# Full Year Results 2011-12
## Analysts Conference

NOVEMBER 7, 2012


BARRY CALLEBAUT

# Cautionary note

Certain statements in this presentation 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 Letter to Investors as well as in the Annual Report 2011/12. 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 is cautioned to not unduly rely on these forward-looking statements that are accurate only as of today, Nov 7, 2012. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.


# Agenda

- **Highlights**
- Financials
- Strategy and outlook

# Highlights FY 2011/12

- Strong volume growth: +8.7%
- Growth across all Regions and Product Groups
- Significant investments affecting bottom-line result:
  - EBIT +1.0% in local currencies
  - Net Profit from continuing operations: -5.2% in local currencies
- Investments in structures, factory expansions, Gourmet, "Sustainable Cocoa", and ramp-up costs
- Proposed payout of CHF 15.5 per share


# Strategic milestones in the last 12 months

**Long-term outsourcing agreement** with Mexican Group Bimbo, leading baking company in the Americas

January 2012

Global **long-term partnership** agreement with Unilever for cocoa and chocolate, doubling current Unilever volumes

January 2012


**Acquisition** of Mona Lisa, a leading American **manufacturer of decorations**

March 2012


Purchase assets of the **Chatham, Ontario facility** of Batory Industries Company.

June 2012

EFSA issues **positive Scientific Opinion** on Barry Callebaut's health claim on cocoa flavanols

July 2012

First **long-term outsourcing agreement** in South America with Arcor, Dos en Uno

Oct 2012

Joint Venture with P.T. Comextra Majora, building a **new cocoa processing facility** in Indonesia, and a **long-term cocoa supply agreement**

November 2011

**Acquisition** of La Morella Nuts S.A., a Spanish specialist of **nut-based ingredients**

January 2012

Launch of **Cocoa Horizons**; CHF 40 mio. global initiative to further improve yields, quality and livelihoods in key cocoa-producing countries

March 2012

Barry Callebaut and Morinaga **extend partnership in Japan; new factory** in Takasaki (near Tokio)

June 2012


Barry Callebaut intends to **sell its factory in Dijon** (France)

