



# Barry Callebaut

Roadshow presentation Q1 2009/10

January 2010





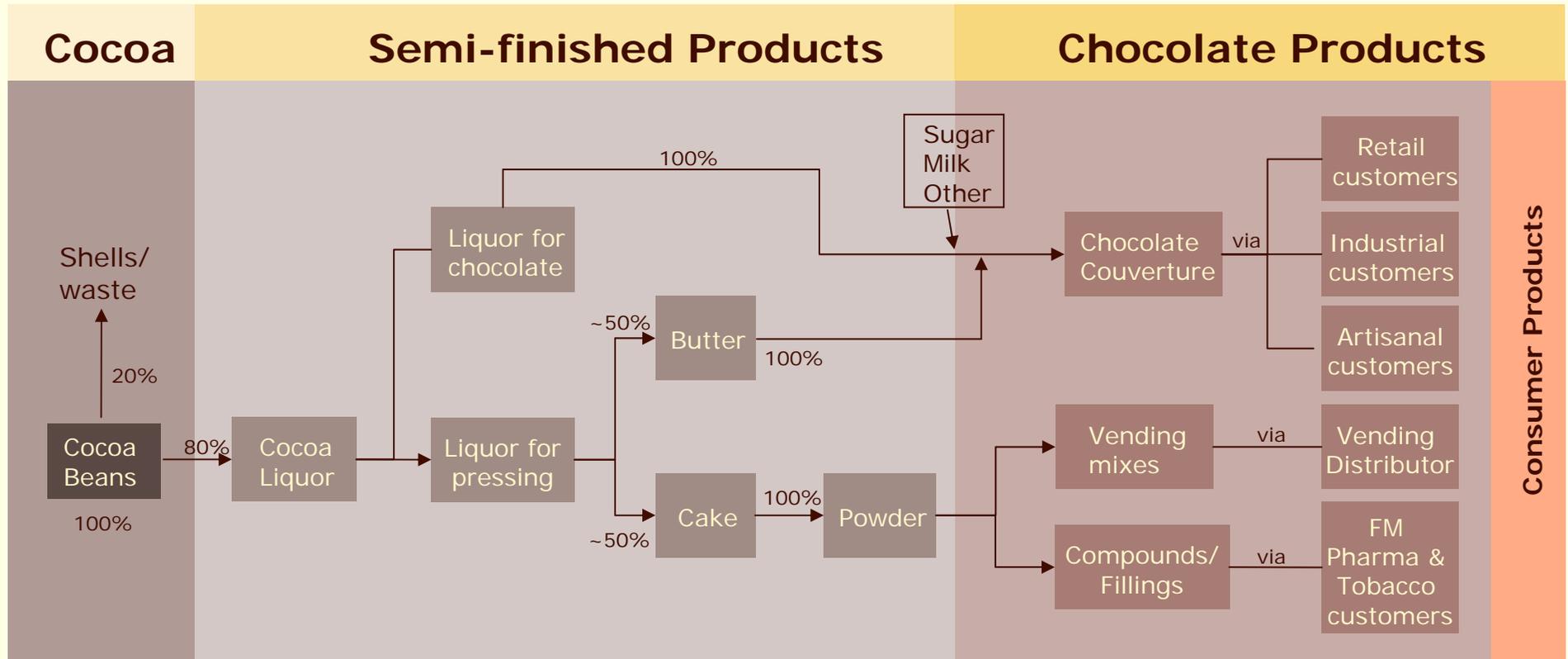
# Agenda

- ▶ **Barry Callebaut at a glance**
- ▶ Highlights and Financials Q1 2009/10
- ▶ Strategy going forward & market opportunities
- ▶ Outlook





