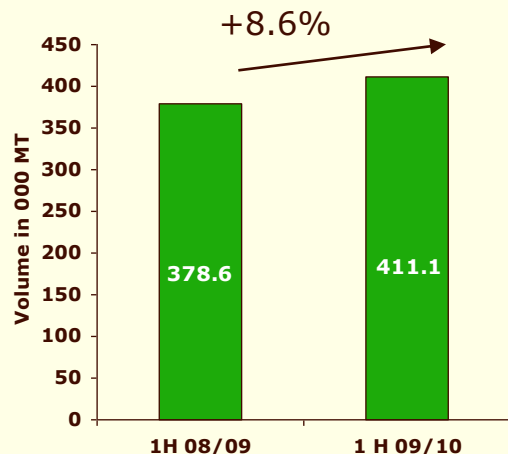


# Industrial Business

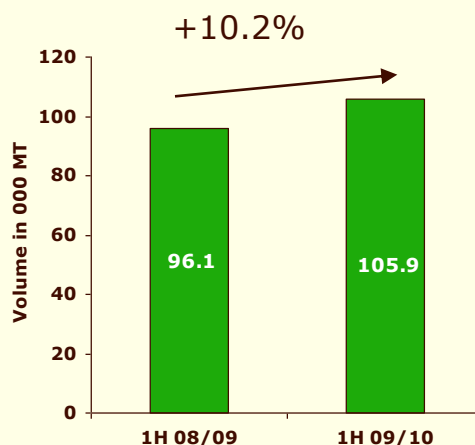
## Continued strong volume growth



Food Manufacturers  
Volume

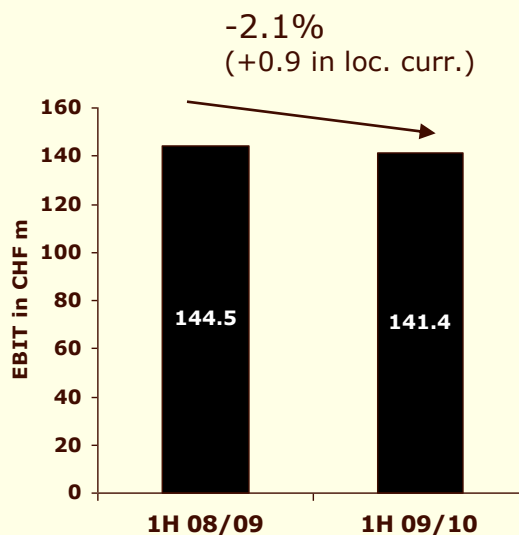


Cocoa  
Volume



Industrial Business  
(=Food Manufactureres + Cocoa)

EBIT

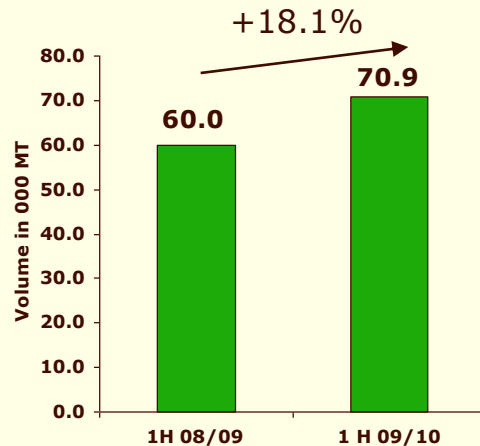


- ▶ Sales volume up, driven by all regions and continued implementation of outsourcing deals
- ▶ Operational improvements were more than offset by the drop in combined ratio – overall lower EBIT

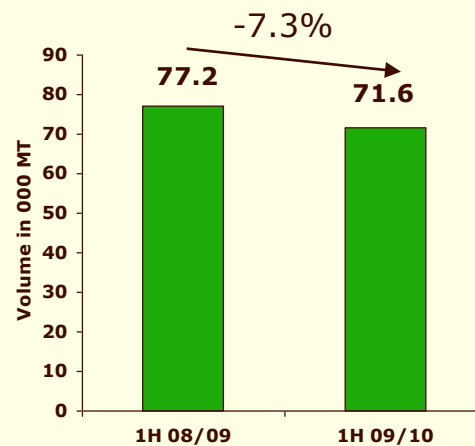
# Food service / Retail Gourmet & Specialties with strong growth