Sep 2012

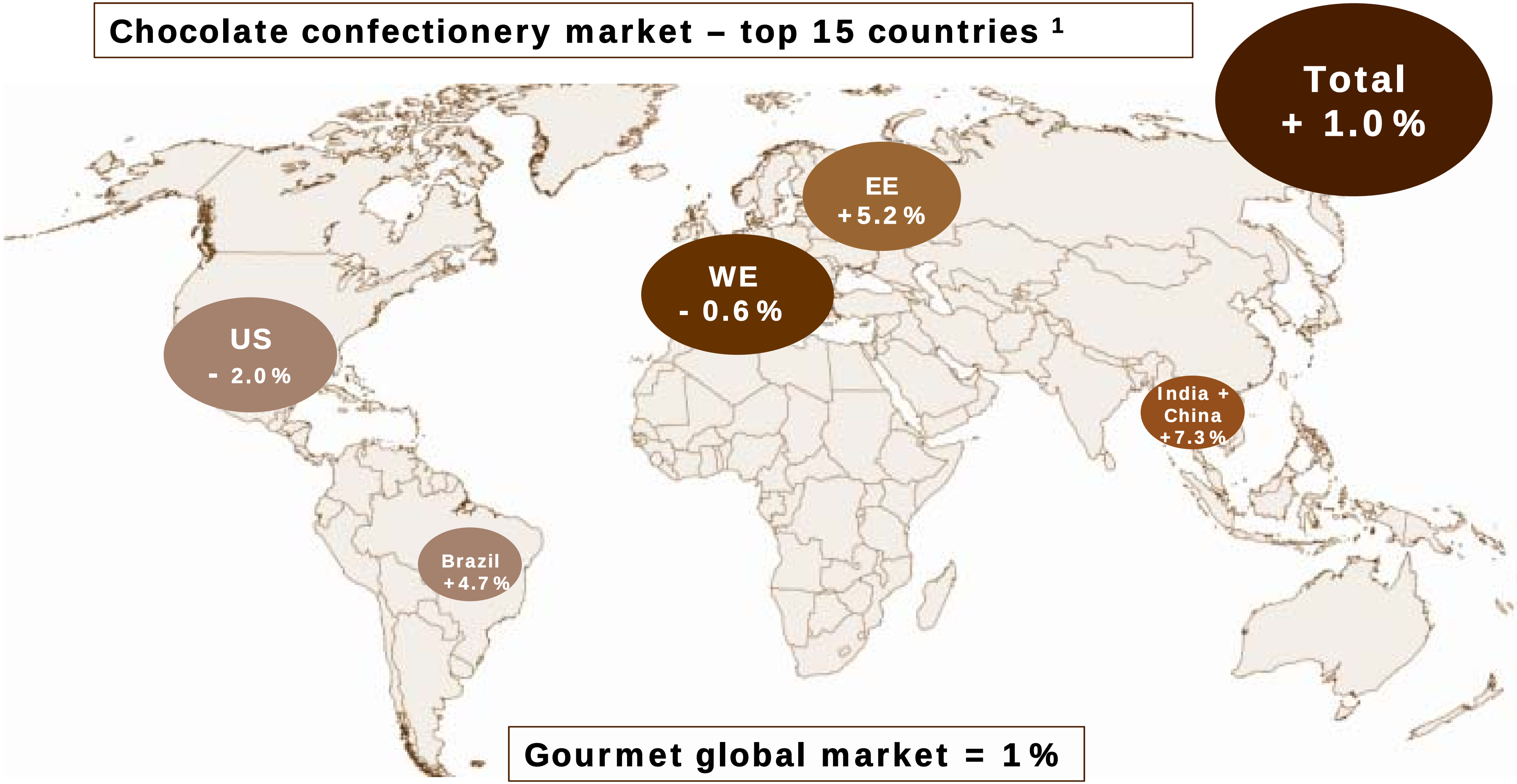

Announcement of the building of a **new factory in Turkey**

Oct 2012

## Sep 2011- Aug 2012

# Slow volume growth in the Global chocolate market

**Chocolate confectionery market – top 15 countries [1]**

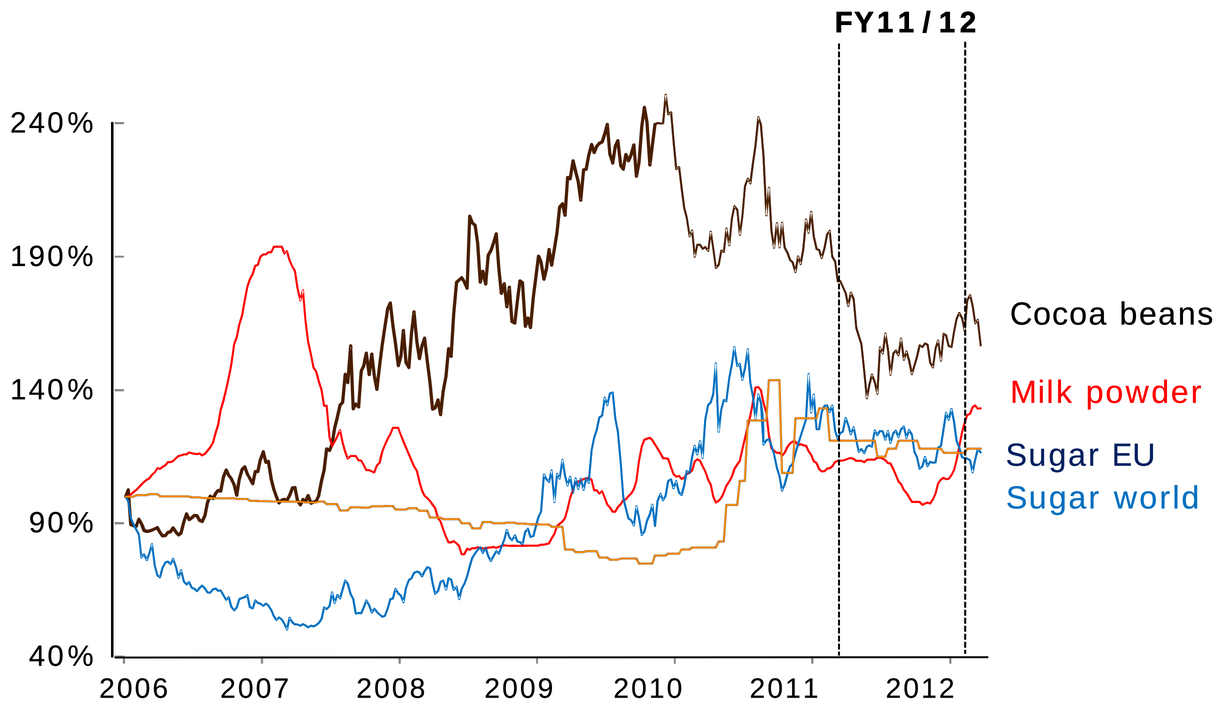


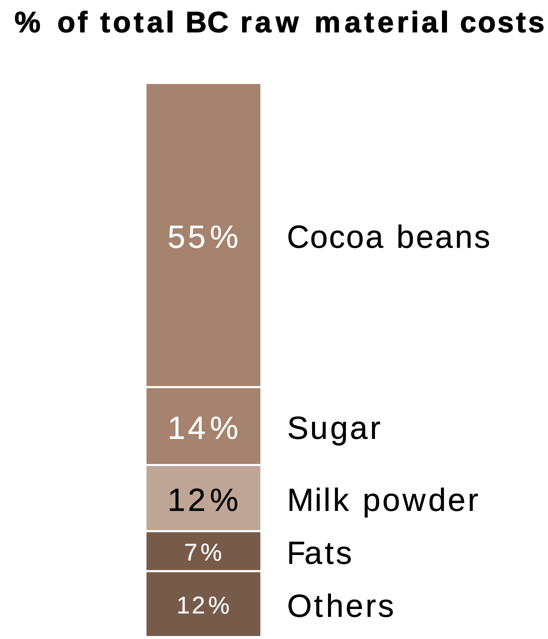

**Gourmet global market = 1%**

1) Source: Nielsen data (Sep 2011- Aug 2012); - Top 16 countries represent app. 75% of the global chocolate market in volume; - USA total volumes are estimated based on a share distribution by Euromonitor; Eastern Europe includes: Russia, Ukraine, Poland, Turkey.

