



Barry Callebaut

Roadshow-Half-year Results 2013/14

April 2014



© Barry Callebaut





BC at a glance

Highlights HY 2013/14

Financial review

Strategy update & Outlook



Barry Callebaut at a glance

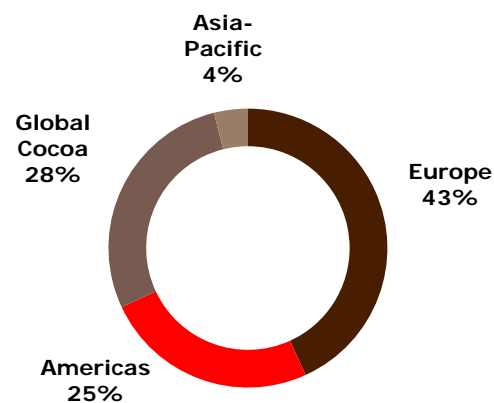
Business description

- **World leading producer** and business-to-business supplier of **chocolate and cocoa products**
- **Fully integrated** with strong position in cocoa-origin countries
- **Serving the entire food industry**
- **Outsourcing/ strategic partner of choice**
- **Largest supplier of Gourmet & Specialties**

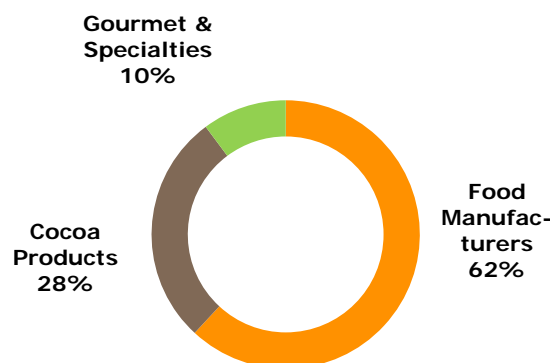
Key figures

	<u>FY 2012/13</u>
Sales Volume	1.5 mn tonnes
Sales Revenue	CHF 5 bn
EBIT	CHF 339 mn
Employees	8,500
Factories	over 50

HY 2013/14 - Volume breakdown per Region



HY 2013/14 Volume breakdown per Product

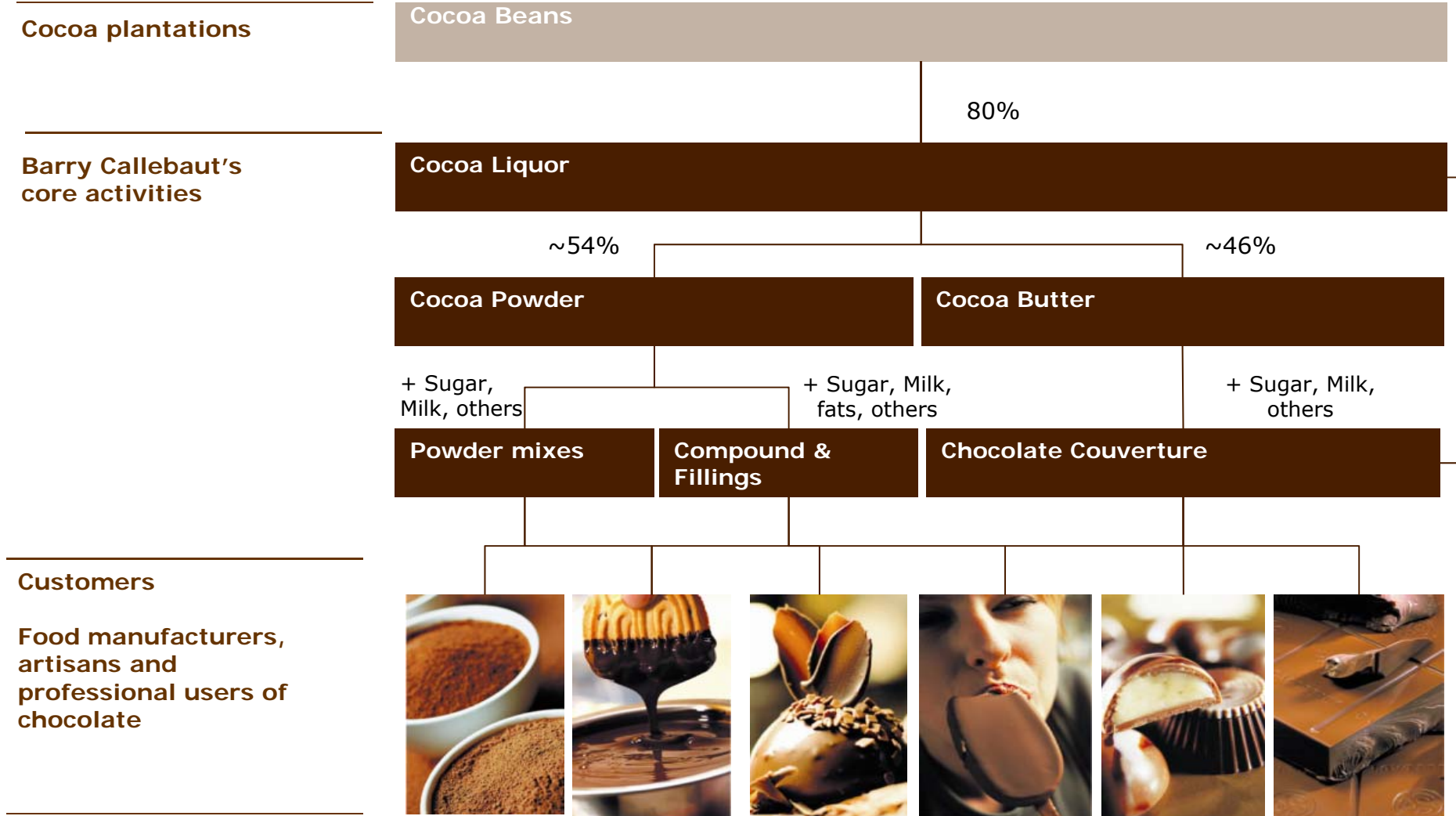


Gourmet global brands





Barry Callebaut is present in all stages of the industrial chocolate value chain





Favourable Industry Dynamics

Global growth prospects

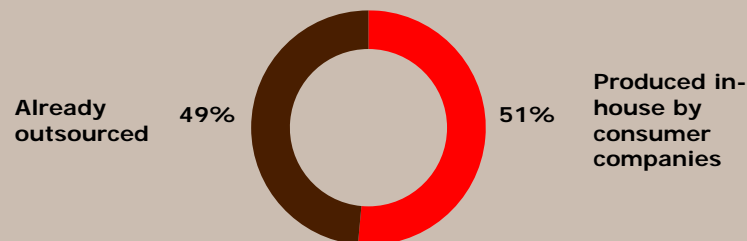
- ▶ Average market growth in chocolate: 2 % in volume per year
- ▶ Influenced by population growth and increase in disposable income
- ▶ Resilient industry to macro-economic downturn
- ▶ Fast growing in Emerging markets

Outsourcing rationale for customers

- ▶ Free up capital to invest in marketing and distribution
- ▶ Access to most recent innovation and new developments in the industry
- ▶ Flexibility to adapt recipes in short time
- ▶ Reduce complexity in their supply chain
- ▶ Solutions to global trends and regulations

Market size and outsourcing potential

- ▶ Total Industrial chocolate market is about 6 mio tonnes



Barriers to entry:

- ▶ Complex sourcing and supply chain
- ▶ Capital intensive business
- ▶ Size matters
- ▶ High innovation rate
- ▶ High level of regulation and quality requirements