# Barry Callebaut is active along the entire cocoa and chocolate value chain

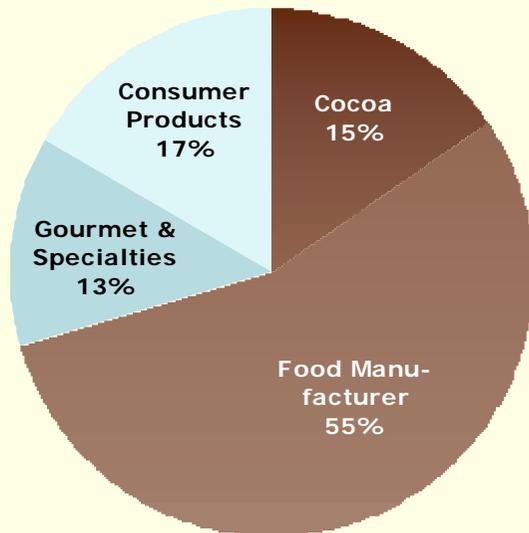




# Barry Callebaut at a glance

FY 2008/09

Net revenue: CHF 4.9 bn



EBIT CHF 350.8 m

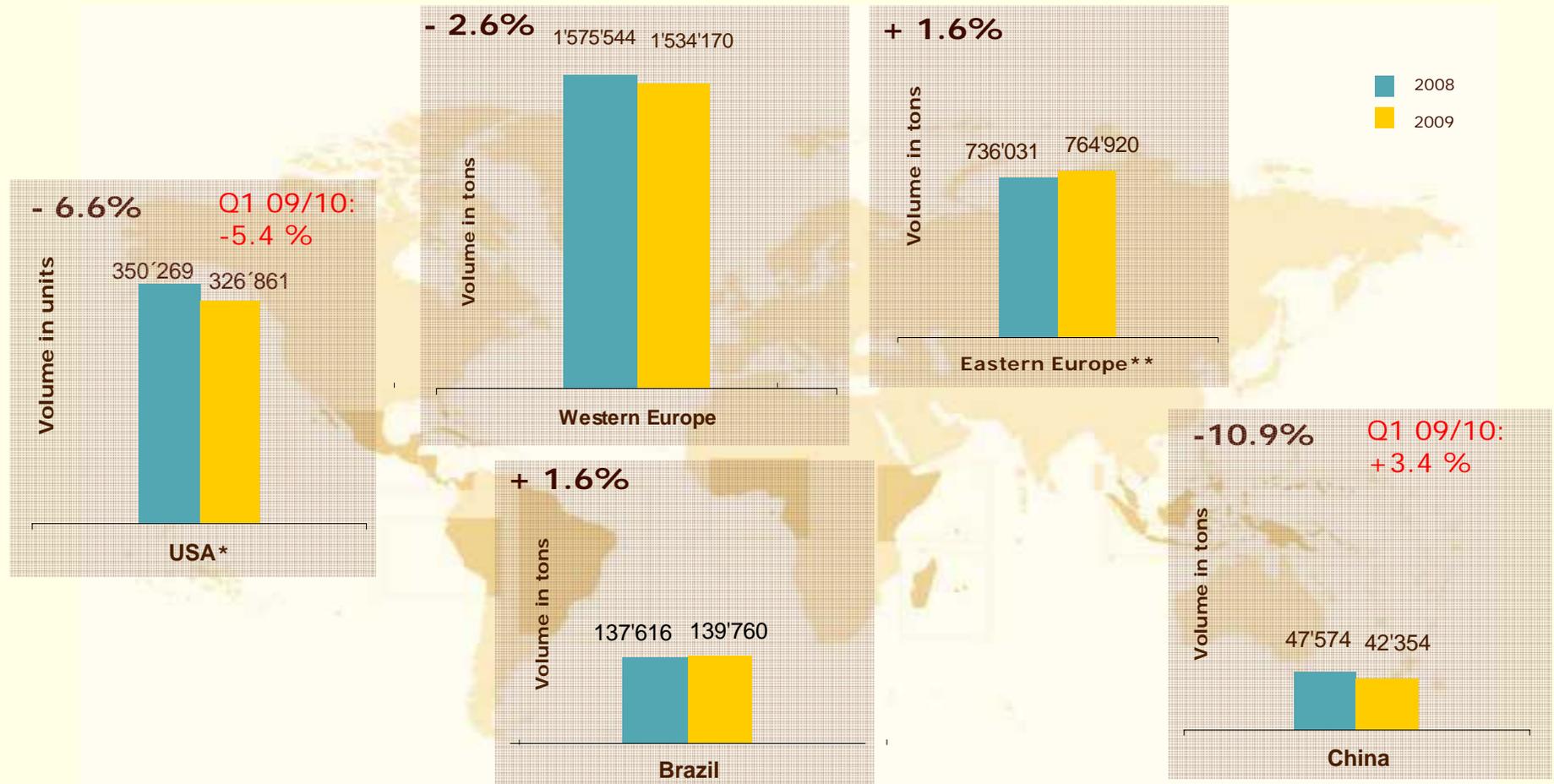
Net Profit CHF 226.9 m

- ▶ **World leader** in high-quality cocoa and chocolate products and **outsourcing partner** of choice, with over **40% share** in the industrial chocolate market
- ▶ World's **largest supplier of Gourmet & Specialties chocolate** for artisanal customers
- ▶ **Global service and production** network, employing about **7,500 people** worldwide, 40 production factories
- ▶ **Fully integrated** with a strong position in the countries of origin
- ▶ **Close to 1,700 recipes** to cater for a large variety of individual customer needs
- ▶ **Low cost production** with large number of focused chocolate & cocoa factories
- ▶ Achieved **consistent earnings stream**



# Global chocolate consumption is still sluggish

Global chocolate market declined by more than 2% in volume FY 08/09



Source: Nielsen Data, Chocolate Confectionery, Sept 08 – July 09. Note: coverage and reporting periods of Nielsen varies from country to country

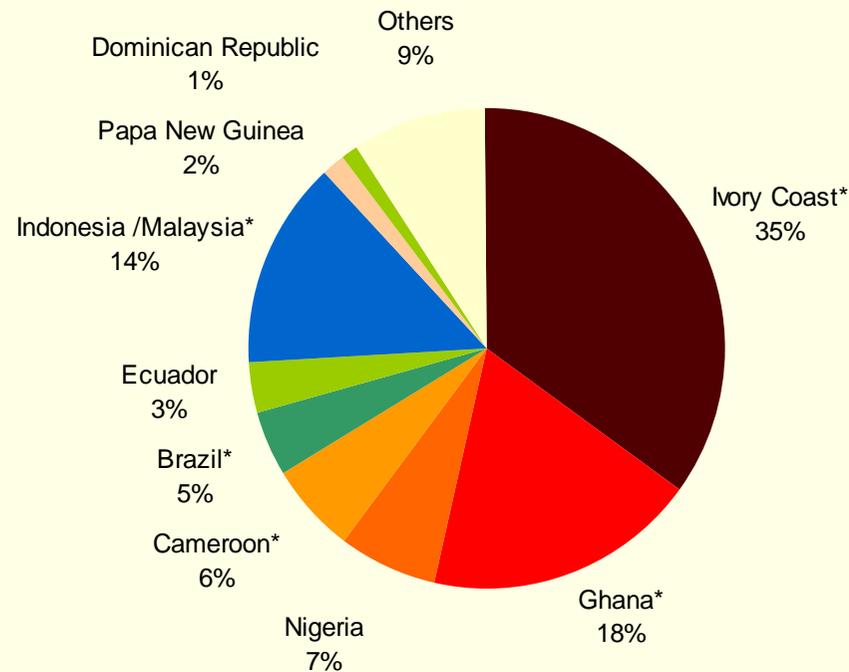
\* USA figures are in 10'000 units not in tons and exclude Wal-Mart / USA: total chocolate categories (incl. Spreads, Cookies, Ice Cream, Drinks)

\*\* Eastern Europe: Russia, Ukraine, Poland, Turkey



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

Total world harvest (08/09): 3 456 k MT



- ▶ BC sources ~540k MT/y (08/09) cocoa, thereof 65% directly from farmers, cooperatives & local trade houses
- ▶ BC has various cocoa processing facilities in origin countries\*, in Europe and in the USA



# Third year of cocoa deficit despite significantly decreased grinding volumes

Cocoa production versus consumption

Crop year	Gross crop	Grinding	Surplus/deficit*	End of season stock
2005/06	3776	3508	239	1891
2006/07	3426	3658	-266	1625
2007/08	3718	3743	-62	1563
2008/09	3456	3494	-73	1490

\*Current net world crop (gross crop adjusted for loss in weight) minus grindings

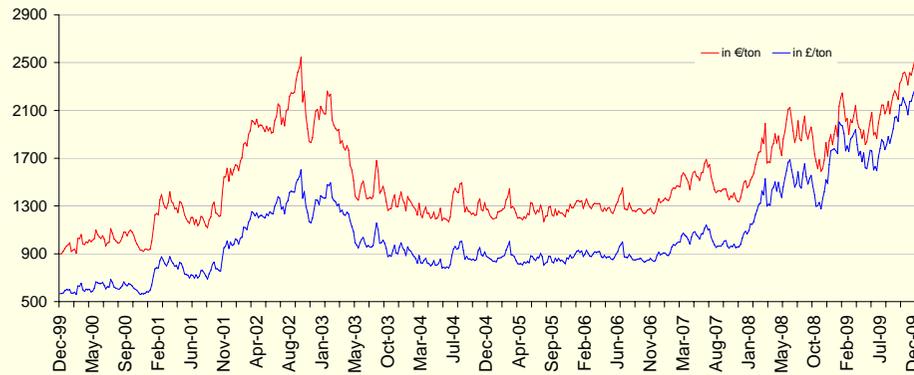
- ▶ Three years with crop deficit in a row, a fourth one is partly expected
- ▶ Strong beginning of 09/10 crop, yet crop expected to be short and weak mid-crop 09/10 expected.