Raw material price development

# Strong volatility in main raw materials




- Cocoa bean price down 13% vs. a year ago. Dry weather in Africa and uncertainties regarding next crop and the cocoa reform in Côte d'Ivoire put upside pressure on prices at the end of July.
- Milk powder prices initially declined, followed by a strong price surge due to the droughts in the U.S. Prices closed at high previous year's level.
- Prices on the world sugar market significantly corrected downwards. Prices for EU sugar stayed at historically high levels.


# Agenda

- Highlights
- **Financials**
- Strategy and outlook

Key figures 2011/12 – from continuing operations

# Accelerated sales, preparing for future growth

**Twelve months - Sep 2011-Aug 2012**

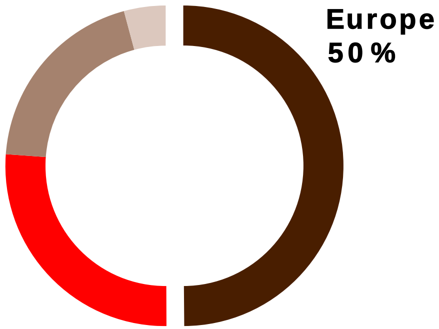
| [CHF m] | | Change in % In local currencies | Change in % | FY 2011/12 | FY 2010/11 (restated) |
|---|---|---|---|---|---|
| Sales volume [in tonnes] | | | 8.7% | 1'378'856 | 1'268'925 |
| Sales revenue | | 11.5% | 8.3% | 4'829.5 | 4'459.9 |
| | *CHF per tonne* | *2.6%* | *-0.3%* | *3'503* | *3'515* |
| Gross profit | | 5.3% | 2.1% | 672.6 | 659.0 |
| | *CHF per tonne* | *-3.1%* | *-6.1%* | *488* | *519* |
| EBITDA | | 4.4% | 0.9% | 434.3 | 430.3 |
| | *CHF per tonne* | *-3.9%* | *-7.1%* | *315* | *339* |
| Operating profit (EBIT) | | 1.0% | -2.5% | 353.2 | 362.3 |
| | *CHF per tonne* | *-7.0%* | *-10.3%* | *256* | *286* |

Region Europe

# Strong growth in partly difficult markets

- Chocolate confectionery market growth: +1.4%
- Growth driven by outsourcing agreements, market share gains and speciality products
- Gourmet business showed a good performance, biggest contribution from our global brand Callebaut®
- Beverages business showed a decline due to weather and destocking from customers
- Western Europe achieved strong growth in FM
- EE continued to grow at double digit in FM and Gourmet, Russia, Poland contributed the most
- Ramp-up costs, higher factory and supply chain costs, investments in structures and Gourmet impacted operating profit (EBIT) which amounted to CHF 232.2 mio.


**Total volume FY11/12**



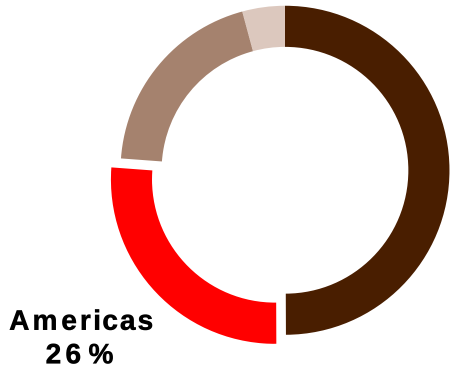

| +6.9% | -1.7% | -5.1% |
|---|---|---|
| **Volume growth** | **EBIT growth** in local currencies | **EBIT growth** in CHF |

Region Americas

# Continued double digit growth, top and bottom-line

- U.S. chocolate confectionery market -2.0%. Brazil's growth pace at +4.7%
- Food Manufacturers and Gourmet business continued to grow double digit
- Significant progress in emerging markets, Mexico and Brazil achieved double-digit growth
- Long-term outsourcing agreement signed with Bimbo (Mexico)
- Acquisition of Mona Lisa, decorations company in the U.S. And creation of new center of expertise for Decorations
- Operating result reached CHF 90.2 mio., outpaced strong sales due to positive mix effects – strong performance of the Gourmet business – and positive margin development as well as improved capacity utilization


**Total volume FY11/12**




+15.3%

**Volume growth**

+25.4%

**EBIT growth**
in local currencies

+25.6%

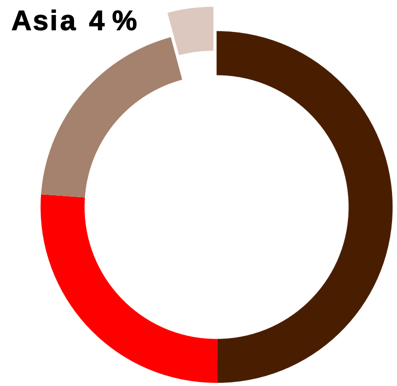
**EBIT growth**
in CHF

Region Asia-Pacific

# High, profitable growth

- Chocolate markets in Asia continued their solid growth pace. India and China reached +7.9%
- We achieved double digit volume growth despite capacity constraints that limited growth opportunities early in the year
- Investing in capacity expansions in all our Asia-Pac sites
- FM grew double digit, particularly driven by strategic partnerships
- In Gourmet we strengthened our leadership with the global Gourmet brands Callebaut® and Cacao Barry®
- EBIT was CHF 29.7 mio., outpacing volume growth partly as a result of increased capacity utilization and partly from positive margin development