Robust business model

Gourmet & Specialties

- Price List



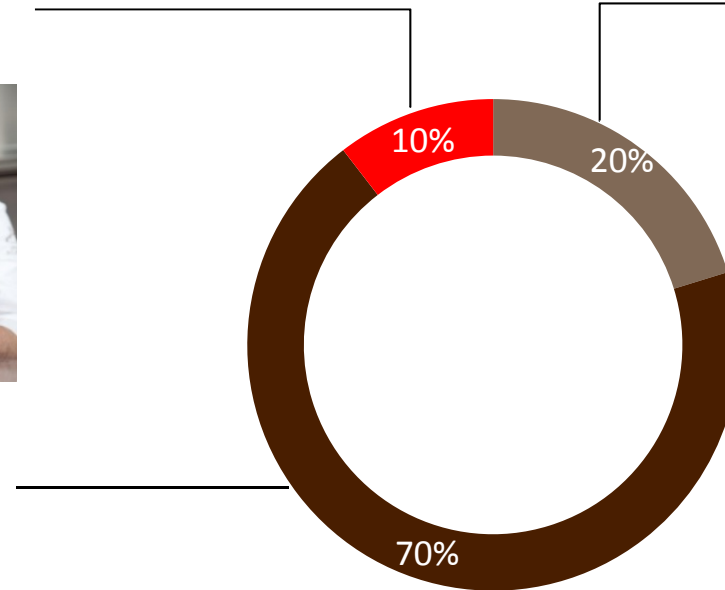
Food Manufacturers

- Cost plus



Cocoa Products

- Market prices
- Combined ratio
- Cost plus

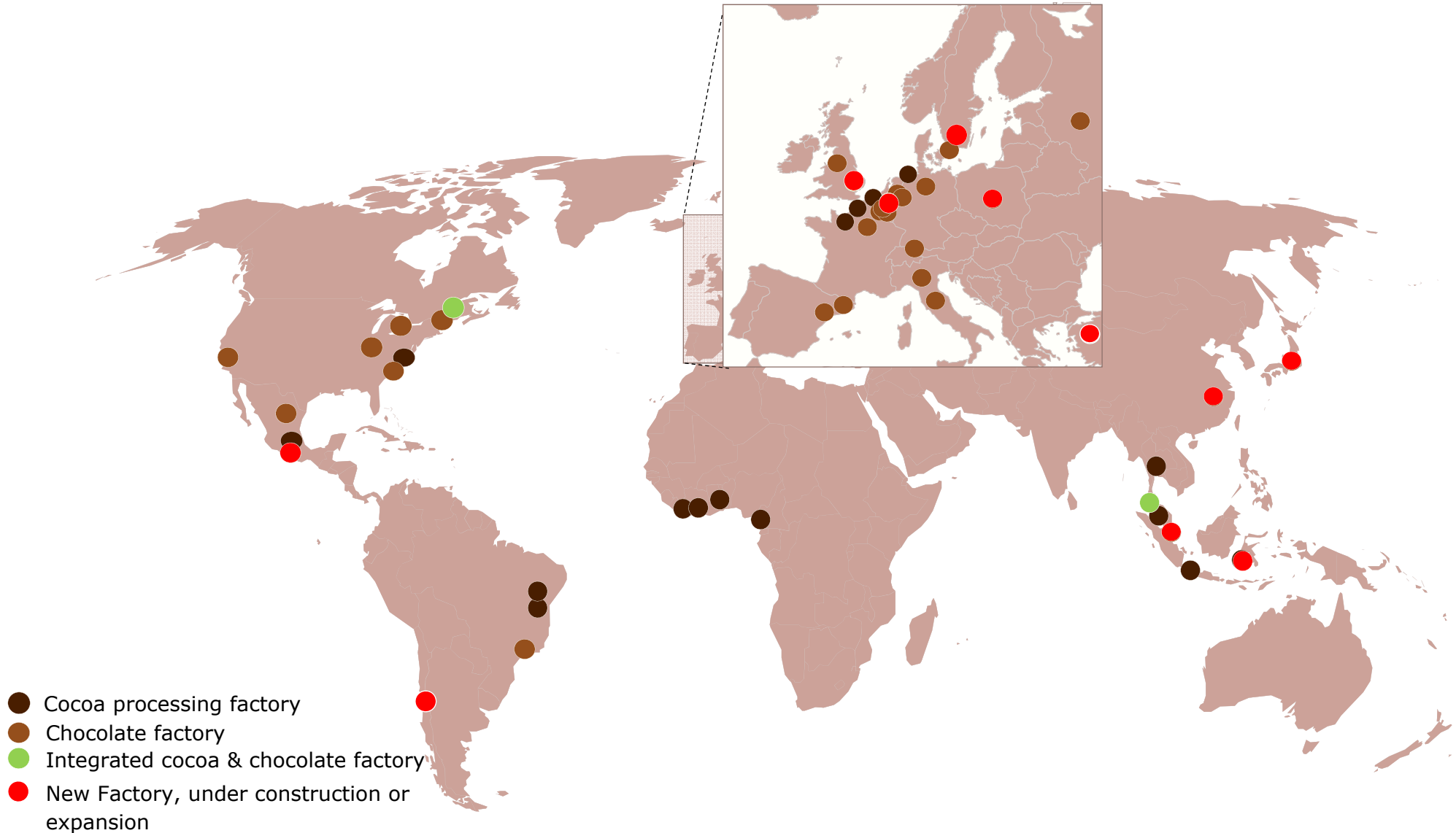


- ▶ Raw materials represent about 80% of operating costs

For the majority of our business we pass-on the cost of raw materials to customers



Our current manufacturing footprint provides diversification and unique competitive advantage





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Highlights HY 2013/14

Strong profit growth, strong contribution of acquired cocoa business

Sales Volume

+17.6%
+3.1%¹

EBIT in CHF

+15.3%
+8.8%¹

Net Profit
for the period in CHF

+8.3%

- ▶ Sales volume increase driven by recent cocoa acquisition, emerging markets, outsourcing and Gourmet
- ▶ Profit improvement on stand-alone basis due to strong focus on margins
- ▶ Strong contribution of recently acquired cocoa business. First synergies realized. Integration well on track

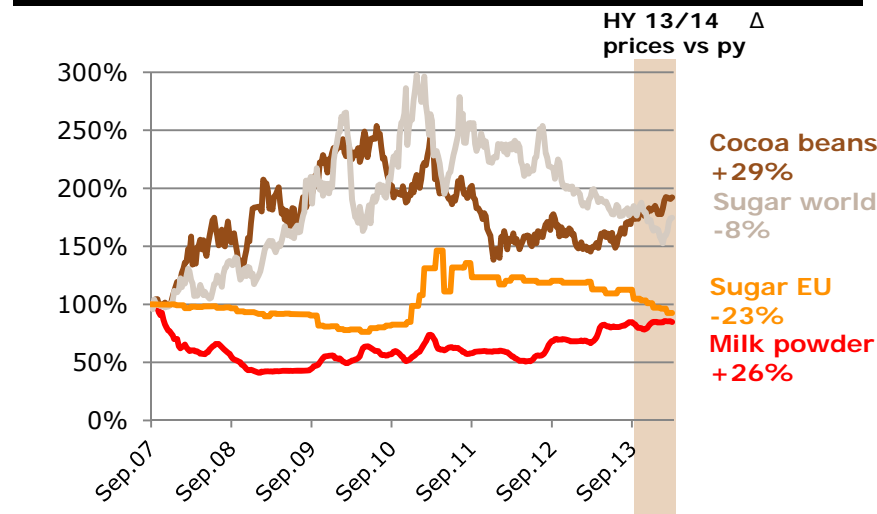


1) Stand-alone, excluding the recently acquired cocoa business from Petra Foods

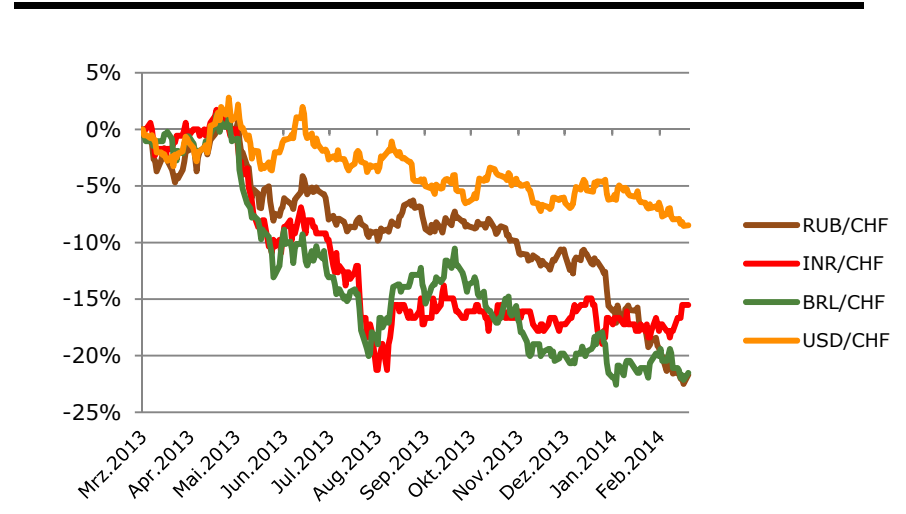


Healthy chocolate market. Challenging market environment

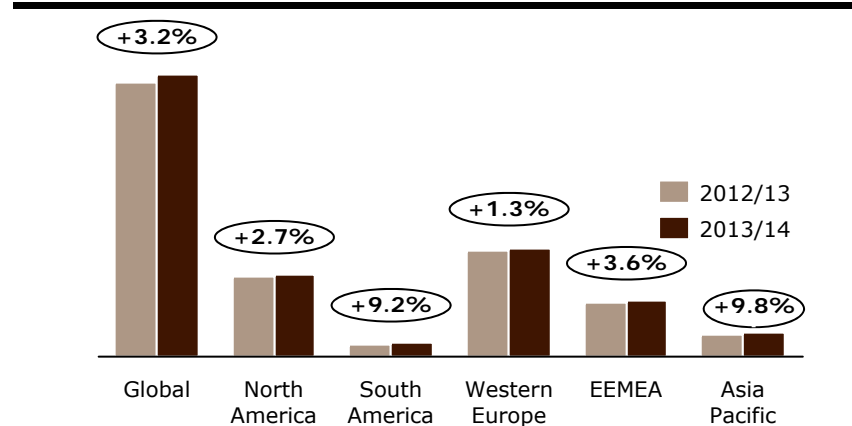
Raw Materials¹



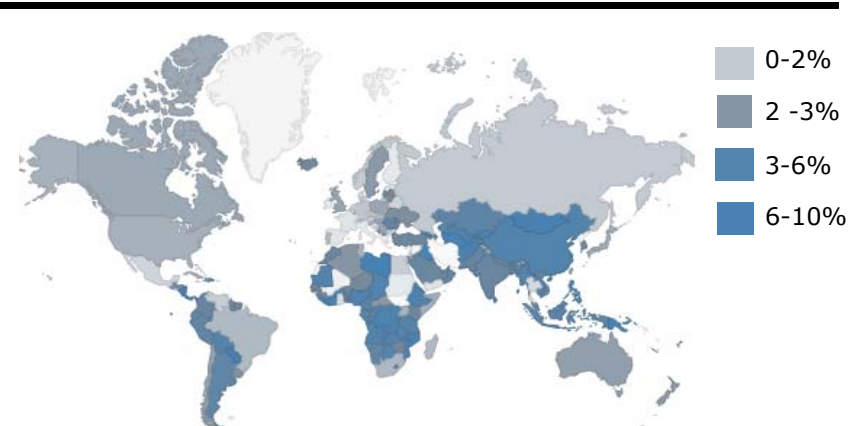
Currencies²



Chocolate Market Development³



GDP growth⁴



Sources: 1) Cocoa beans Ldn 2nd position; Sugar world London n°5 (2nd position), Sugar EU Kingsman estimates W-Europe DDP, skimmed milk powder average price; 2) Thomson Reuters; 3) Nielsen 6 months figures until Feb 2014; 4) Trading economics

