Rating Action: Barry Callebaut AG

Moody's affirms Barry Callebaut rating at Ba1 stable; proposed bond rated (P)Ba1

London, 28 June 2007 -- Moody's Investors Service has today affirmed the Ba1 Corporate Family Rating of Barry Callebaut ('the company'), with a stable outlook. At the same time, the agency has assigned a (P)Ba1 rating to the proposed EUR 350mn Senior Notes due 2017.

Moody's believes that the notes will enhance the company's sources of liquidity while extending the company's debt maturity profile and increasing the share of fixed rate debt. The enhanced liquidity should provide the company with greater flexibility to manage increased raw material prices and fulfil its commitments under two recent partnership agreements with Hershey and Nestle, while providing a back-up facility for its ongoing ABS and CP programmes.

At the time of issuance, Moody's expects that the company's total debt burden will remain virtually unchanged, as the entire notes proceeds (minus transaction fees) will be used to refinance existing borrowings, notably the drawings under the company's EUR 850mn Senior Unsecured Credit Facility. Moody's expects, nevertheless, that the additional liquidity will be used in part to fund the company's expansion in new countries, while also being required to fund potentially higher volatility in working capital cycles on account of increased raw material prices, notably for cocoa.

Following the transaction, the company's liquidity is expected to consist predominantly of its EUR 850mn credit facilities, which are expected to be undrawn following the completion of the transaction. A significant portion of these facilities is retained as a back-up for the ongoing ABS and CP programmes, which amounted to CHF 354mn (EUR 213mn) and CHF 255mn (EUR 154mn), respectively, at the end of FY2006. Moody's notes that significant liquidity is also required to cover seasonal swings in working capital.

The notes are to be issued by Barry Callebaut Services NV (Belgium), and guaranteed by the direct parent company, Barry Callebaut AG and certain of its subsidiaries. The notes will be senior unsecured obligations of the issuer, and will rank pari passu with all other such obligations of the issuer, including the existing EUR 850mn senior unsecured credit facility. Moody's cautions that there may be limitations on the enforceability of guarantees under different jurisdictions. The Notes are assigned a (P)Ba1 rating (LGD4, 60%), the same level as the CFR, on the basis that they will be subordinated to only a limited amount of secured debt and debt at the non-guarantor level. At the same time, Moody's has changed the Probability of Default (PD) rating for the company from Ba2 to Ba1, based on a 50% expected recovery rate which is generally applied to companies with both bank and bond debt.

The outlook remains stable, as Moody's expects that future borrowings of the company will be commensurate with the company's own growth. If the company were able to improve its credit metrics with Adjusted Debt/EBITDA falling below 3.5x on a sustainable basis versus 4x recorded at the end of FY2006, possibly benefiting from new partnership agreements, this could be positive for the ratings or outlook. If the company's adjusted Debt/EBITDA were to rise above 4.5x, possibly resulting from an inability to pass on rising raw material prices to the client base, the rating or outlook could be revised downward.

Barry Callebaut AG, incorporated in Zurich Switzerland, is a fully integrated company from the sourcing of raw materials through to the production of semi-finished and finished chocolate products. In the twelve months to February 2007, the company reported revenues and EBITDA (before exceptionals) of CHF 4.2bn and CHF 421mn, respectively.

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