**Total volume FY11/12**



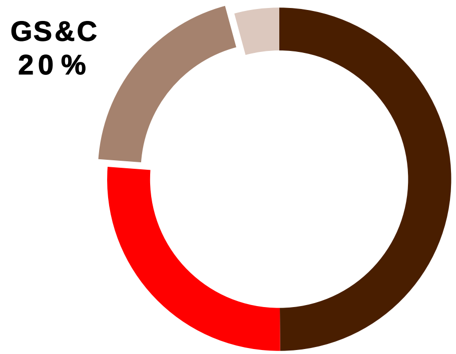

| +10.3% | +20.9% | +19.3% |
|---|---|---|
| **Volume growth** | **EBIT growth** in local currencies | **EBIT growth** in CHF |

Global Sourcing & Cocoa

# Investments in future growth

- Capacity expansions at existing factories and higher internal demand for cocoa powder in the first half-year
- Early 2012, external demand started to pick-up driven by strategic partners. High cocoa powder prices drove higher sales revenue
- Positive volume growth did not offset increased costs from ramp-up of strategic partnership agreements including related supply chain and logistic costs
- Combined ratio had a neutral impact on our profitability in FY 11/12. Total EBIT was CHF 65.2 mio.

**Total volume FY11/12**




+4.7%

**Volume growth**

- 8.9%

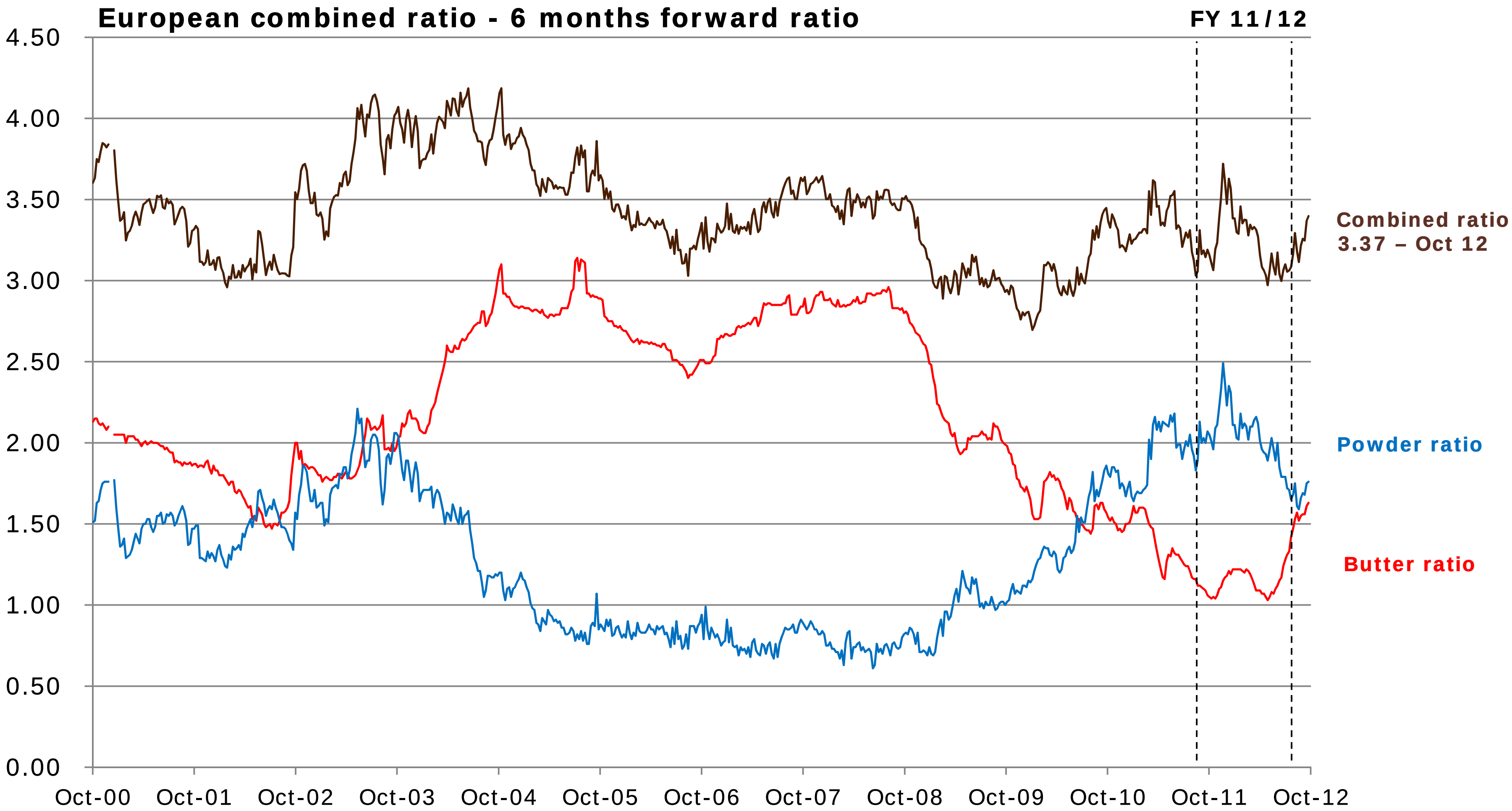
**EBIT growth**
in local currencies

-15.7%

**EBIT growth**
in CHF

Cocoa processing activity

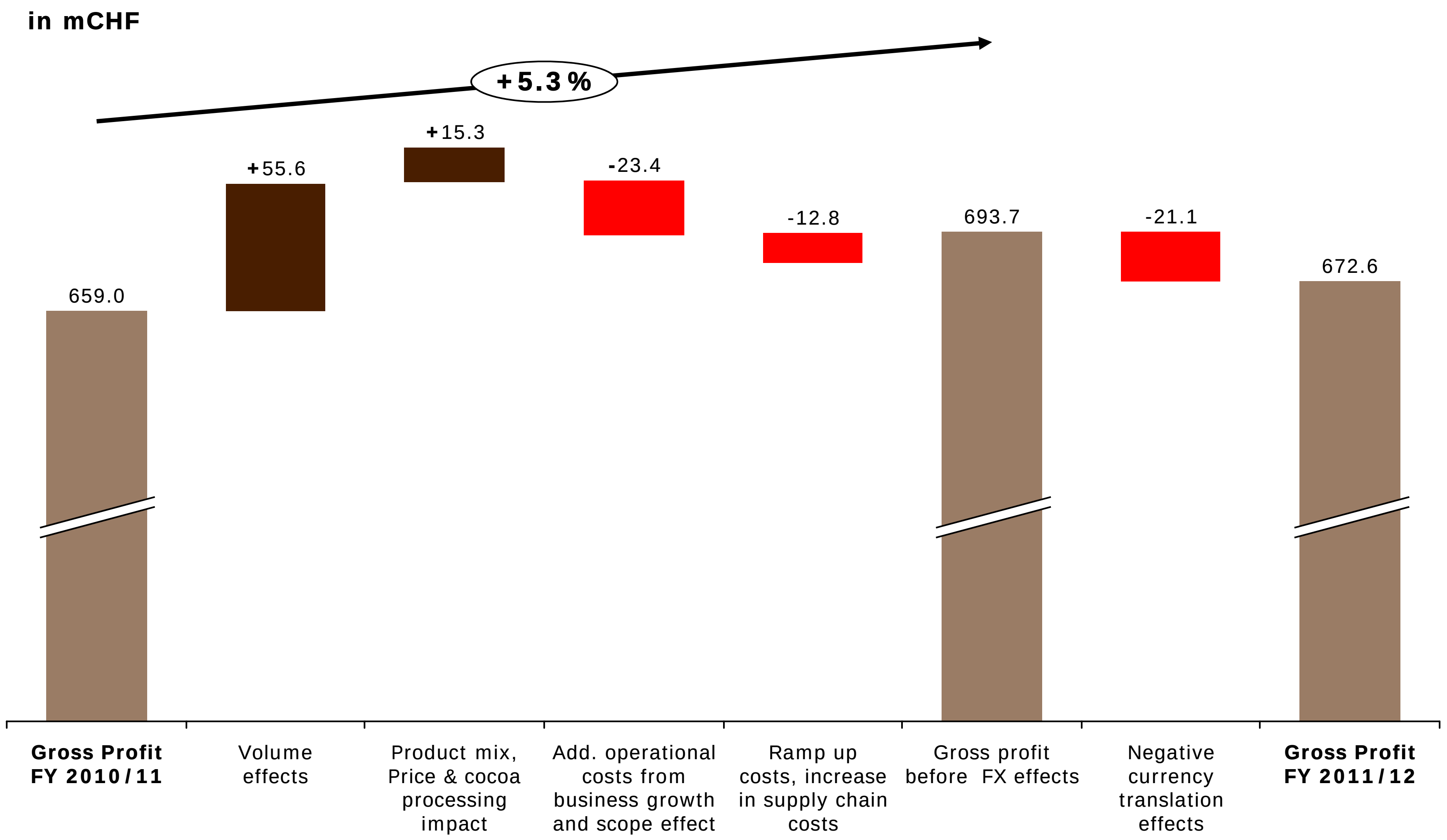
# Strong decline in powder prices partly offset by butter ratios




- Combined cocoa ratio started a good level first half of FY2011/12. In the second half came down driven by lower powder ratio, but supported by improved butter ratio
- Low combined cocoa ratios = negative impact on BC cocoa (semi-finished products) business