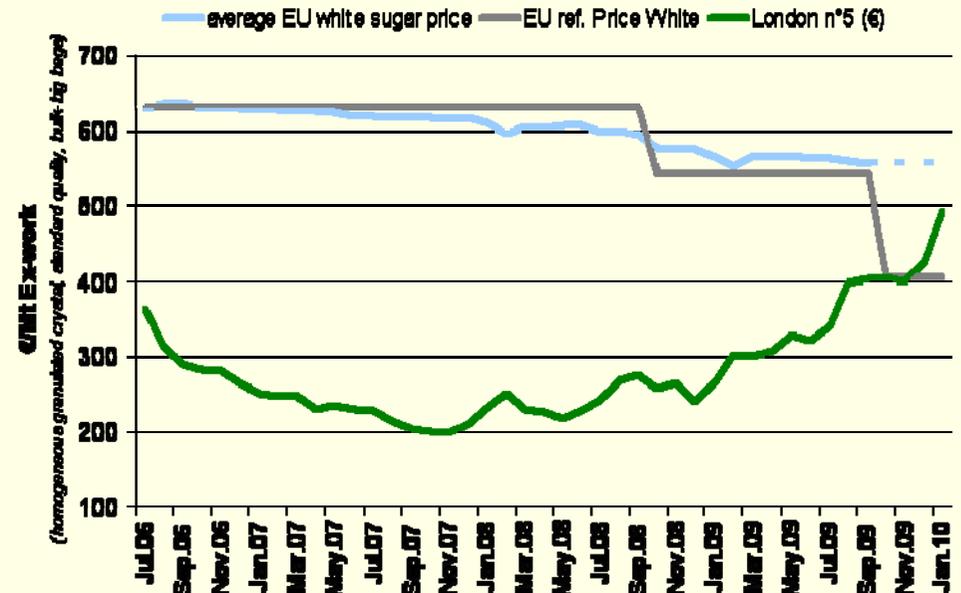
# Raw material price development

## Most relevant raw material prices have increased

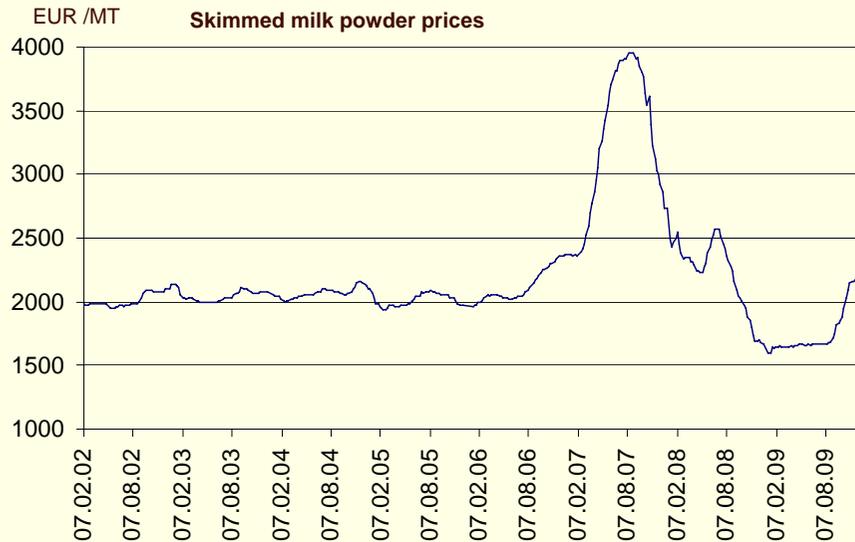
London Cocoa 2nd Position – weekly close in £/ton in EUR/ton



London Sugar No. 5 – 1st position



Skimmed milk powder prices



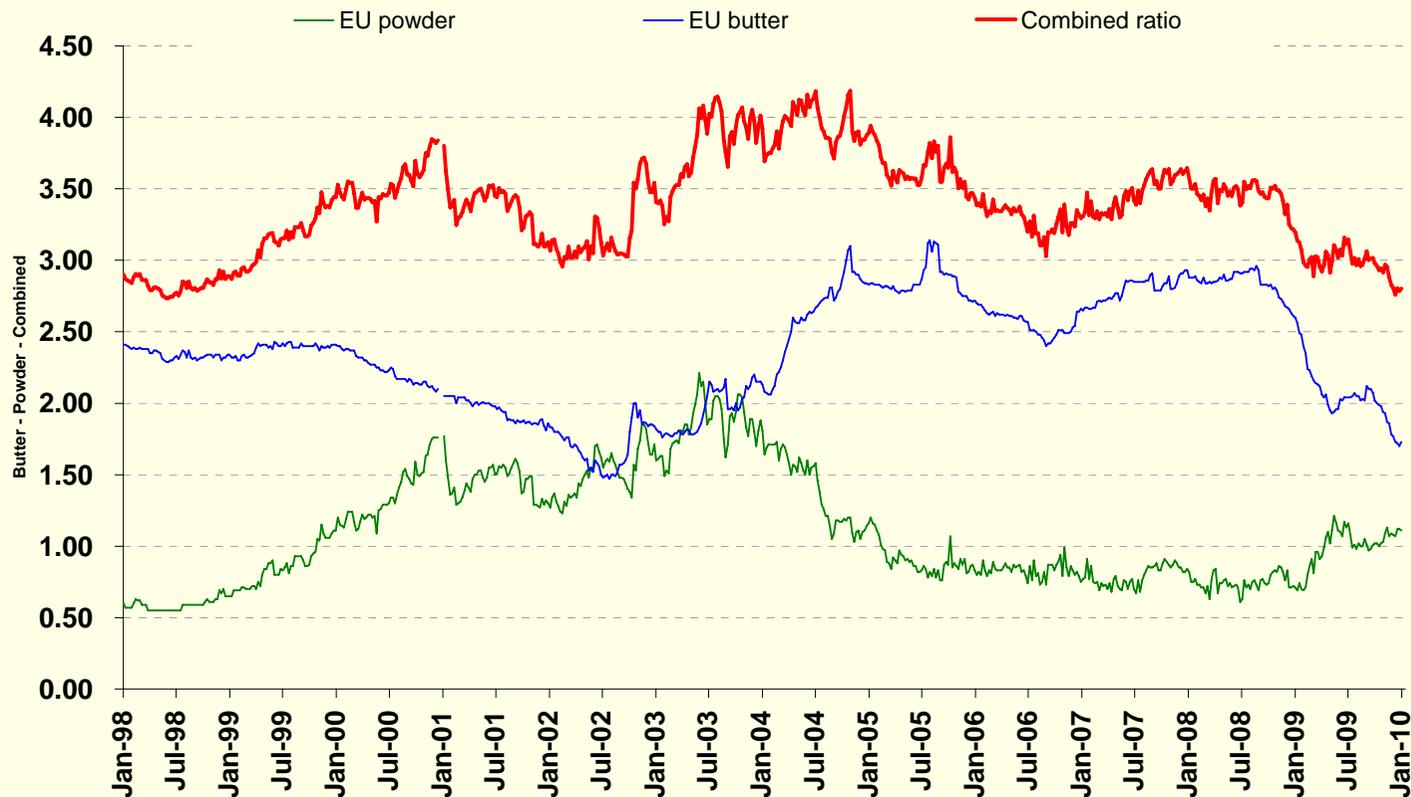
- ▶ BC's cost plus model for 80% of volume
- ▶ Cocoa price significantly above long-term average
- ▶ Steep increase in world sugar prices lately, yet Barry Callebaut is mainly sourcing in local, regulated sugar markets with different price mechanics



# Raw material price development

## Combined ratio hovering at low levels

Cocoa powder-butter combined ratio\* – European ratios 6 months forward against LIFFE



- ▶ Combined cocoa ratio\* was favorable in H1 2008/09, yet has been falling since start CY 2008 and again since November 2009 – currently hovering at low levels
- ▶ Low combined cocoa ratios have a negative impact on BC cocoa (semi-finished products) business

# Cocoa, dairy, and sugar are the most important raw materials we source



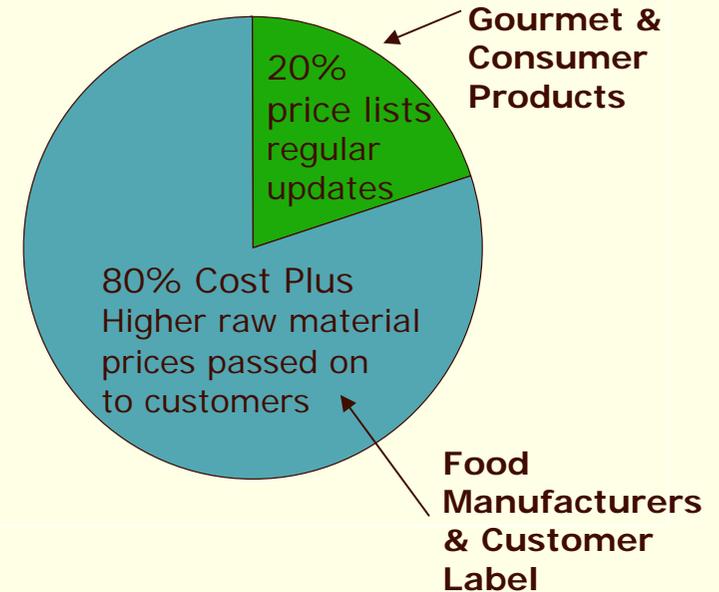
## 100g chocolate tablet contains:

	Milk	Dark
Cocoa liquor	11g	44g
Cocoa butter	24g	12g
Milk powder	22g	-
Sugar	42g	43g
Other	1g	1g

## BC sourced in 08/09:

		% of total raw material value
Cocoa	541 KT	51%
Sugar	450 KT	11%
Dairy	120 KT	12%
Oils and Fats	58 KT	3%
Other		24%

## Barry Callebaut business model



**Major profit drivers** are in manufacturing (capacity utilization), supply chain optimization, logistic costs and competitive environment (commodities vs specialties)



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Key figures FY 08/09

## Strong profit growth in local currencies

	<b>Change</b> In local currencies	<b>Change</b>	<b>FY</b> <b>2008/09</b>	<b>FY</b> <b>2007/08</b>
<b>Sales volume</b> [in tonnes]		<b>4.1%</b>	<b>1'213'610</b>	<b>1'166'007</b>
<b>Sales revenue</b> [CHF m]	8.5%	<b>1.3%</b>	<b>4'880.2</b>	<b>4'815.4</b>
<i>CHF per tonne</i>	4.3%	-2.6%	4'021	4'130
<b>Gross profit</b> [CHF m]	7.0%	<b>1.0%</b>	<b>707.8</b>	<b>700.8</b>
<i>CHF per tonne</i>	2.8%	-3.0%	583	601
<b>EBITDA</b> [CHF m]	9.2%	<b>2.8%</b>	<b>456.1</b>	<b>443.7</b>
<i>CHF per tonne</i>	4.9%	-1.2%	376	381
<b>EBIT</b> [CHF m]	9.5%	<b>2.8%</b>	<b>350.8</b>	<b>341.1</b>
<i>CHF per tonne</i>	5.2%	-1.2%	289	293



# Maintaining strong top-line growth in Q1 09/10

Sales volume in '000 Metric Tons

	Change in %	Q1 09/20	Q1 08/09
Group	+7.2%	363.0	338.5
Global Sourcing & Cocoa	+14.0%	57.5	50.4
Europe	+2.4%	216.2	211.0
Americas	+15.6%	76.8	66.5
Asia-Pacific	+17.7%	12.4	10.6

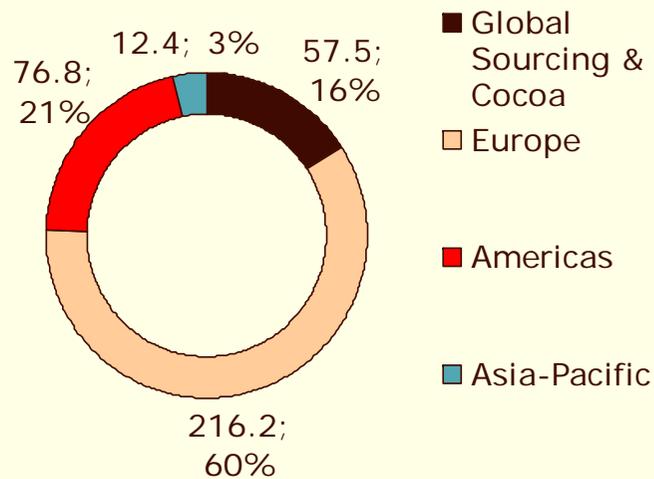
- ▶ Sales volumes up 7.2% in a still fragile economic environment
- ▶ Europe volume increased in the wake of recessionary markets
- ▶ Strong sales performance of Americas driven by national accounts and implementation of outsourcing
- ▶ Strong performance of Asia on a still low basis



# Americas and Global Sourcing & Cocoa are biggest absolute growth contributors in Q1

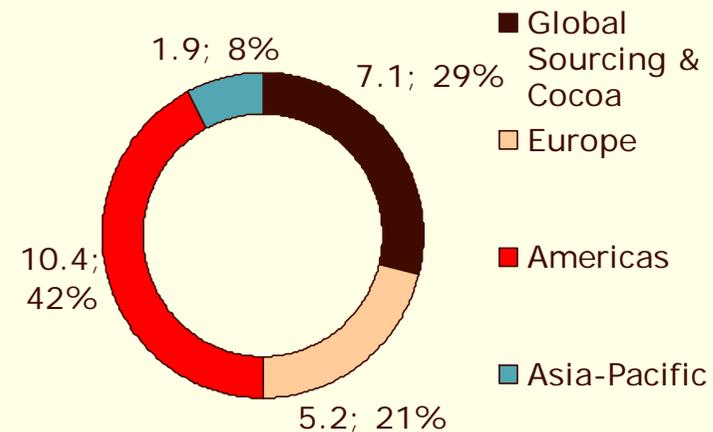
Sales volume distribution Q1 2009/10  
[000 MT]

Group: 363



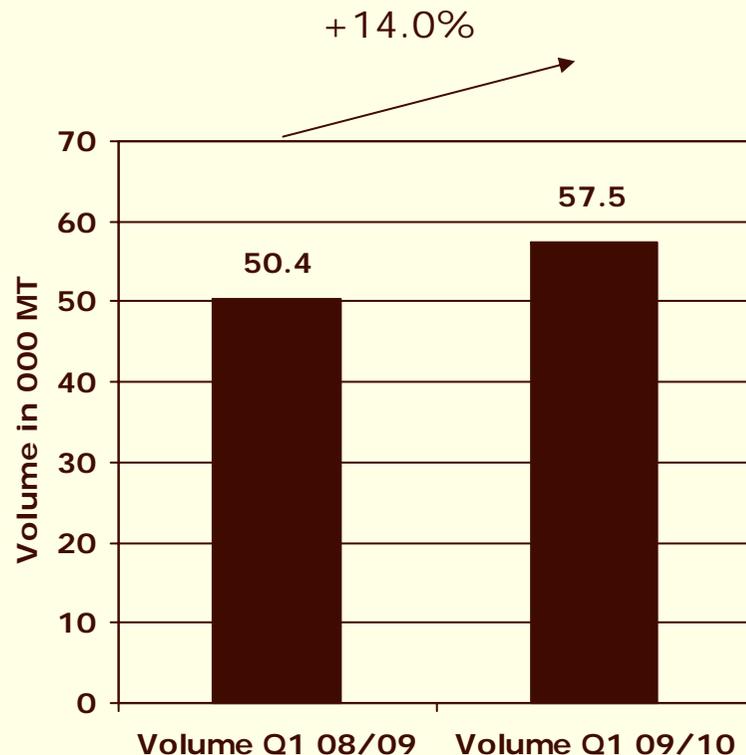
Sales volume growth Q1 2009/10  
[000 MT]