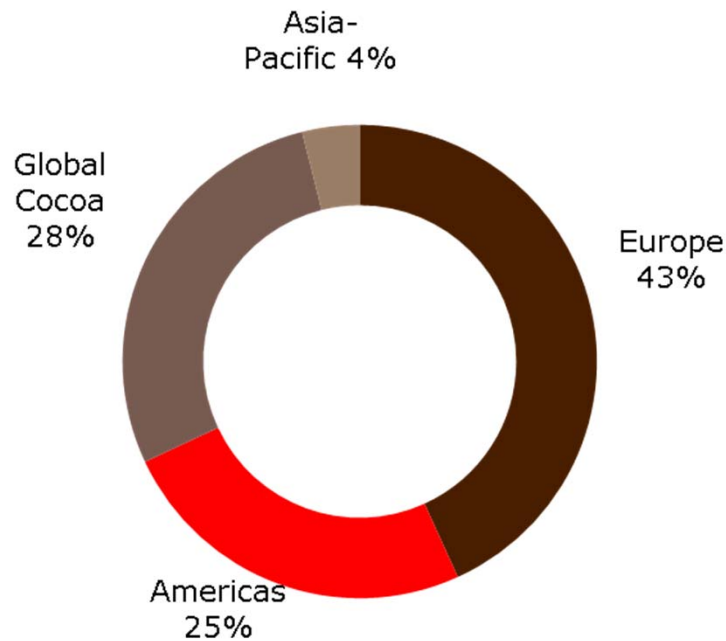


HY 2013/14

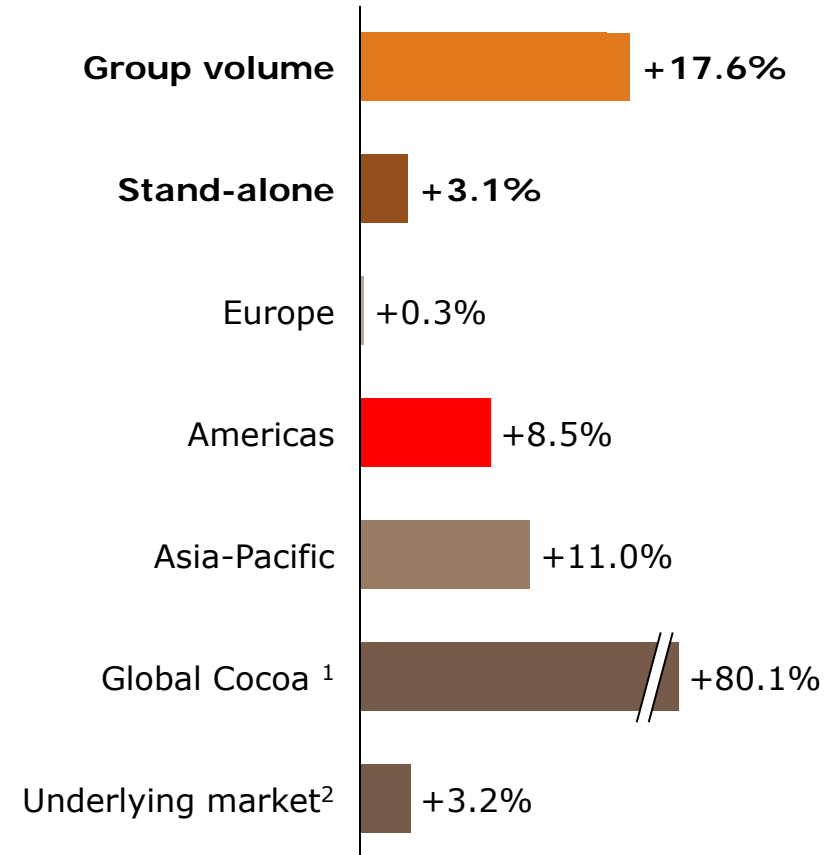
Growth across all regions; total volume +17.6%

Sales Volume by Region

HY 2013/14 = 876,297 tonnes



Volume growth vs prior year



¹ Global Cocoa including recently acquired cocoa business from Petra Foods, on stand-alone basis +1.0%

² Source: Nielsen – Chocolate Confectionery volume growth of top 25 countries; September 2013-Feb 2014
Note: Total volume includes recently acquired cocoa business

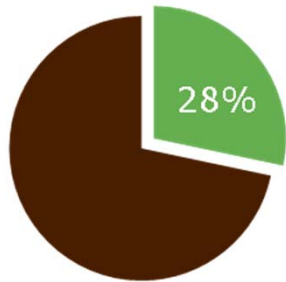


HY 2013/14 development

Continued positive performance of our key growth drivers

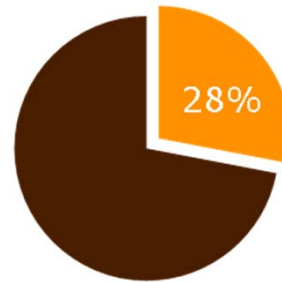
Emerging Markets

+17.9% vs prior year*



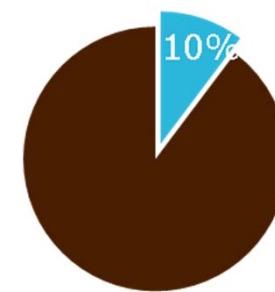
Long-term outsourcing & Strategic partnerships

+8.0% vs prior year



Gourmet & Specialties

+6.6% vs prior year



Volume growth

% of total Group volume

* Stand-alone, including recently acquired cocoa business +60%



Highlights first six months- FY 2013/14

Ongoing focus on our strategic pillars



Inauguration of cocoa factory in Makassar with JV partner Comextra

Sep 2013



Barry Callebaut begins production in new, relocated factory in Japan

Nov 2013



Callebaut® launches 'Finest Belgian Hot Chocolate' for the Food Service segment

Nov 2013



Barry Callebaut takes over remaining 51% of certified bean supplier Biolands

Feb 2014



EU Commission approves Barry Callebaut's health claim: Cocoa flavanols support a healthy blood circulation

Sep 2013



Launch of "Purity from Nature" range for Cacao Barry

Nov 2013



Barry Callebaut inaugurates its first CHOCOLATE ACADEMY™ center in Turkey

Nov 2013



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HY 2013/14

Strong profit growth, strong contribution of the recently acquired cocoa ingredients business

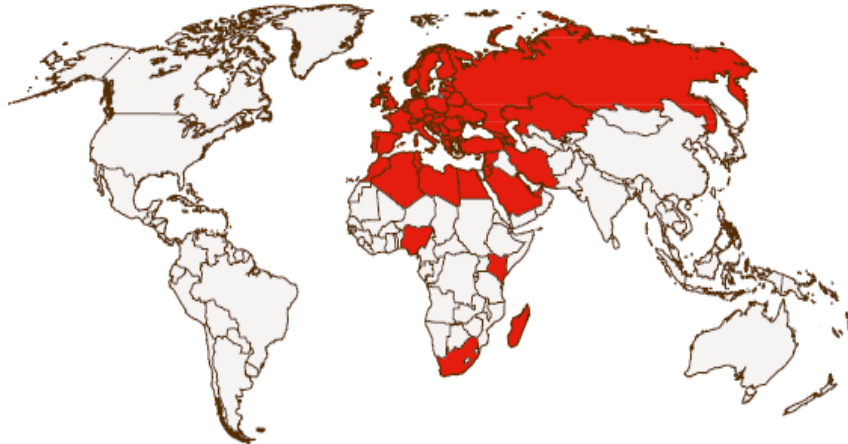
Group performance (CHF m)	HY 2013/14	% vs prior year (in CHF)	% vs prior year (in local currencies)
Sales Volume Total (in tonnes)	876,297	+17.6%	
Sales Volume stand-alone	768,352	+3.1%	
EBIT Total <i>EBIT per tonne</i>	201.7 230.2	+15.3%	+16.8%
EBIT stand-alone <i>EBIT per tonne</i>	190.4 247.8	+8.8% +5.6%	+10.2% +6.9%
Net profit from continuing operations	119.6	+2.7%	+3.1%
Net profit for the period	119.6	+8.3%	+8.9%

Stand-alone: Excluding recent acquisition of Cocoa business of Petra Foods



Region Europe

Significantly increased profitability reflects focus on product margins



+0.3%

**Volume
growth**

+6.1%

**EBIT growth
vs. prior year
(in CHF)**

- ▶ Western Europe with strong focus on higher product margins, better customer segmentation and positive impact from Project Spring
- ▶ Addressing capacity shortage, with investments in factory expansions in Belgium, UK and Poland
- ▶ EEMEA showed a strong growth in both industrial and Gourmet business
- ▶ Higher EBIT as a result of improved product mix and margin focus



Strong performance across all markets



+8.5%

**Volume
growth**

+20.3%

**EBIT growth
vs. prior year
(in CHF)**

- ▶ Strong performance top- and bottom-line, across Food Manufacturers and Gourmet
- ▶ Good growth in North America, despite extreme weather hampering logistics and leading to lower demand
- ▶ Particularly strong growth in Mexico and Brazil
- ▶ EBIT positively impacted by good volume increase, improved product and customer mix and good cost control



Continued strong growth



+11.0%

**Volume
growth**

+0.7%

**EBIT growth
vs. prior year
(in CHF)**

- ▶ Food Manufacturers business achieved double-digit growth, in particular in China, Japan, Indonesia and Malaysia
- ▶ Slower economic environment and weakening of some local currencies influenced the demand for the international Gourmet brands
- ▶ EBIT impacted by higher costs due to building of structures, expansion and unfavourable product mix