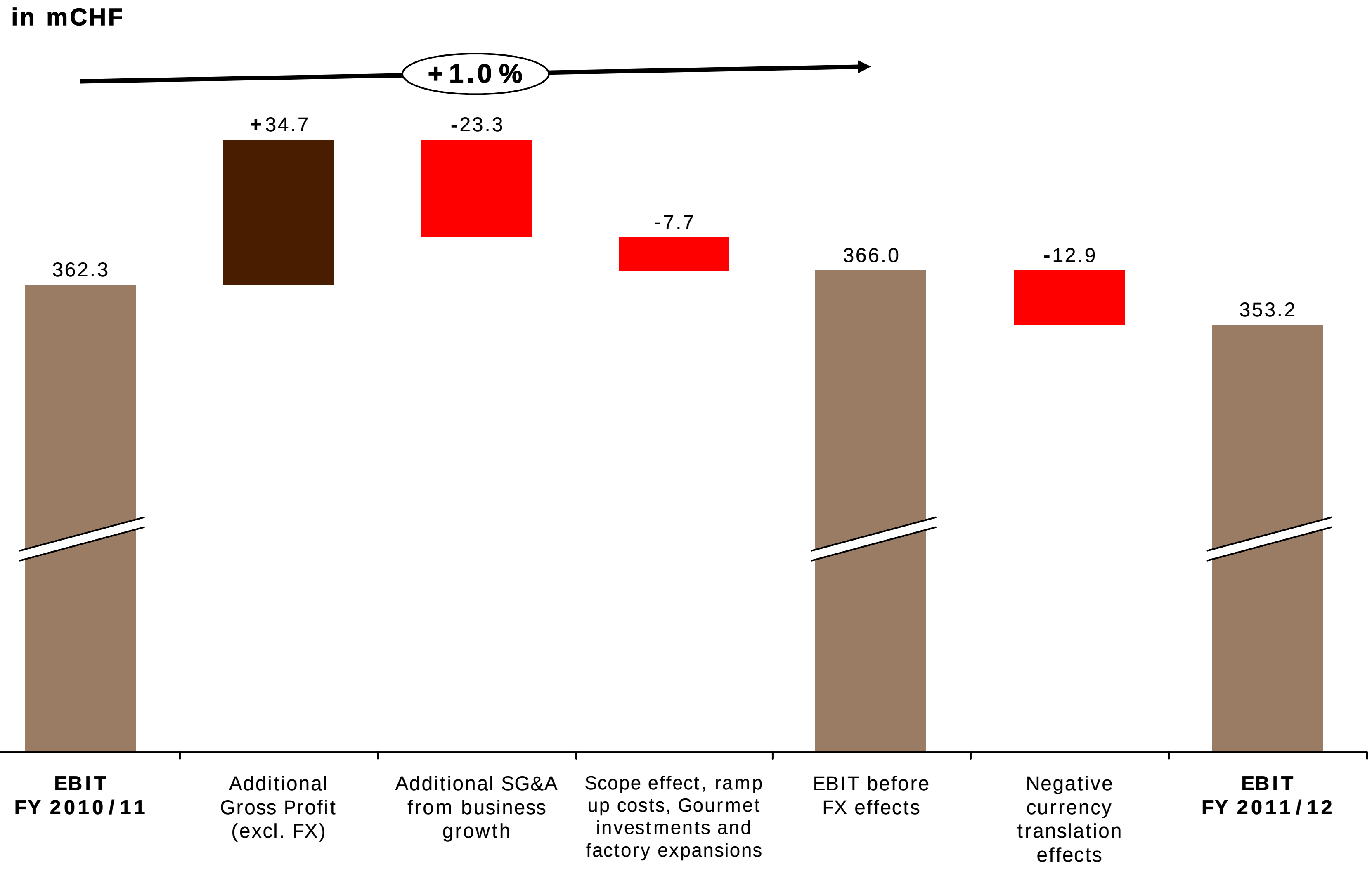
Gross Profit FY 2011/12

# Gross profit before FX impact improved 5.3% despite higher additional costs from business growth



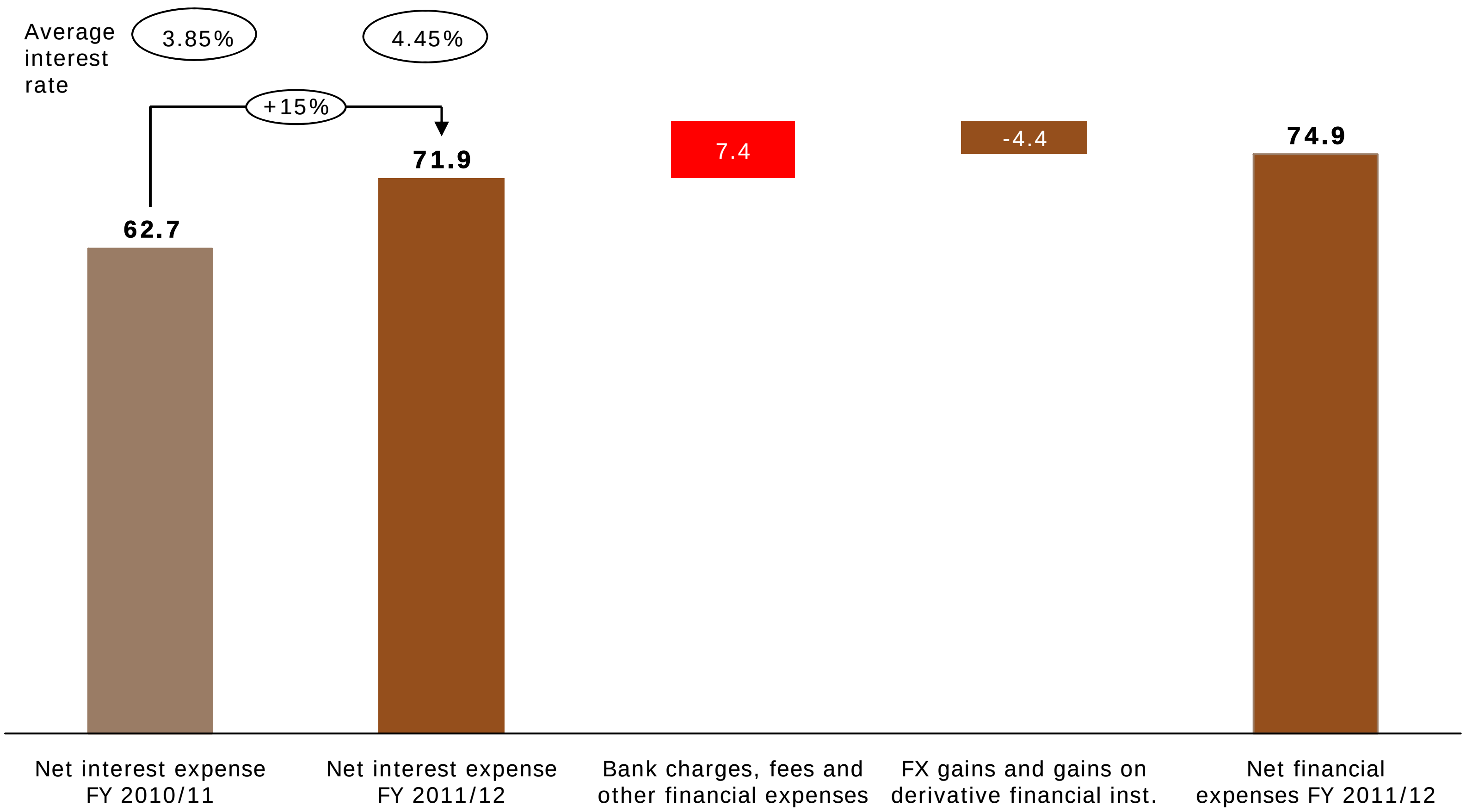
# EBIT- FY 11-12 from continuing operations

