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Strategic alliance between Barry Callebaut and Morinaga in Japan: Barry Callebaut to gain a strong foothold in Japan by acquiring production capacities from Morinaga

- **Barry Callebaut plans to acquire production capacity in the highly attractive Japanese chocolate market from Morinaga, one of Japan's largest confectionery companies**
- **Transaction comprises a long-term supply agreement and underscores Barry Callebaut's outsourcing and geographic expansion strategy**
- **Morinaga plans to secure a stable procurement of liquid chocolate, to realize manufacturing cost reduction, and to further strengthen its chocolate business**

Zurich/Switzerland, Tokyo/Japan, September 26, 2007 – Barry Callebaut, the world's leading manufacturer of high-quality cocoa and chocolate products, and Morinaga, one of Japan's largest food companies with numerous established brands, today announced their intention to enter into a strategic alliance. The alliance involves the sale of cocoa and chocolate production equipment by Morinaga to Barry Callebaut. At the same time the two companies will enter into a 10-year supply agreement for 9,000 metric tonnes a year – doubling Barry Callebaut's sales volumes in Japan. The transaction with Morinaga will allow Barry Callebaut to gain a strong foothold in the Japanese market, which is driven by growing consumer demand for super-premium and health-enhancing chocolate.

Through the alliance with Barry Callebaut, Morinaga plans to secure stable procurement of liquid chocolate, realize manufacturing cost reduction, and change its business model for more efficient operations and a further strengthened chocolate business.

As part of the agreement Barry Callebaut will lease land and buildings from Morinaga and will operate the cocoa and liquid chocolate department at Morinaga's factory in Amagasaki near Osaka, Japan. Barry Callebaut will upgrade the production lines, creating a total production capacity of 20,000 tonnes. The newly acquired production capacities will allow Barry Callebaut to better serve its growing industrial and artisanal customer base in the highly attractive Japanese chocolate market. Even though chocolate is not part of the traditional Japanese diet, Japanese consumers eat as much as 2.2 kilograms of chocolate per capita a year.

Patrick De Maeseneire, CEO of Barry Callebaut, said: "Morinaga pioneers the Japanese confectionery market since 1899. Its passion for nutritious and superior tasting confectioneries fits well with Barry Callebaut's focus on innovation and premium chocolate. The transaction with Morinaga is a milestone in our strategy to strengthen our footprint in the fast-growing Asian markets. Our planned expansions in Japan, China and India will give us access to more than 2.5 billion potential future consumers. Japanese consumers particularly appreciate the health benefits of the cocoa bean and prefer premium chocolate with a high cocoa content, areas which are a great strength of ours."

Gota Morinaga, Chairman of Morinaga, said "Barry Callebaut is a leading manufacturer of high-quality cocoa, chocolate, and confectionery products worldwide and we regard this business alliance so significant for our future business expansion. The alliance will enable



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us to obtain up-to-date information on the world chocolate market and more opportunities for product development. It will also help us to realize further manufacturing cost reductions and change our business model for more efficient operation. As a company continuing to deliver value and inspiration to consumers, we are confident that both companies will be able to make the leap forward under this partnership.”

Barry Callebaut will start deliveries to Morinaga within 12 months of the signing of the final agreement.

Barry Callebaut has been present in the Asia-Pacific region with a chocolate factory in Singapore since 1997, a sales office in Japan since 2004 and a sales office in China since 2006. In the second half of 2007, the company will open a sales office and a Chocolate Academy in India. Barry Callebaut’s new chocolate factory in Suzhou near Shanghai, China, will be operational by the end of 2007 and be officially inaugurated in January 2008. With these initiatives, Barry Callebaut strengthens its worldwide presence to the benefit of its global customers and is ready to capture growth opportunities in the most important and promising markets in Asia.

Barry Callebaut and Morinaga expect the final agreement to be signed by the end of 2007 and have agreed not to disclose any financial details of the transaction. The transaction is subject to regulatory approvals.

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Morinaga & Co., Ltd. (www.morinaga.co.jp/english/index.html)

“We Offer Good Health with Delight and Taste” – Tokyo-based Morinaga was a pioneer who laid the foundations of the confectionery industry in Japan more than a century ago. Its goal is to “deliver value and inspiration to our customers through food”. With consolidated annual sales of JPY 167.2 billion (USD 1,417 million / EUR 1,030 million / CHF 1,702 million) for fiscal year 2006/07 ended in March 2007, the company currently has four core businesses: confectionery, food stuffs, frozen desserts and health products, and numerous well-known and established brands.

Barry Callebaut (www.barry-callebaut.com):

With annual sales of more than CHF 4 billion for fiscal year 2005/06, Zurich-based Barry Callebaut is the world’s leading manufacturer of high-quality cocoa and chocolate products – from the cocoa bean to the finished product on the store shelf. Barry Callebaut is present in 23 countries, operates 40 production facilities and employs more than 8,000 people. The company serves the entire food industry, from food manufacturers to professional users of chocolate (such as chocolatiers, pastry chefs or bakers), to global retailers. It also provides a comprehensive range of services in the fields of product development, processing, training and marketing.

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