Global Cocoa

Significant volume and profit contribution of acquired cocoa business



+80.1%

+1.0%*

**Volume
growth**

+72.2%

+7.3%*

**EBIT growth
vs. prior year
(in CHF)**

* Stand-alone figures

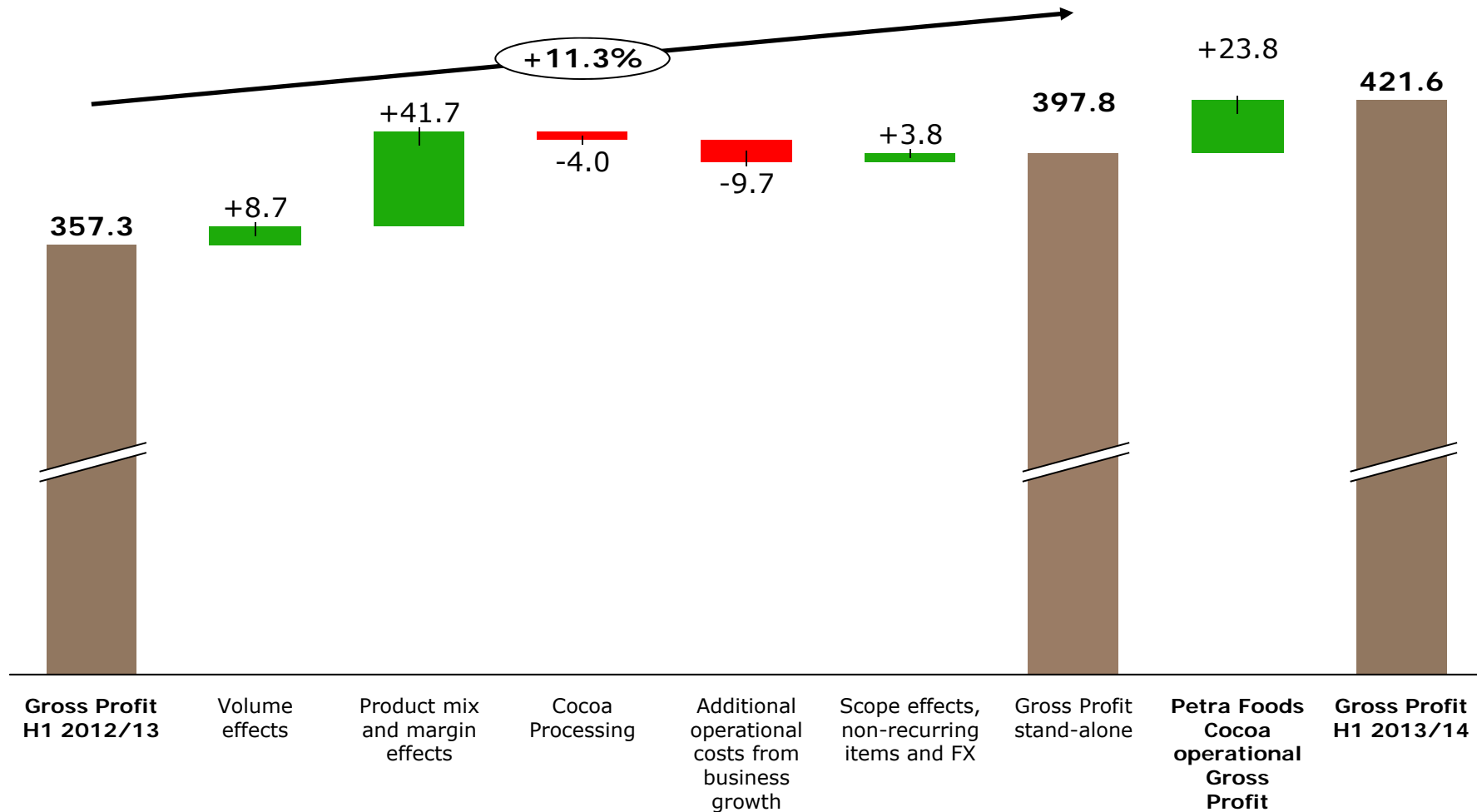
- ▶ The acquisition of the cocoa business from Petra Foods brought this business to a new level
- ▶ Stand-alone volume flat due to increased internal demand for cocoa products and transfer of volumes to recently acquired factories in Europe
- ▶ After negative impact in prior year, combined ratio stabilized with no impact on HY
- ▶ Successful improvement of recently acquired business, by leveraging our global footprint and integrating both organizations
- ▶ Expected FY EBIT from recently acquired cocoa business of CHF 30 mio confirmed



Gross Profit –HY 13/14

Strong product margin improvement on stand-alone basis. Positive contribution of recently acquired business

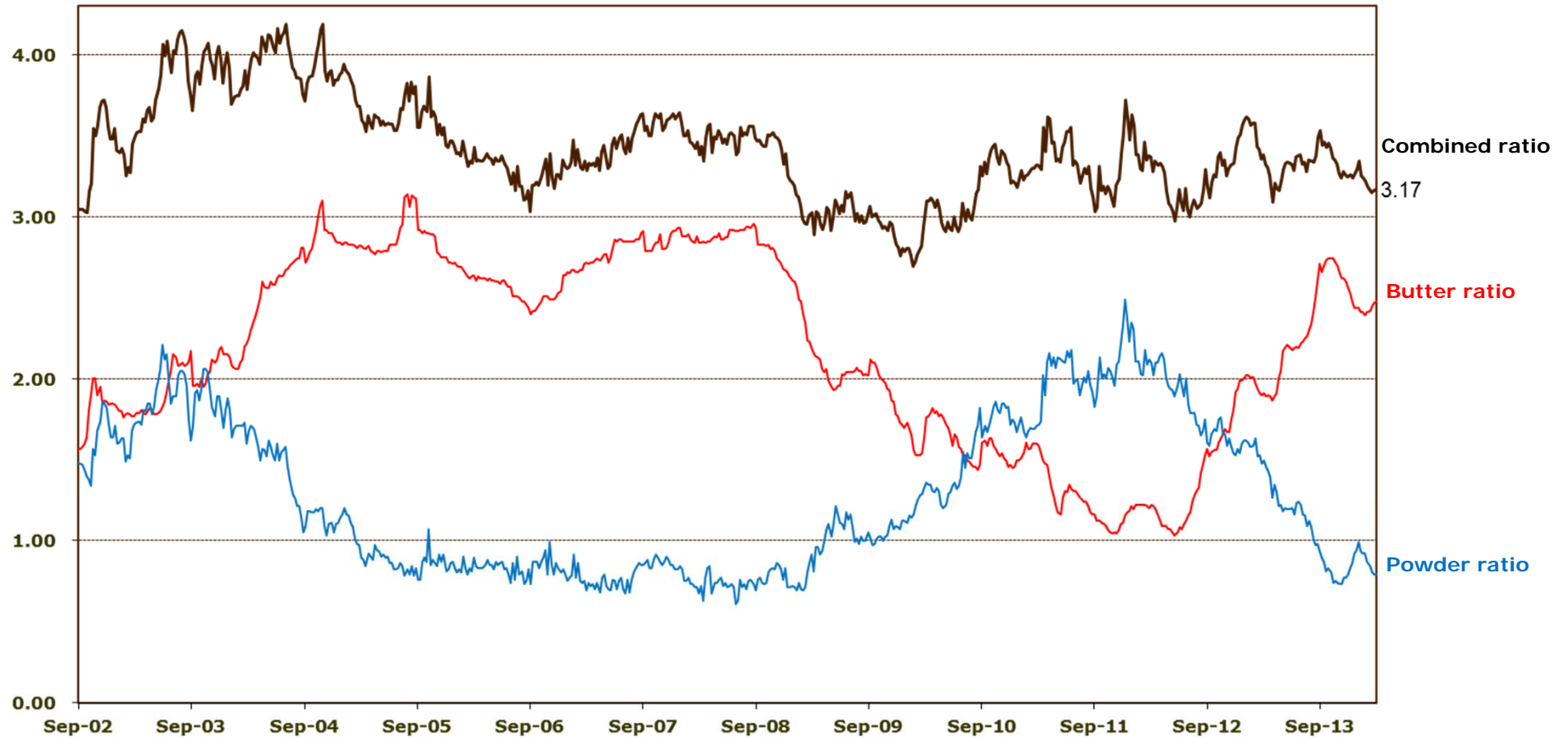
in mCHF





Cocoa processing profitability Combined ratio, softer than expected with neutral impact for H1

European combined ratio- 6 months forward ratio



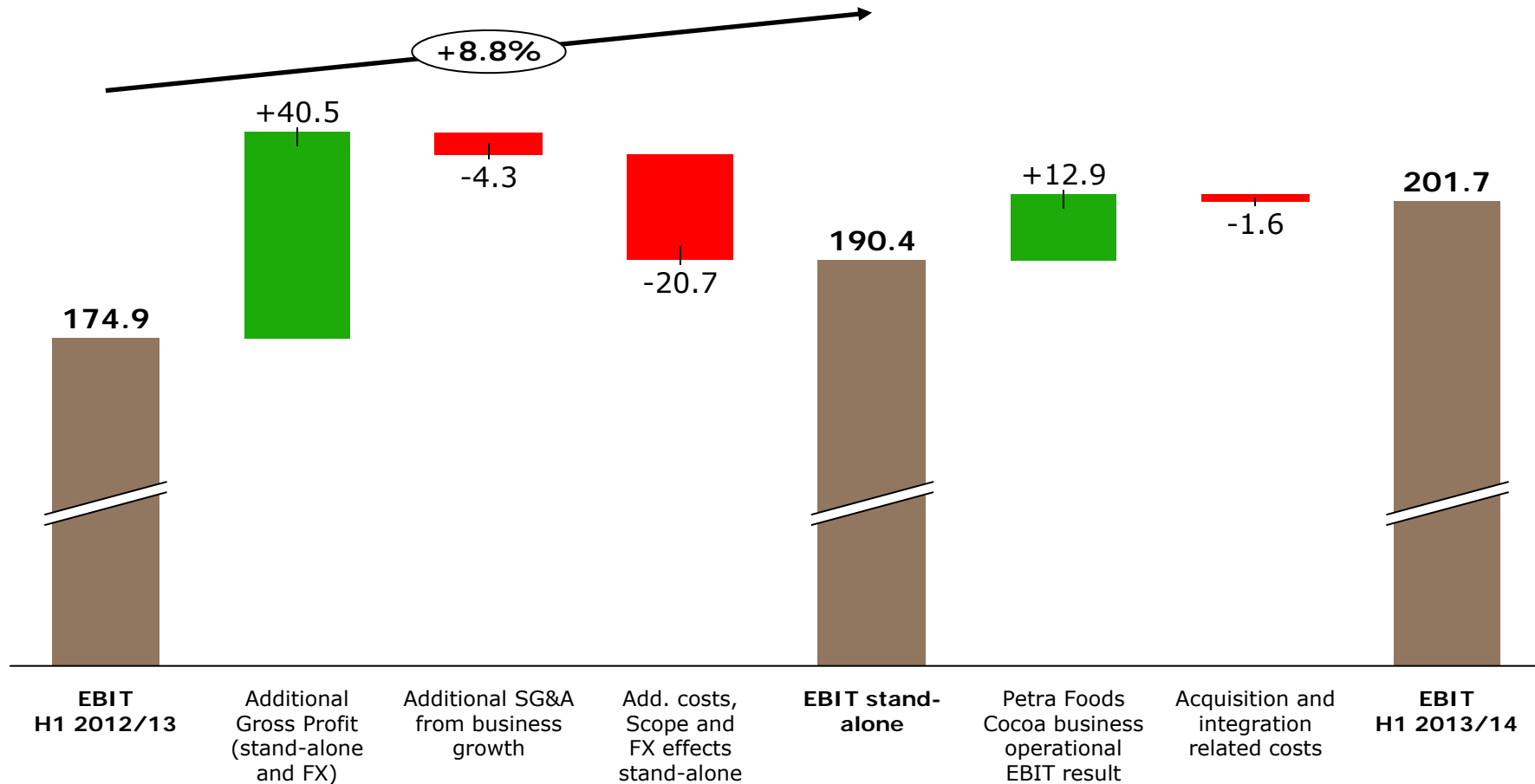
For cocoa processors, profitability depends on the ratio between input costs (price of cocoa beans) and output prices (price of cocoa butter and powder).