# EBIT grew by 1% (excluding FX impact), volume growth partially offset significant expansion investments



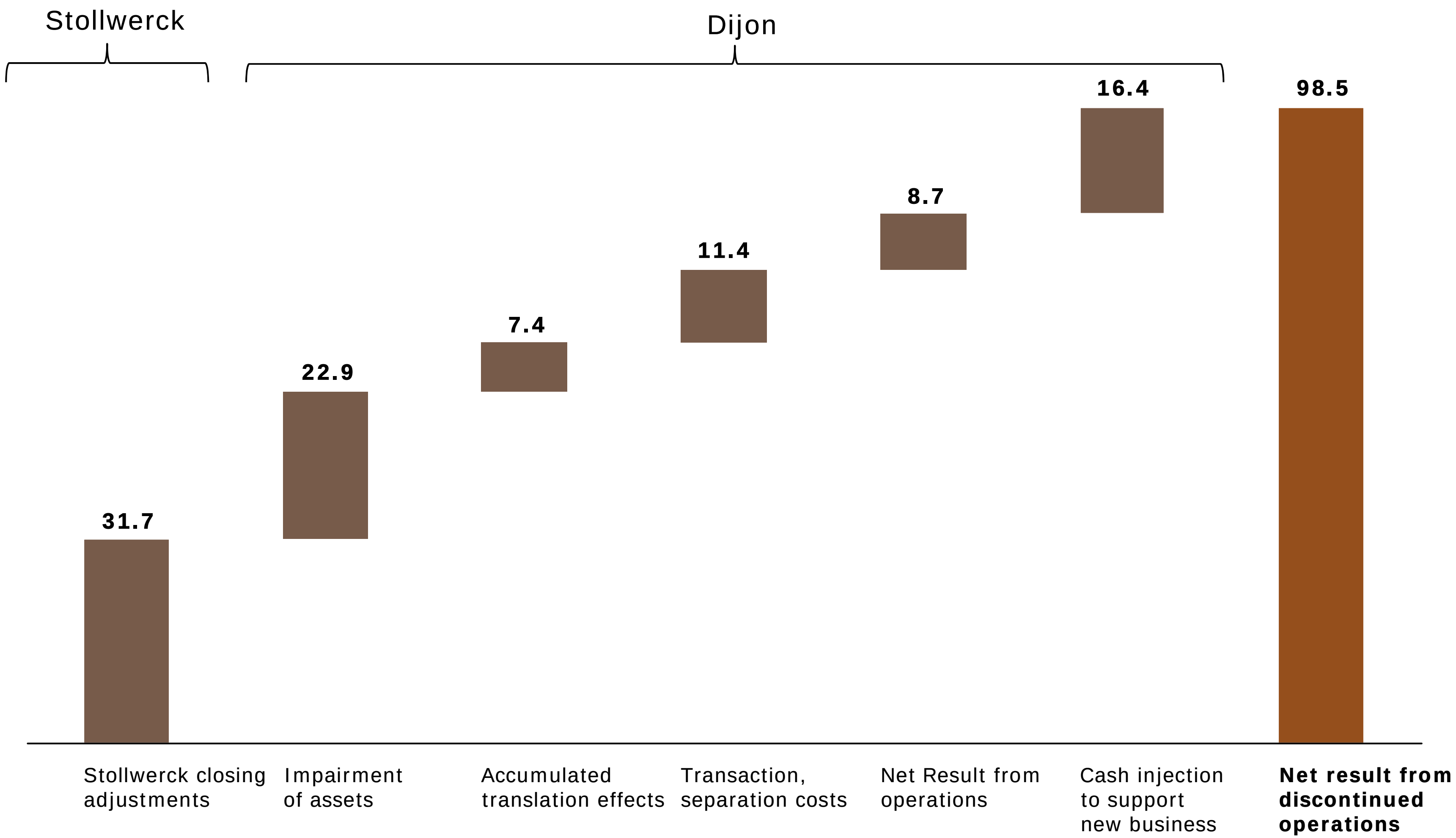
# Net Financial Expenses
## Long-term secured financing structure coming at higher cost