Group: 24.5





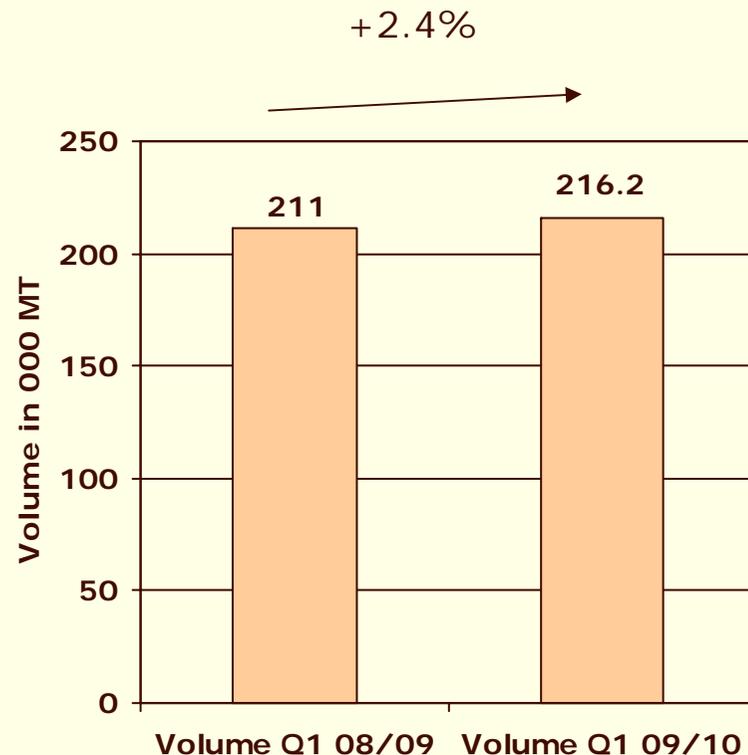
# Global Sourcing and Cocoa – good growth but depressed combined cocoa ratio



- ▶ Cocoa terminal markets further advanced and reached 33-year high in London in the wake of concerns about the 09/10 crop in Ivory Coast and Ghana
- ▶ BC increased volumes by 14%, driven primarily by higher sales in Americas and strong demand for cocoa powder
- ▶ The combined cocoa ratio remained under pressure, negatively impacting the profitability of the division.



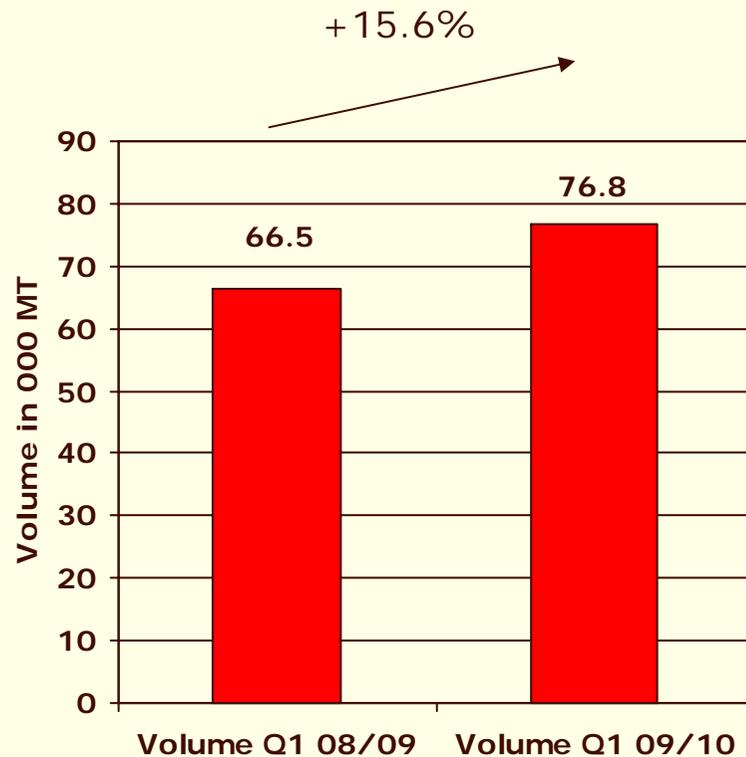
# Europe – sales volume increase in the wake of recessionary environment



- ▶ Market demand in Western Europe stabilizing, in Eastern Europe no clear signs of recovery yet
- ▶ Sales of Gourmet products increased in all markets and segments, especially in Bakery/pastry
- ▶ Recently acquired Danish vending mix specialist Eurogran has been fully integrated in Beverage segment
- ▶ Acquisition of Chocovic, a Spanish chocolate maker active in Gourmet as well as FM products, successfully closed end Dec 2009.



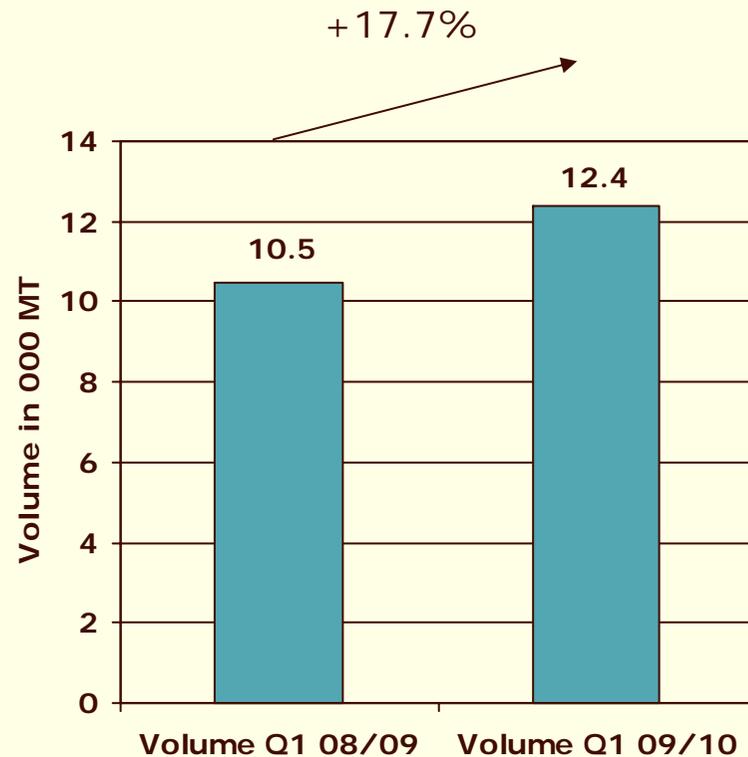
# Americas – again strong growth in FM and Gourmet



- ▶ Chocolate confectionary market has bottomed out, but not recovered yet
- ▶ Consumer are down-trading (lower prices products as well as private label)
- ▶ BC's major growth drivers were national accounts as well as the implementation of the outsourcing agreement supplied from the Mexican factory
- ▶ Gourmet developing well, especially with bakeries as well as large confectioners.



