Rating Action: Barry Callebaut AG

MOODY'S AFFIRMS BARRY CALLEBAUT'S Ba2 CORPORATE FAMILY RATING AND CHANGES THE OUTLOOK TO POSITIVE

Approximately EUR 165 million of Rated Debt Securities Affected

London, 21 July 2005 -- Moody's Investors Service today affirmed the Ba2 corporate family rating (previously known as senior implied rating) of Barry Callebaut AG ("Barry Callebaut" or "the company") and changed the outlook for all ratings to positive. The ratings affirmation follows Barry Callebaut's proposed refinancing of its capital structure through new EUR 740.0 million senior credit facilities (not rated by Moody's) which will be used to refinance the existing EUR 575.0 million senior credit facilities and prepay in full the outstanding EUR 165.0 million senior subordinated notes callable starting from March 2007. Concurrently, Moody's withdrew its B1 senior unsecured issuer rating in line with Moody's announced policy to withdraw issuer ratings for speculative-grade corporate issuers.

In Moody's opinion, the proposed new senior credit facilities will (i) improve the level of flexibility of the company's capital structure, (ii) reduce its cost of funding especially in conjunction with the prepayment of the high-yield bond expected on or after March 2007 and (iii) extend the maturity of current bank facilities. The new facilities will be guaranteed by the company's operating subsidiaries representing at all times at least 70% of consolidated fixed assets and 80% of consolidated EBITDA and will rank contractually senior to the existing EUR 165.0 million senior subordinated notes until the expected prepayment has taken place.

Moody's also notes that the margin on the new senior debt instrument will be adjusted according to the company's credit rating and net senior debt/EBITDA ratio. In addition, the bank documentation will allow the company to carve out up to CHF 60.0 million non-cash restructuring costs from the covenants calculation for 31 August 2005 which will provide additional headroom within the new set of covenants.

Since the initial rating in March 2003, Barry Callebaut has significantly improved its financial profile by reducing the portion of short-term debt on balance sheet and strengthening its credit metrics. In particular, the company has successfully managed to reduce its Adjusted Total Debt/EBITDAR ratio to 3.7x at the end of financial year 2004 from 5.1x for FY02 and increase its Adjusted RCF/Net Adjusted ratio to 16.7% for financial year 2004 compared to 5.7% at the end of financial year 2002.

The Ba2 corporate family rating also positively reflects the company's strong operating performance reported over the last two years in the food manufacturing and gourmet and specialties businesses which Moody's expects to continue to drive top line growth through geographic and product offering expansion over the near- to medium-term. However, this has been so far largely offset by poor operating results at the company's European consumer product division which still suffers from production inefficiencies, unfavourable product mix changes and rising costs of certain raw materials (i.e. hazelnut).

In response to its weak performance in consumer product Europe, the company has recently announced the intention to book additional CHF 49 million cash restructuring costs during fourth quarter 2005. The restructuring initiatives will mainly focus on the adoption of SAP, the optimisation of the logistics infrastructure and reduction of personnel in its European consumer business which should overall generate approximately CHF 40-50 million cost savings in year three. Additional CHF 45 million non-cash restructuring costs will be also booked in financial year 04/05 in connection with stock and other fixed assets impairment.

Moreover, the company has progressively reduced the risk of sourcing cocoa beans from the Ivory Coast by increasing sourcing from other countries (i.e. Ghana, Brazil and Indonesia) and stocking higher levels of cocoa beans in its European warehouses.

However, the company remains exposed to the volatility of the cocoa bean price which may affect its liquidity profile and absolute amount of debt through increased working capital requirements. On the other hand, Moody's notes that the company's conservative hedging policy and the large proportion of revenues based on certain price mechanisms partially mitigate the potential impact of large swings in cocoa bean price on the company's operating performance.

More positively, the ratings continue to reflect (i) Barry Callebaut's leading market position in the industrial chocolate market, (ii) its successful track record in new product launches and geographic expansion and (iii) the stable worldwide chocolate consumption and low elasticity of chocolate demand to cocoa prices.

The positive outlook reflects Moody's expectations that the company's credit metrics and cash flow generation profile will further improve mainly reflecting (i) profitable sales volume expansion following new production capacity investments in Far East and Russia (ii) a recovery in operating performance from financial year 05/06 as consequence of the recently announced restructuring initiatives and (iii) a lower cost of funding following the proposed refinancing.

Therefore, a reduction in financial leverage and retained cash flow levels steadily in the high teens combined with a visible recovery in profitability in consumer product Europe are likely to lead to a rating upgrade.

Conversely, any material increase in financial leverage above existing levels or a deterioration in cash-flow based credit metrics (namely Retained Cash Flow/Adjusted Net Debt ratio) or a material debt-funded acquisition are likely to place downward pressure on the ratings.

The ratings affected by today's rating action are as follows:

- Ba2 corporate family rating affirmed

- B1 senior unsecured issuer rating withdrawn

- B1 rating on the EUR 165.0 million senior subordinated notes due 2010 affirmed

Headquartered in Zurich, Barry Callebaut is a leading worldwide manufacturer of industrial chocolate and chocolate-based consumer products. For the last twelve months ended 31 May 2005, Barry Callebaut reported sales and EBITA of CHF 3.97 billion and CHF 259.0 million, respectively. The company also reported total debt of CHF1.14 billion as of 31 May 2005.

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