EBIT bridge

Focus on profitable growth paid off: stand-alone EBIT increased +8.8%

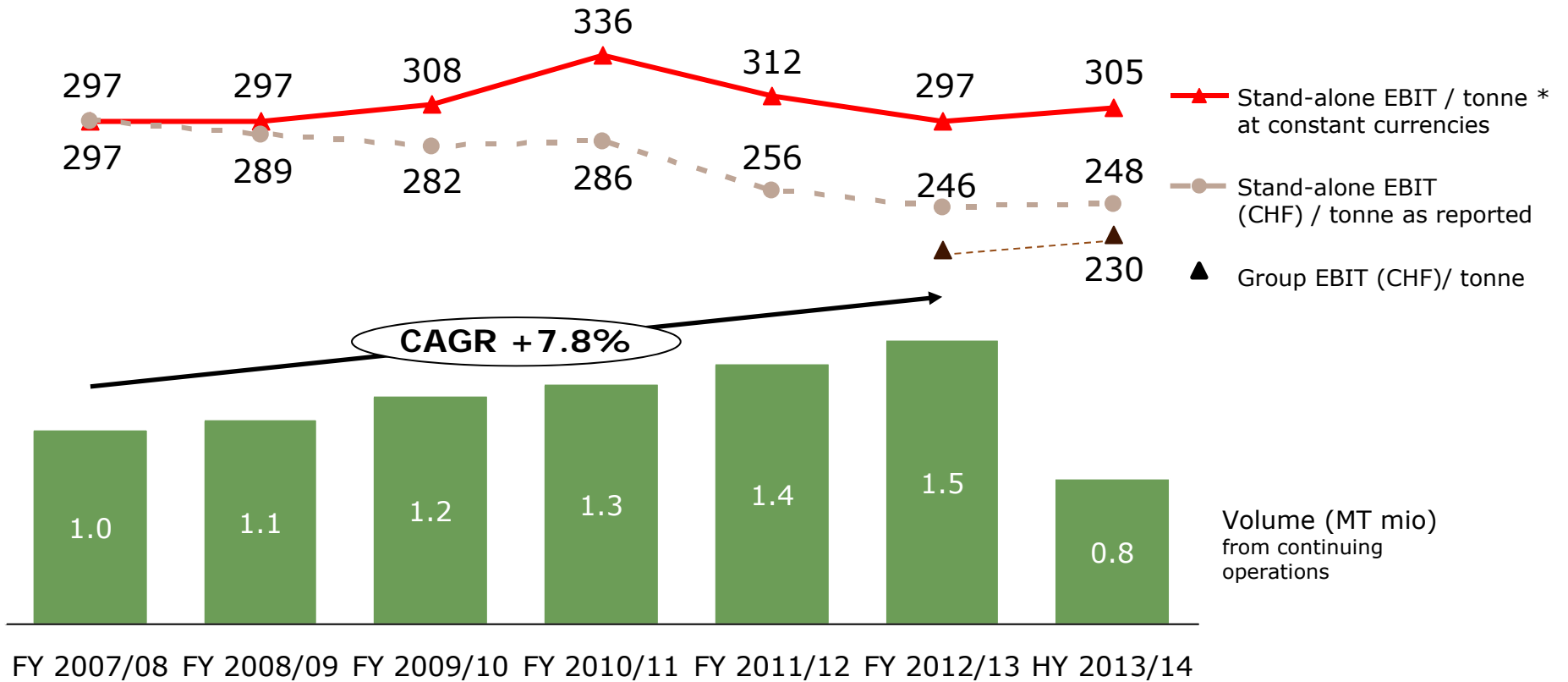
in CHF m





Improved stand-alone EBIT/tonne in the last 6 months. Dilution from acquired business at Group level

Group development



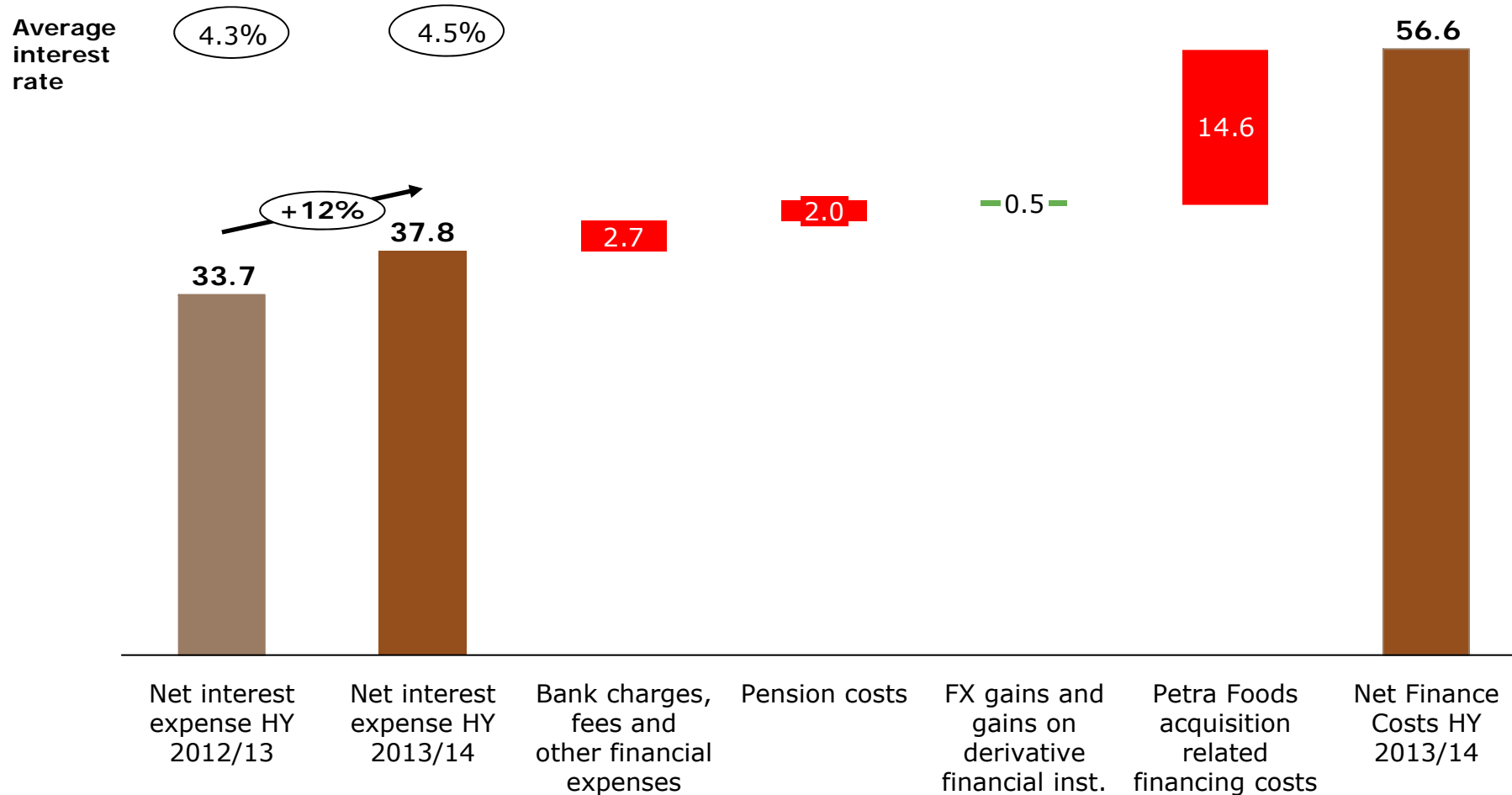
- Excluding negative FX impact (at constant currencies 2007/08) and excluding Consumer business