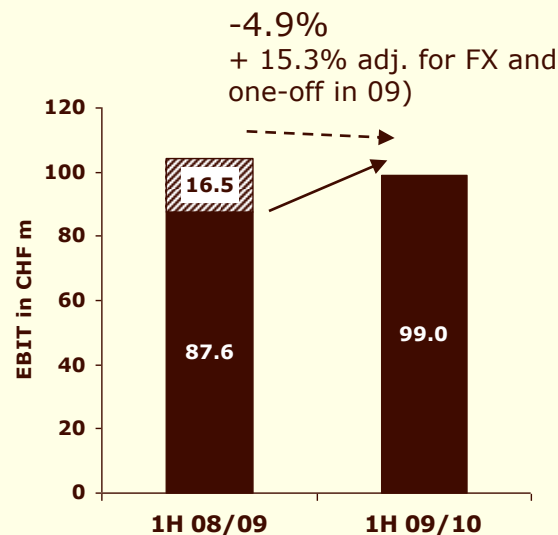
Gourmet & Specialties  
Volume



Consumer products  
Volume



Food service/ retail  
(=Gourmet & Specialties + Consumer)  
EBIT



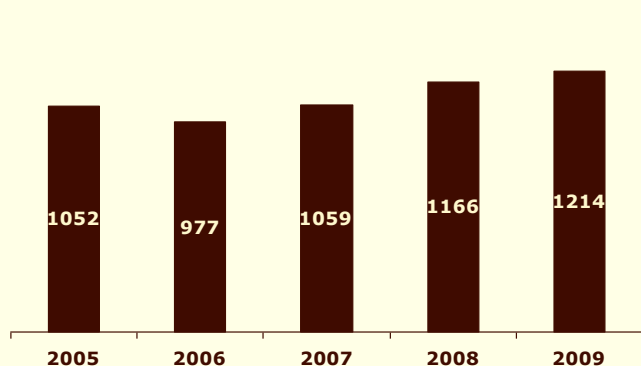
- ▶ Sales of Gourmet products up thanks to focused growth (adjusted product portfolio, market share gains, bolt-on acquisitions)
- ▶ Consumer product volumes negatively affected by change in scope and weak markets
- ▶ EBIT overall, adjusted for one-off in 09 and FX, up 15.3%



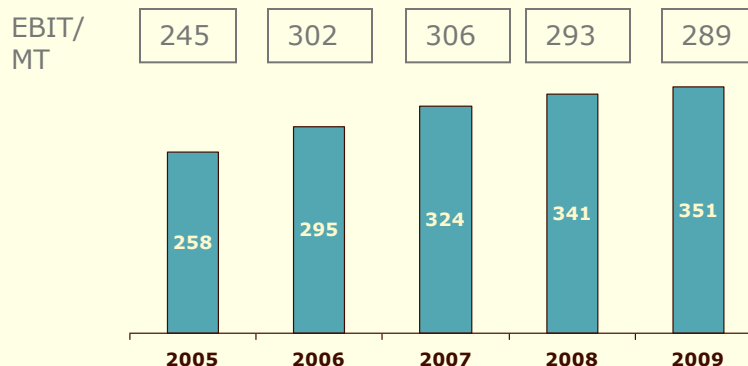
## 5-year performance

# Continuous and stable growth of top- and bottom line

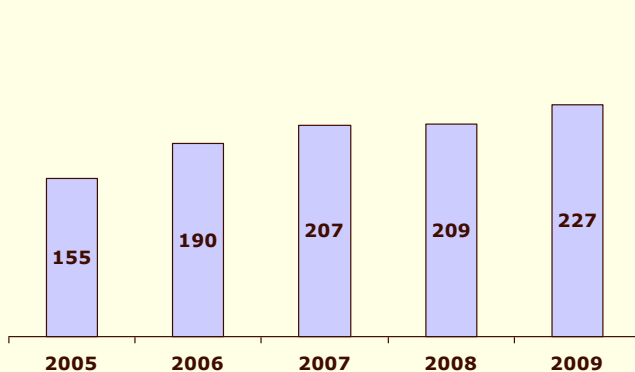
### Volume in 000 metric tons (MT)



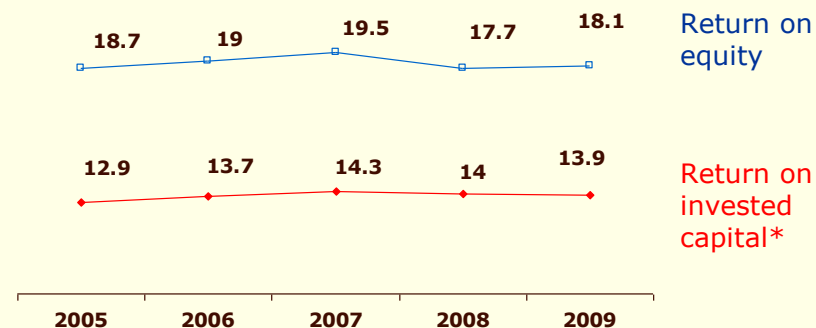
### EBIT in CHF m



### Net profit in CHF m \*



### Return on capital in %



\* Continuing operations

\* Post tax



## Cautionary note

Certain statements in this Letter to Investors regarding the business of Barry Callebaut are of a forwardlooking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe," "estimate," "intend," "may," "will," "expect," and "project" and similar expressions as they relate to the company. Forward-looking statements involve certain risks and uncertainties because they relate to future events.

Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect Barry Callebaut's future financial results are discussed in this Letter to Investors as well as in the Annual Report 2008/09. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. The reader is cautioned to not unduly rely on these forward-looking statements that are accurate only as of today, April 1, 2010. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.