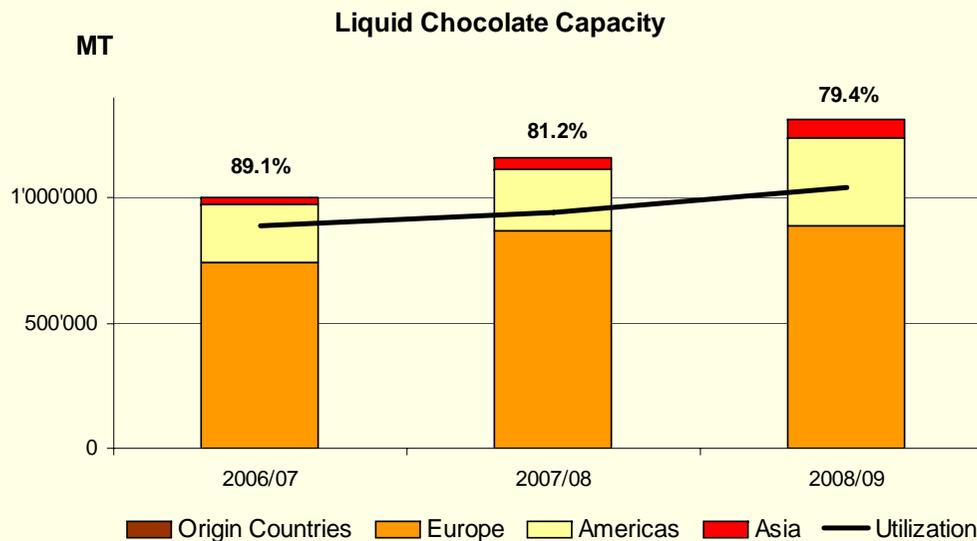
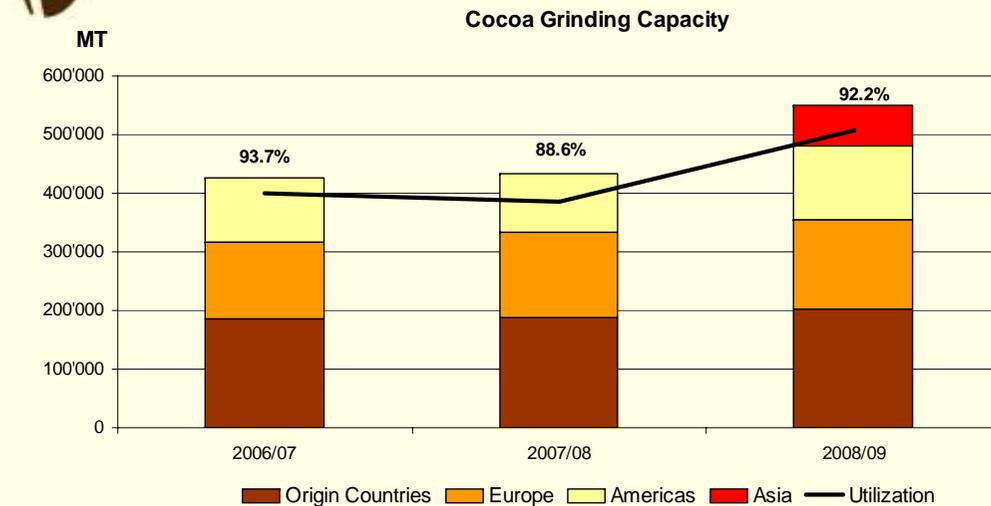
# Asia-Pacific – recovering customer demand and growth with new customers



- ▶ Asian chocolate consumption is showing some early signs of recovery
- ▶ Yet, also driven by high raw material prices, there is a very short notice ordering pattern of customers
- ▶ Gain of new customers and distributors both for FM and Gourmet products



# 2007 -09 substantial expansion of plant capacity Plant utilization per end 2008/09



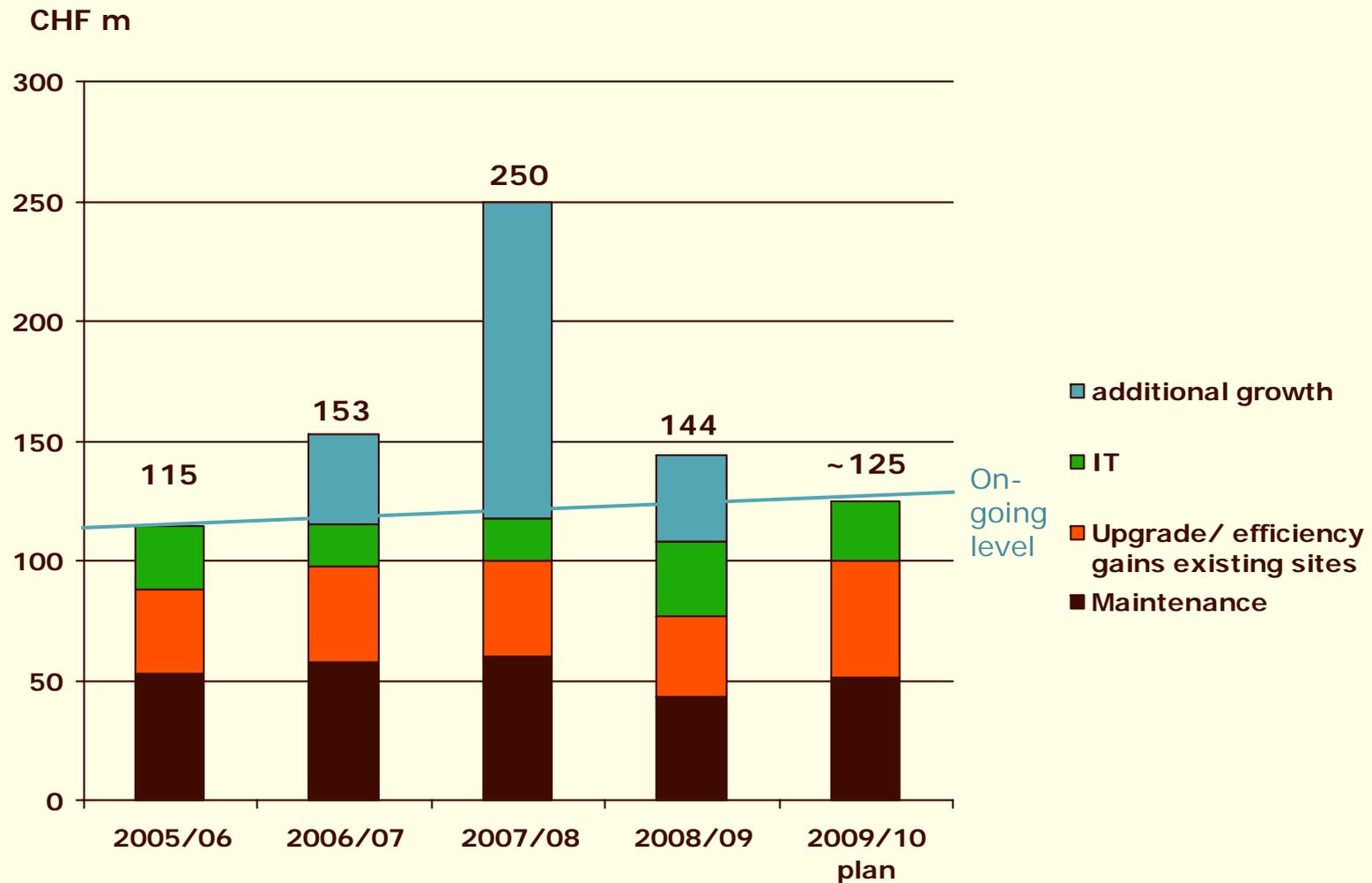
▶ BC has usually utilization rates in chocolate of > 90%, in cocoa grinding even higher

▶ High capacity expansion 2007-09 leads to temporary lower utilization rates

▶ Utilization rates in moulding (to produce chocolate tablets etc.) is lower at on average 70%