Financial items

Net finance costs impacted by increased financing needs due to the acquisition and higher raw material prices

in CHF m





Below EBIT

Net profit impacted by financing related to acquisition and higher tax rate

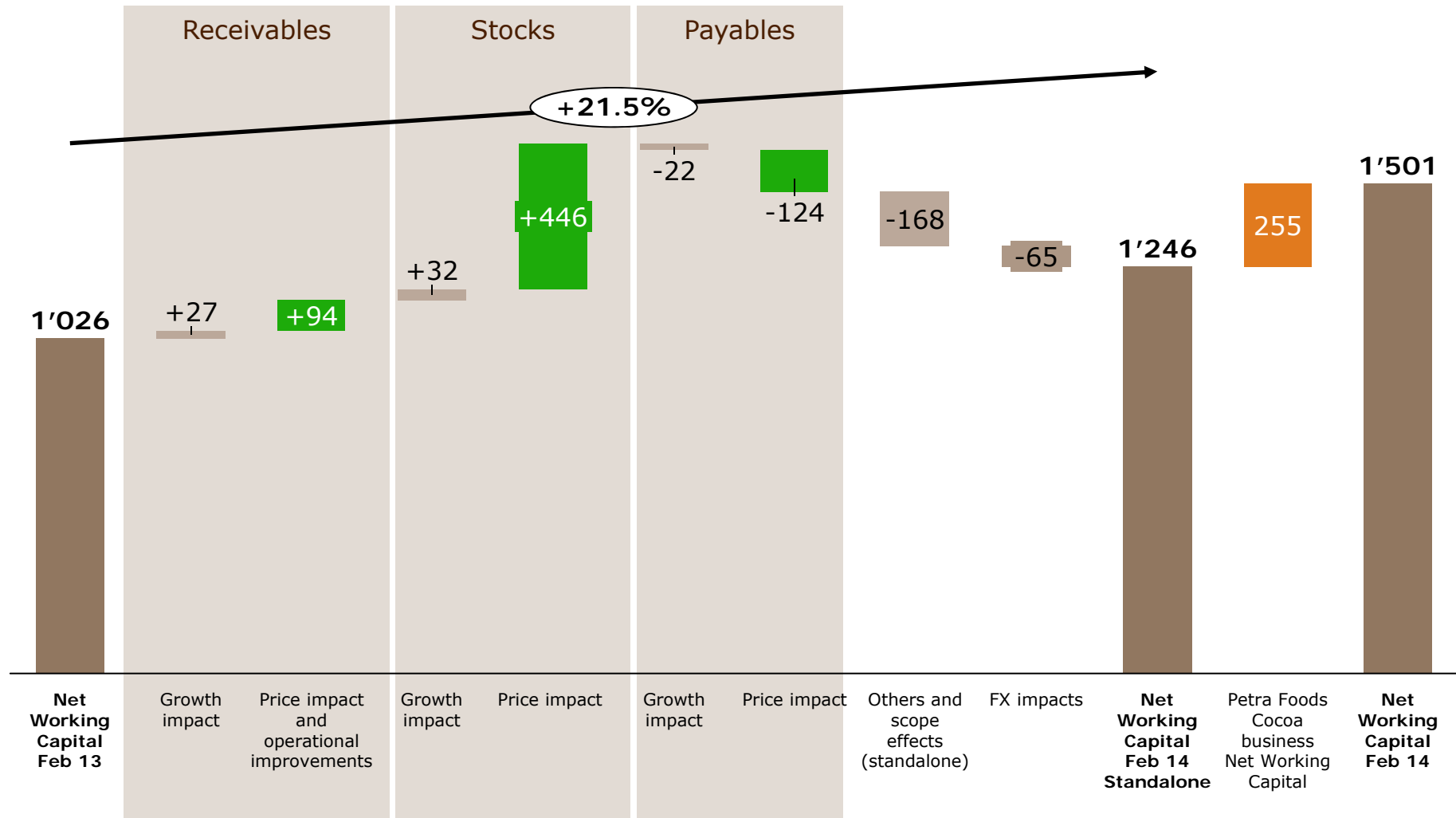
[CHF m]	Change in % In local currencies	Change in % CHF	H1 2013/14	H1 2012/13 (restated)
Operating profit (EBIT)	16.8%	15.3%	201.7	174.9
Financial items	59.3%	55.5%	(56.6)	(36.4)
Share of result of equity-accounted investees, net of tax			-	(0.3)
Profit before Taxes [CHF m]	5.9%	5.0%	145.1	138.2
Income taxes	20.7%	17.5%	(25.5)	(21.7)
<i>Tax rate [in %]</i>			17.6%	15.7%
Net profit from continuing operations	3.1%	2.7%	119.6	116.5
Net profit for period	8.9%	8.3%	119.6	110.4



Net Working Capital evolution

Significant impact from higher raw material prices, resulted in higher working capital

in mCHF



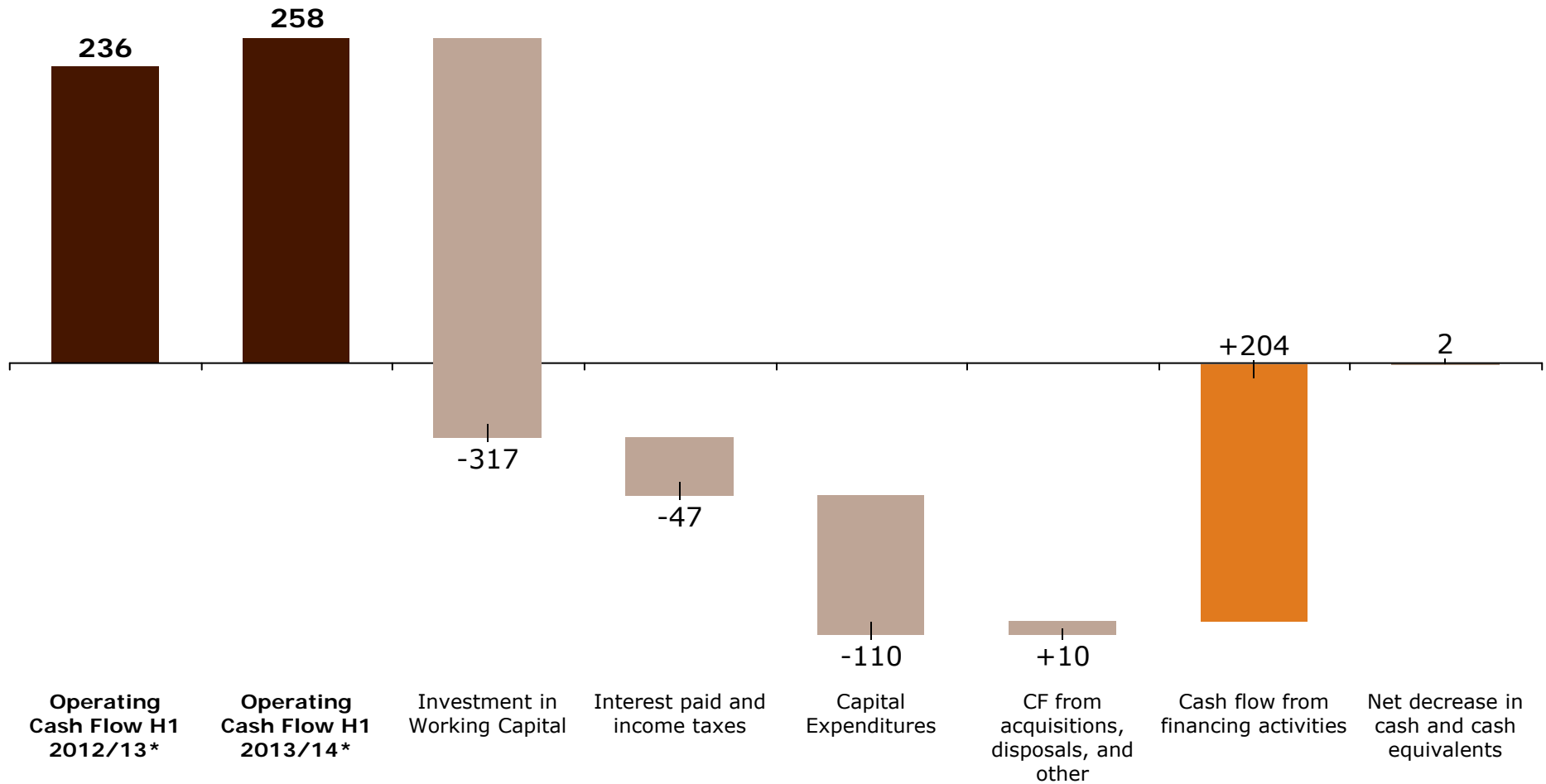


Cash Flow

Strong operating cash flow, offset by higher working capital and continuous investments in further growth

in CHF m

+9.4%



* Before Working Capital changes



Balance Sheet & key ratios

Ratios impacted by recent acquisition and higher working capital needs

	BC stand-alone Feb 14	Feb 14	Feb 13 ¹
Total Assets [CHF m]		5,106.9	3,555.9
Net Working Capital [CHF m]	1,246.5	1,501.4	1,026.2
Non-Current Assets [CHF m]		2,068.6	1,488.4
Net Debt [CHF m]	1,182.3	1,698.2	993.9
Shareholders' Equity [CHF m]	1,422.8	1,658.9	1,317.9
Debt/Equity ratio	83.1%	102.4%	75.4%
Solvency ratio	30.9%	32.5%	37.1%
Net debt / EBITDA	2.4x	3.6x	2.3x
Interest cover ratio	5.6x	4.9x	5.5x
ROIC	12.6%	11.1%	13.2%
ROE	19.3%	15.6%	17.7%

* Restated due to the revision of IAS 19 (Employee Benefits)



