Rating Action: Barry Callebaut AG

Moody's upgrades Barry Callebaut to Ba1. Outlook stable.

Approximately EUR 165 million of Rated Debt Securities Affected

London, 27 November 2006 -- Moody's today upgraded the corporate family rating of Barry Callebaut AG ('the company') to Ba1 and upgraded to Ba3 the rating on the EUR 165 million senior subordinated notes due 2010 issued by its subsidiary Barry Callebaut Services N.V. The outlook is stable.

The upgrade reflects the company's solid track record of stable operating margins and credit metrics amidst modest top line growth in the company's core markets. Moody's believes that management is taking the necessary steps to address the main challenges in the chocolate industry, notably diversifying sourcing within volatile West African markets, investing in new production sites and sales outlets in higher growth markets, notably Russia and China, whilst introducing new products in more mature markets aimed at increasingly health cautious consumers. Moody's believes that these factors, combined with cost savings emanating from recent restructuring at Stollwerck and Brachs and the implementation of SAP, should benefit the company's future performance and cash flow characteristics. The company has also addressed the early redemption of its senior subordinated notes on or after March 2007 with its bank facilities, which is expected to reduce the company's overall interest burden.

The ratings remain constrained, however, by the still fairly high leverage of the company, with Adj. Total Debt to EBITDA at 4x in fiscal year 2006. In addition, the company's operating cash flow is still likely to remain volatile as a result of swings in working capital requirements, as was the case in fiscal year 2006. Free cash flow generation is also expected to be impacted by the company's investment spending in coming years.

The stable outlook reflects Moody's view that the company's market position and innovative abilities will enable it to retain a steady growth in profitability, while swings in working capital volatility are likely to remain an inherent feature of the credit profile. An upward revision in the outlook could result from a sustained strengthening in operating profits and cash flows from more rapid market growth, potentially from investments in new markets. Downward pressure on the rating or outlook could occur if credit metrics weakened as a result of raw material supply difficulties of if the investments in new markets fail to achieve the desired benefits. The rating is also likely to be revisited if the company embarks upon a material increase in M&A activity.

Headquartered in Zurich, Barry Callebaut is a leading worldwide manufacturer of industrial chocolate and chocolate-based consumer products. For the financial year ended 31 August 2006, Barry Callebaut reported sales and EBIT (before restructuring charges) of CHF 4.26 billion and CHF 293.1 million, respectively.

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