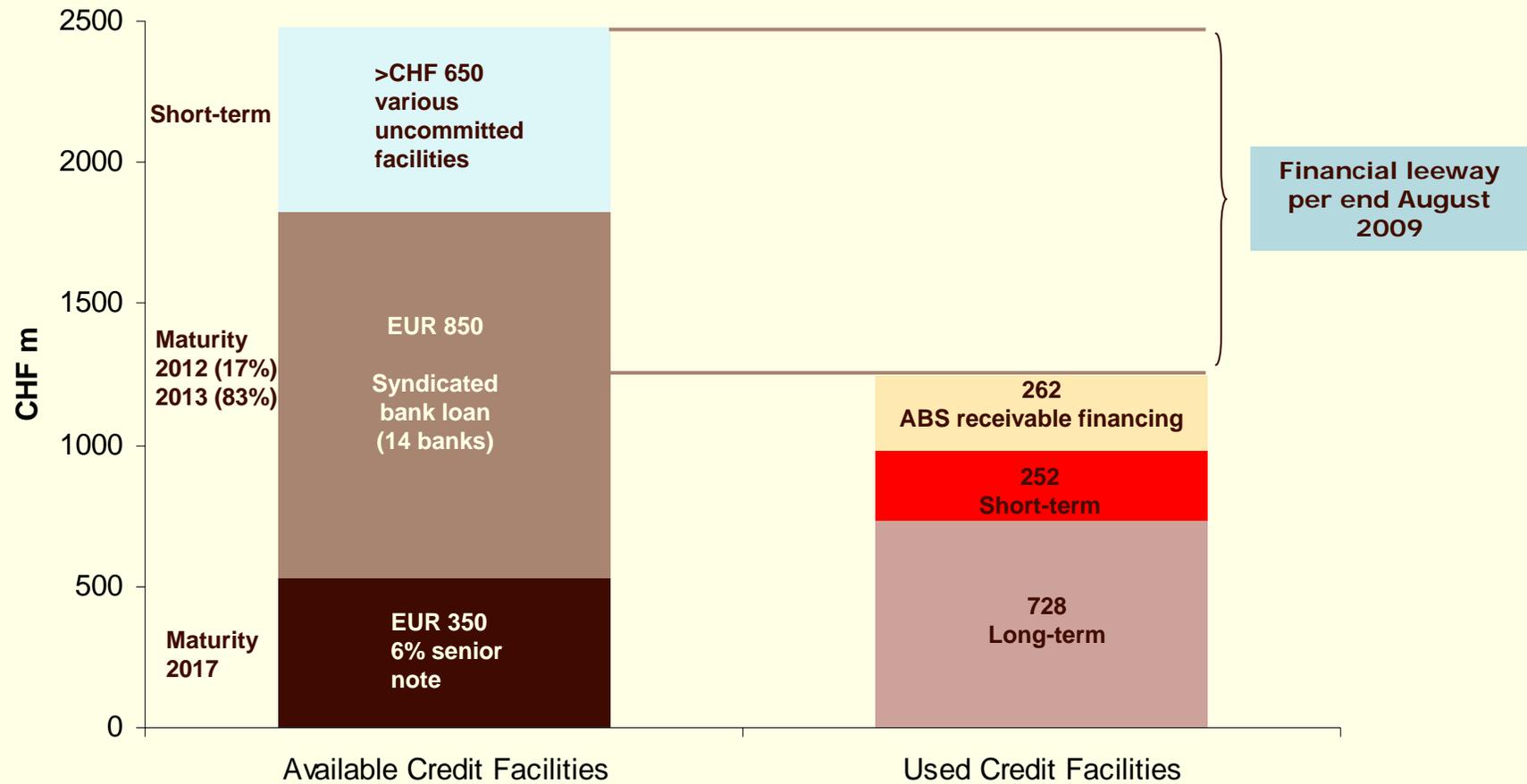
# CAPEX development: Back to long-term sustainable levels





# Stable financing situation due to long-term secured credit-lines

Financing and liquidity situation as at August 31, 2009 [CHF]



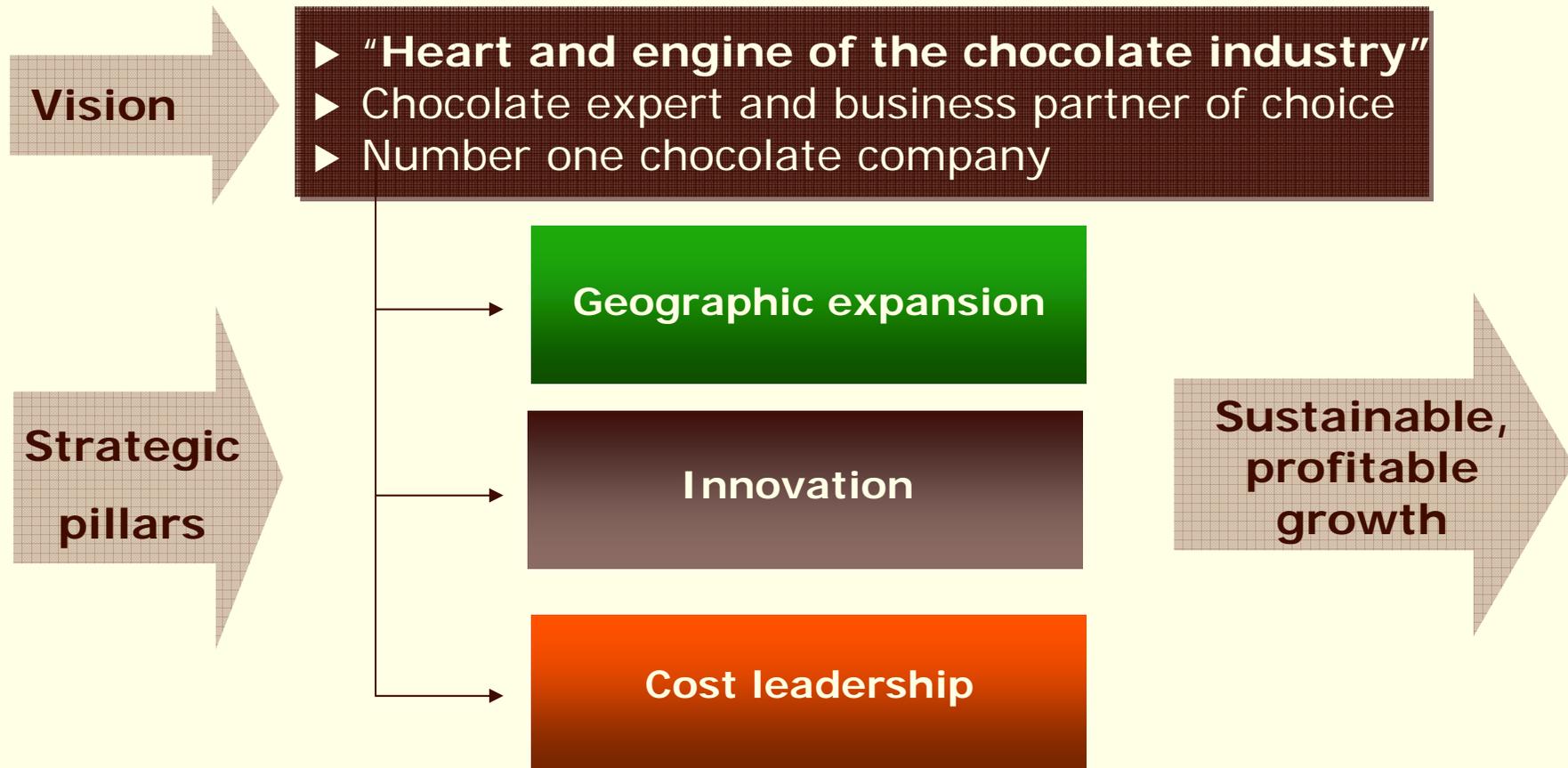


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Strategy going forward:  
Strategy confirmed, new growth opportunities