BC at a glance

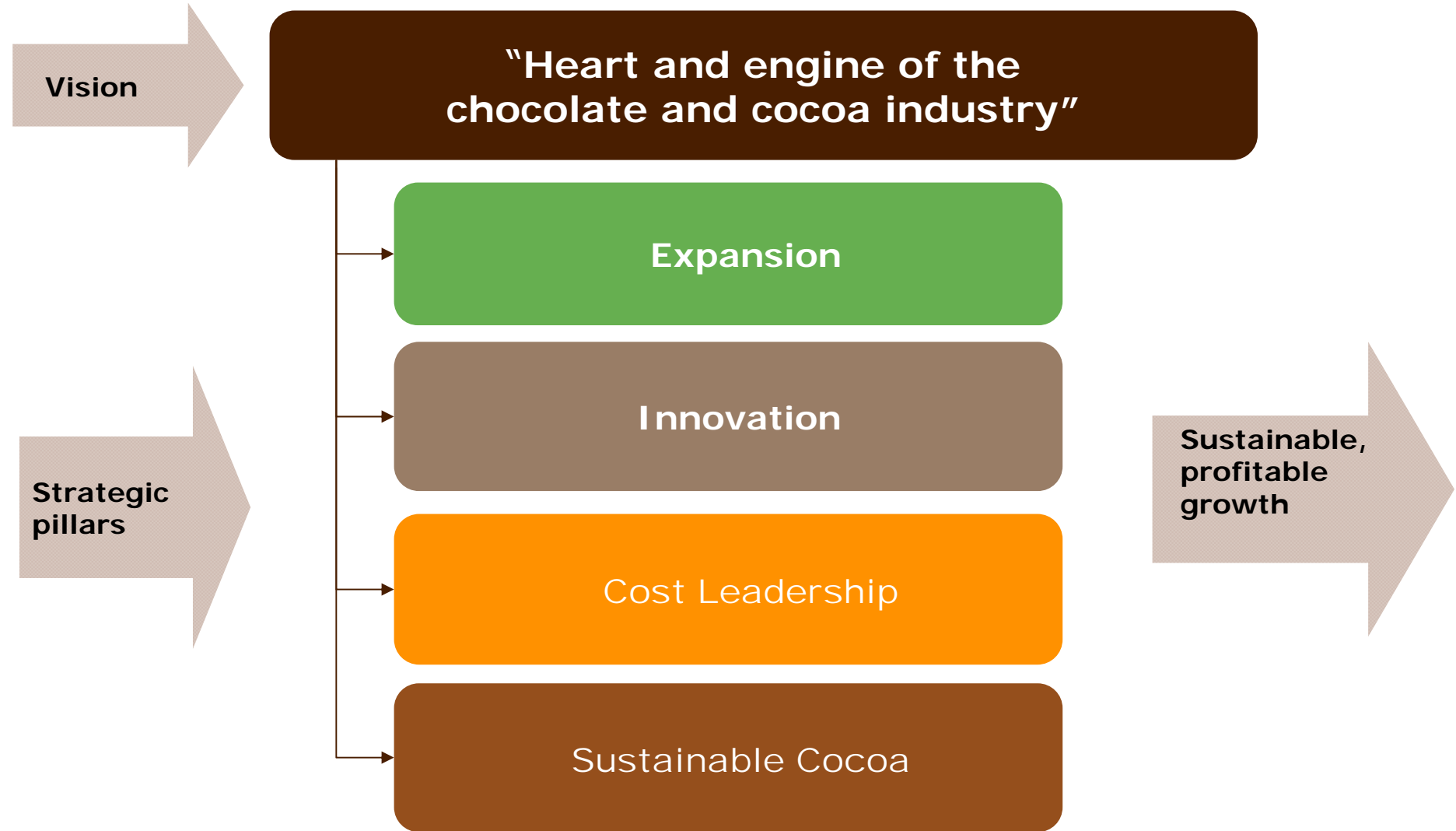
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Our strategy remains unchanged





Focus on Gourmet strategy implementation, delivers positive growth in particular global brands

Global Brands

Product Superiority global brands & differentiation on track

Innovation / Renovation

Best in class launch Cacao Barry «Purity from Nature» Callebaut «Hot Chocolate». Renovation of key recipes

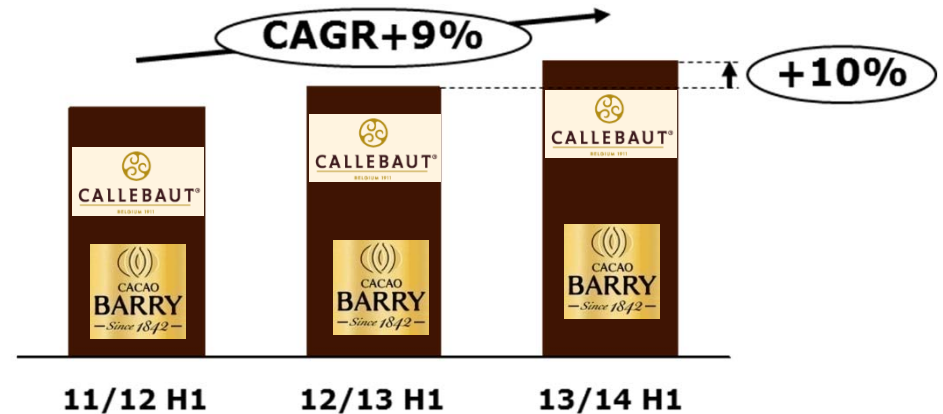
Balanced Push-Pull

Growing distribution points and multiple distribution networks in key markets

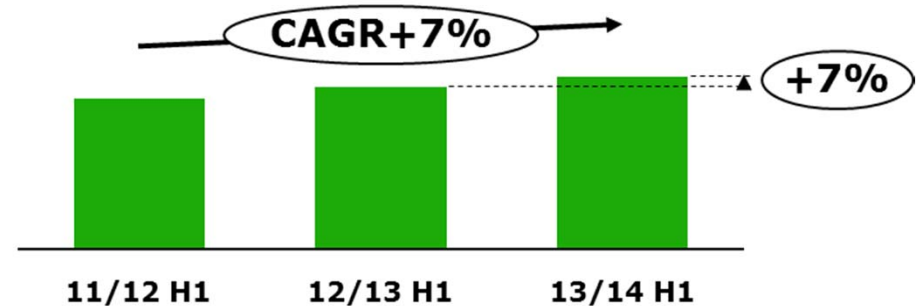
Best-in class customer service

Step change service & forecast accuracy. Zero defects quality

Sales volume evolution – Global brands



Sales volume – Gourmet & Specialties





Innovating based on insights and focus on 5 discovery areas

Portfolio

Discovery areas

Global Insights



Cocoa

Cocoa Science

Post harvest treatment, fermentation, bean identity, origin treats, color, taste, metabolomics, application



Chocolate

Structure, Texture & Sensory

Micro, processing, anti-bloom solutions, ganache, new textures, liquid drink, color, material science, oil structuring solutions



Compound & Fillings

Authenticity & Permissibility

Artisanal, natural, traceable, energy, sweet solutions, real chocolate, active health claims, sustainable, responsible



Specialties

Next Generation Process

Expeller, Simplification, Small batch for customization, whole bean roasting

Compounds & Fillings

Fat expertise, open innovation with fat suppliers, application knowledge, process optimisation

Daily luxury



Smart & Convenient



Virtuous simplicity



My food



Authenticity



Respect & Responsibility



Aim to increase volume and competitive advantages through our innovation

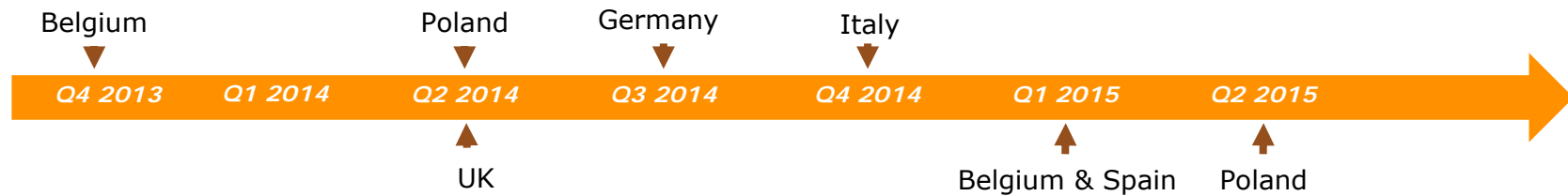


Production capacities expanded, while keeping manufacturing costs under control

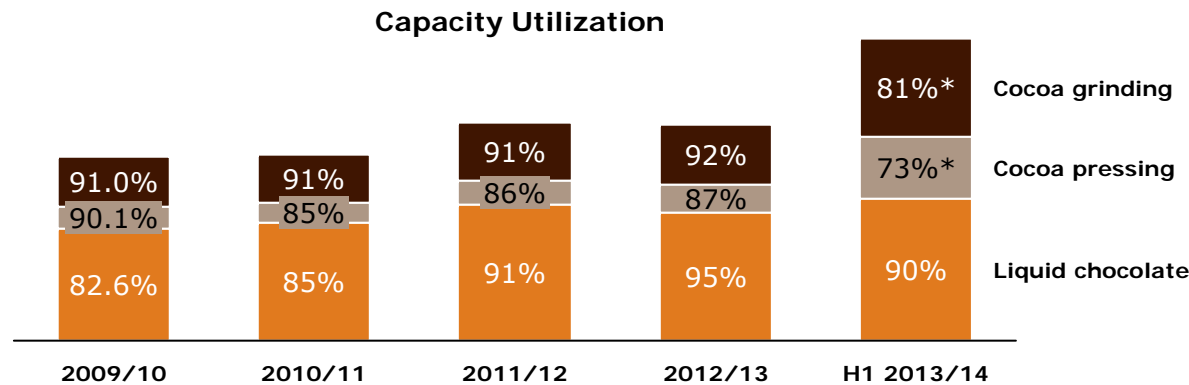
Cost Leadership

Expansion

- **Liquid chocolate capacity** utilization has improved, from end of last year now at 90% (target 82-85%). Focus on eliminating capacity constraints in Western Europe



- **Cocoa capacity** has significantly increased after the acquisition, now with headroom for future growth (target 90-92%)
- **Manufacturing costs** per tonne on a like-for-like basis: -0.8% vs prior year



* Installed capacity, after integrating the recently acquired cocoa business from Petra Foods



Full acquisition of Biolands: direct sourcing business model

- ▶ Barry Callebaut acquired a 49% stake in 2008 and acquired the remaining 51% Feb 18 2014
- ▶ Strategic step to increase our **direct sourcing activities** and with the aim to replicate the model in other countries
- ▶ Biolands is one of Africa's largest exporter of certified organic cocoa, working directly with ~ 70,000 farmers equivalent to ~8,000 tonnes, present in Tanzania, Sierra Leone and Côte d'Ivoire





Our key focus areas for 2013/14

- ▶ Integrate Petra Foods cocoa business and strengthen our position in cocoa powder
- ▶ Enhance profitability
 - ▶ Continue product margin improvement
 - ▶ Keep supply chain and fixed costs under control
- ▶ Full implementation of Project Spring
- ▶ Strengthen leadership in sustainable cocoa
- ▶ Accelerate talent management programs and succession planning





Integration of acquired business well on track...