# Strategy confirmed, new growth opportunities: Future growth through Geographic Expansion

## Geographic Expansion



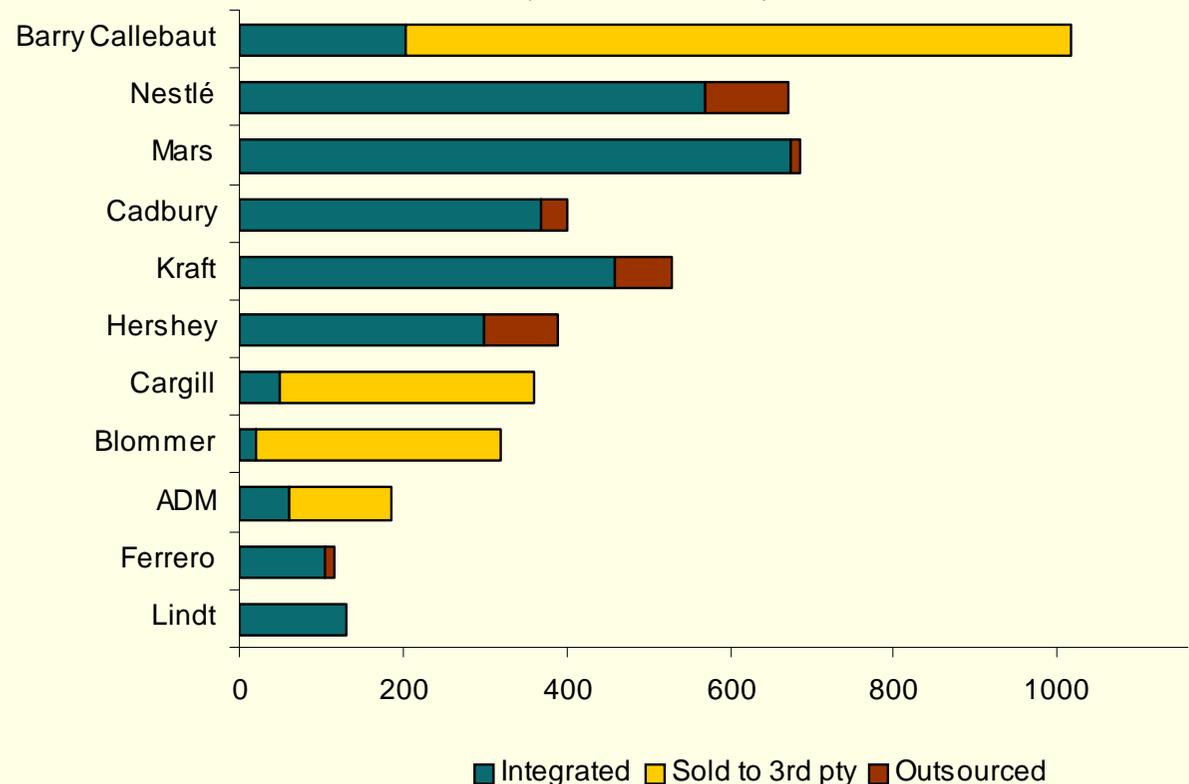
- ▶ Expand with regional customers (**e.g. Russia, China, Japan, Americas**)
- ▶ Grow **Gourmet** organically and through acquisitions (e.g. Chocovic)
- ▶ Expand into **emerging markets** through existing customers (e.g. Brazil)
- ▶ Succeed in further **outsourcing** activities with global customers



# Additional market outsourcing potential between 250,000 and 500,000 tonnes

- ▶ Total global industrial yearly chocolate production is estimated at 5.5 million tonnes
- ▶ The top five players (w/o BC) account for about half of this volume
- ▶ Top 5 consumer chocolate players currently outsource on average 12% of their chocolate production
- ▶ This is expected to increase to 20-40% over the next 5 years, equal to an additional outsourcing potential of 250-500,000 tonnes

**Top 11 Manufacturers of Industrial Chocolate**  
(in '000 tonnes)



Source: BC Estimates – 2009



# Innovation 2008/09: Innovations on multiple fronts in Gourmet

## Gourmet drivers of innovation

- ▶ Added value
  - ▶ Functional
  - ▶ Convenience
  - ▶ Ready-to serve
  - ▶ Decorations
- ▶ Adaptation to local food service needs (China, Brazil, Japan)
- ▶ Promotional activity for development of our customers

### Functional



*Anti-oxidant enriched*

### Convenience



*Mousse pre-mixes*

### Ready-to-serve



*Frozen dessert line*

### Decorations



*Decorations and cups for distribution*

### Local adaptations



*Chocolate for Foodservice (China)*

### Promotion activity



*World Chocolate Masters 2009*



## Strategy confirmed, new growth opportunities: Reducing costs on an ongoing basis

### Cost Leadership



- ▶ Optimize **flow** and **footprint** to achieve lower logistic costs, higher scale effects and **lower fixed costs**
- ▶ Increase **capacity utilization**
- ▶ Improve processes to optimize **stock management** and reduce **working capital** per tonne processed
- ▶ Further leverage our **presence in Africa**



# Focus on farmers, children, cocoa farming communities: BC's sustainability and CSR commitment in Africa

- ▶ **Working to empower cocoa farmers**
  - ▶ Quality Partner program in Ivory Coast:
    - ▶ 38 cooperatives, 42,000 farmers
    - ▶ Farmer training to achieve higher yields, better quality and, thus, higher income
    - ▶ EUR 350,000 paid in premium (2007-09)
    - ▶ EUR 26 mln paid as prefinancing
  - ▶ Biolands, Tanzania and Sierra Leone
    - ▶ Certified organic and IMO Social & Fair
  - ▶ Joined UTZ certified cocoa schemes in Oct 2009
- ▶ **Working to ensure children are not harmed**
  - ▶ Child labor sensitization training
  - ▶ School projects: Ivory Coast, Ghana
  - ▶ Engaged in Harkin-Engel Industry Protocol to combat the worst forms of child labor
- ▶ **Empowering employees (in origin countries)**
  - ▶ Employee housing, healthcare, education
  - ▶ Supporting communities: clean water, health, education, sport



→ Barry Callebaut has been providing Fairtrade beans since 1993 and Organic beans since 1995.



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## Strong platform for continued growth: Barry Callebaut is uniquely positioned

- ▶ Clear **growth strategy** and **robust business model**
- ▶ Recognized as the **global market leader**
  - ▶ Unmatched global presence
  - ▶ Leader in cocoa and chocolate innovations
  - ▶ Cost leader
  - ▶ Broadly diversified product portfolio
    - From top premium to value-for-money products
- ▶ **Long-term global partner** of the major global food manufacturers
- ▶ Solid **financing structure** in place





Outlook:

## Financial targets for 3-year period 2009/10-2011/12

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- ▶ Annual growth targets on average\* for 2009/10 through 2011/12:
  - ▶ Volumes: 6-8%
  - ▶ EBIT: at least in line with volume growth

\*Our view for the 2009-2012 period reflects current economic forecasts for the markets we operate in as well as internal developments and their assumed impact on our performance

Barring any major unforeseen events and based on local currencies

Summary:

## Chocolate market down – Barry Callebaut up



**We delivered strong top-line and bottom-line growth in a declining market**

**Our growth strategy stood the test of the global economic crisis. We will continue on this path**

**We will continue to significantly outperform the global chocolate market**





# Cautionary note

## Forward-looking statements

Any information given on these slides as well as during the conference call has been prepared by Barry Callebaut solely for the use at this analyst presentation. Certain statements contained therein regarding the business of Barry Callebaut are of a forward-looking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe," "estimate," "intend," "may," "will," "expect," and "project" and similar expressions as they relate to the Company. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect Barry Callebaut's future financial results are discussed in the Annual Report 2008/09. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. The reader and/or listener is cautioned to not unduly rely on these forward-looking statements that are accurate only as of today. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.