Organization is in place

- Ensuring the best **balance between BC and ex-Petra resources on key positions** (Regional commercial organizations and global functions)

Commercial model has been implemented

- **Combined cocoa/chocolate sales teams and account allocation**, we significantly increase our reach towards our customers

Global supply chain is being optimized

- Leveraging on our increased factory footprint. **Optimizing** the use of each factory, while **limiting transportation costs**





...and identified synergies confirmed

Systems are being implemented

- **Streamline the business, starting up a project** to structurally identify what is needed from a process and systems perspective for the new/combined organization

Synergies are identified and tracked

- **Identified and confirmed synergies**, and put a **quarterly tracking in place** (project charters, clear owners, follow-up calls, etc.)

Culture & people

- **Key talents identified as well as the cultural differences. Constant communication** to keep out people high on the attention list





Project Spring: Achievements

Current status:

Fully implemented

Roll out ongoing



Customer Segmentation

What has been done

- **Customer segmentation** became **key decision driver**
- Enhanced differentiation in **Pricing** has led to significant **margin improvements**
- New **customer care** organisation, tools & processes give **first signs of improved service** to customers
- **S&OP** : Dedicated demand planners and monthly **S&OP meetings** in place
- **QA** : **Harmonised Certificates** & structured approach for customer requests & complaints

What still needs to be done

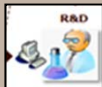
- Finalise roll outs & embed new processes



More responsive & profitable Pricing



Harmonised QA Processes



Faster & more focused NPI



Faster & better Customer Service



Pro-active S&OP process



Talent Management and Development

Talent Management Components

Talent Identification



- Talent Identification in all departments and sites based on performance and potential criteria (June-September 2013)

Talent Review



- Talent Review meetings in all regions and functional areas with business leaders (January 2014)
- Final Calibration Meeting in ExCo (April 2014)

Talent Program



- Feedback to talents
- Individual Development Plan
- Mentoring
- Exposure to Leadership Teams
- Strategic Project Involvement (tbc) (May – December 2014)



Chocovision 2014 Fast forward – From Cocoa to Chocolate – Inspiration, Innovation, Impact



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FAST FORWARD – FROM COCOA TO CHOCOLATE
INSPIRATION. INNOVATION. IMPACT.

International conference for senior business leaders and key stakeholders in the cocoa and chocolate industry
June 17–19, 2014, Davos/Switzerland



Guidance

Our mid-term financial guidance

- Guidance:**
- ▶ Volume growth: 6-8% on average per year until 2015/16
 - ▶ EBIT/tonne restored to Barry Callebaut's pre-acquisition level by 2015/16*

* As of consolidation of the cocoa business acquired from Petra Foods: EBIT per tonne CHF 256 – barring any major unforeseen events



Summary – HY 2013/14

- ▶ Strong profit growth +15.3% Total business; EBIT +8.8% Stand-alone
- ▶ Volume growth driven by Emerging Markets, outsourcing and strategic partnerships and Gourmet
- ▶ Integration well on track. Strong contribution of recently acquired cocoa business. First synergies realized
- ▶ Mid-term guidance confirmed



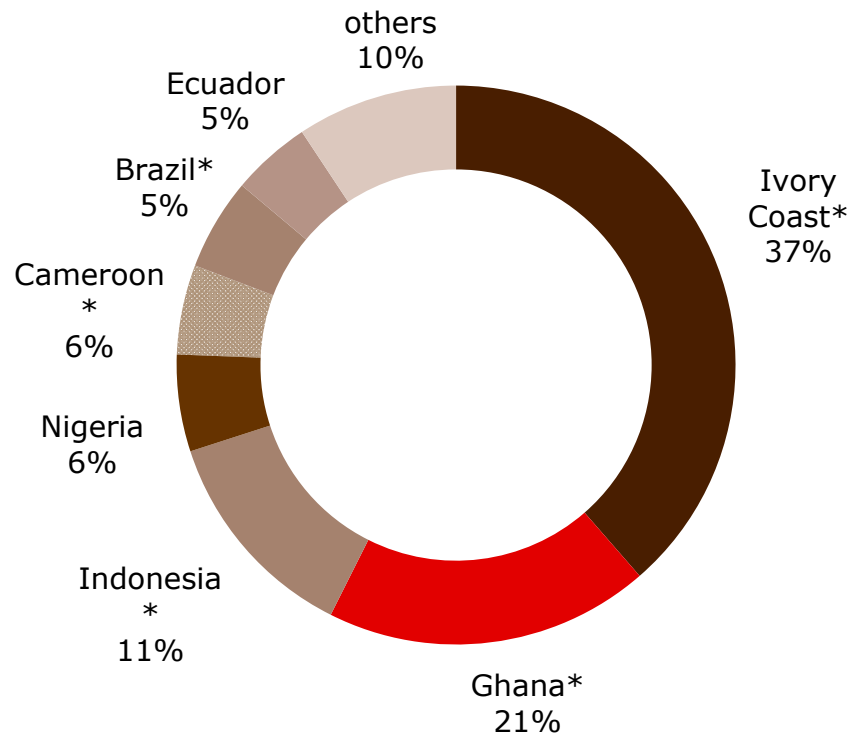


Appendix



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

Total world harvest (12/13): 3'986 TMT



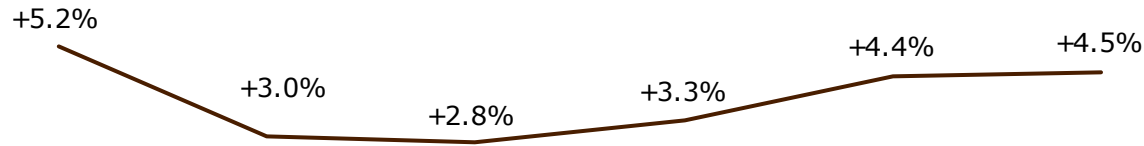
Source: ICCO estimates

- ▶ About 70% of total cocoa beans come from West Africa
- ▶ BC stand-alone processed ~620,000 tonnes or 16 % of the world crop
- ▶ BC (including recently acquired cocoa business) processed ~920,000 tonnes or 23 % of the world crop
- ▶ 65% sourced directly from farmers, cooperatives & local trade houses
- ▶ Barry Callebaut has various cocoa processing facilities in origin countries*, in Europe and in the USA



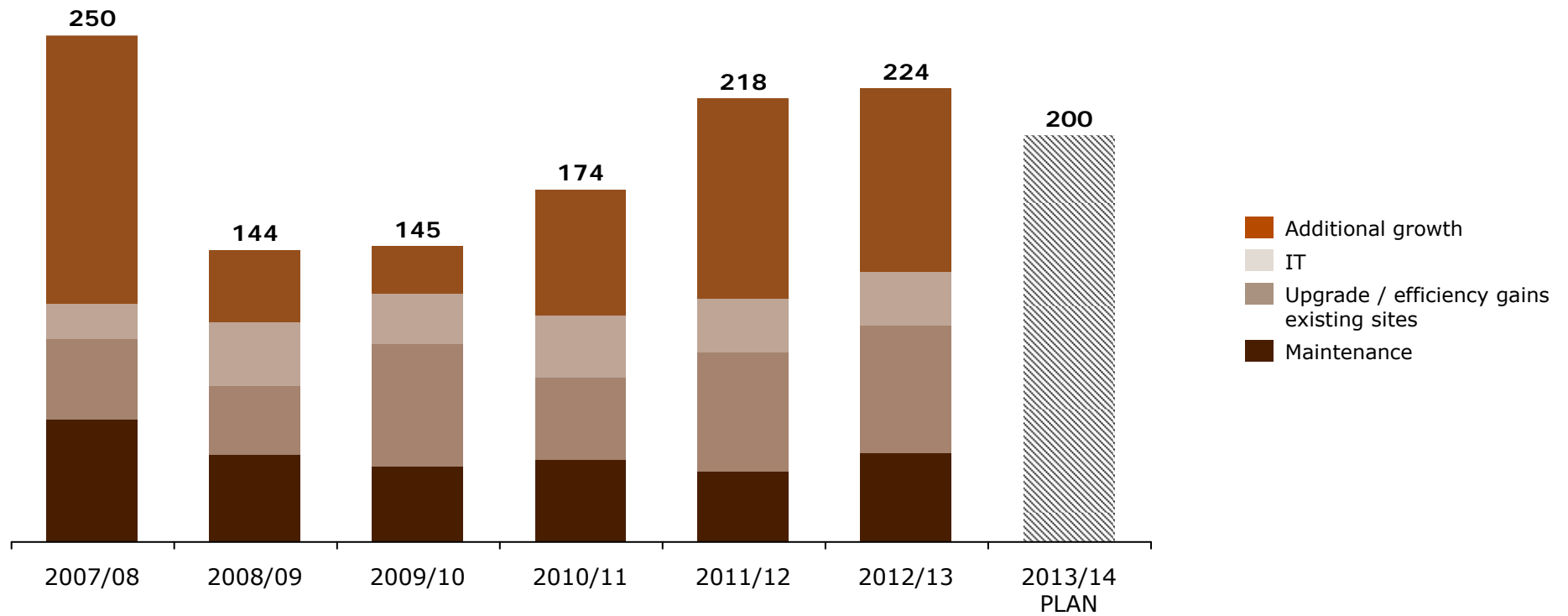
Capex investments support the growth of our business

in CHFm



CAPEX as % of sales revenue

Average = 4.0%





Stable financing offering headroom for future growth and average maturity of 6 years

Financing and liquidity situation as of Feb 28, 2013

in CHFm