**in mCHF - From continuing operations only**



# One-time charge from discontinued operations (closing Stollwerck and Dijon)

**in mCHF**



From EBIT to PAT

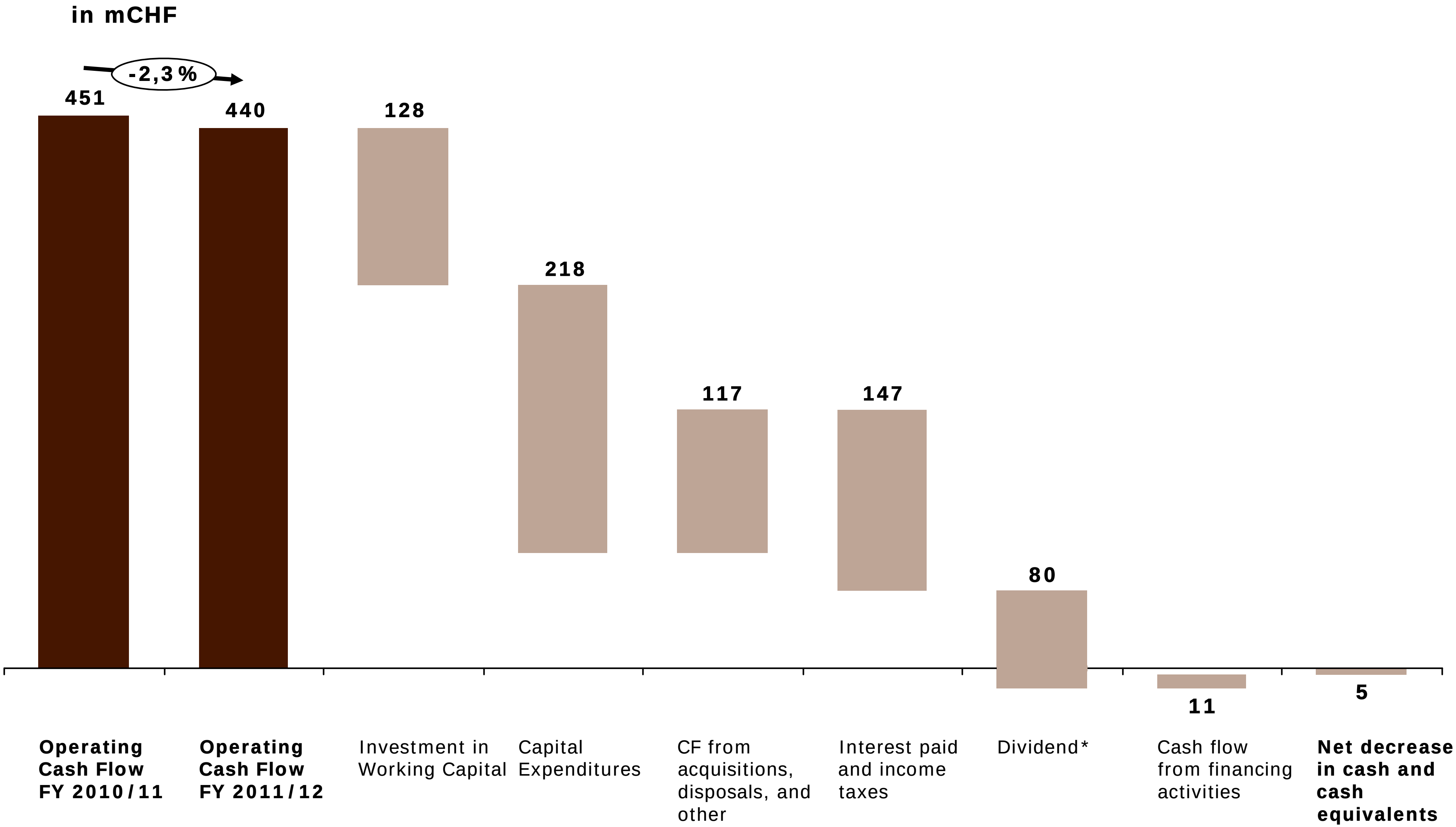
# Net profit from continuing operations affected by higher financial items and higher taxes

| [CHF m] | Change in % In local currencies | Change in % CHF | FY 2011/12 | FY 2010/11 (restated) |
|---|---|---|---|---|
| Operating profit (EBIT) | 1.0% | -2.5% | 353.2 | 362.3 |
| Financial items | 8.2% | 4.7% | (74.9) | (71.5) |
| Income taxes | 36.3% | 31.2% | (37.2) | (28.4) |
| *Tax rate [in %]* | | | *13.4%* | *9.7%* |
| Net profit from continuing operations[1] | -5.2% | -8.5% | 241.1 | 263.6 |
| Net result form discontinued operations | | | (98.5) | (86.9) |
| Net profit for period | -15.8% | -19.3% | 142.6 | 176.8 |

*[1] Net profit from continuing operations (including minorities)*

## Cash Flow

# Significant investments in setting up for future growth

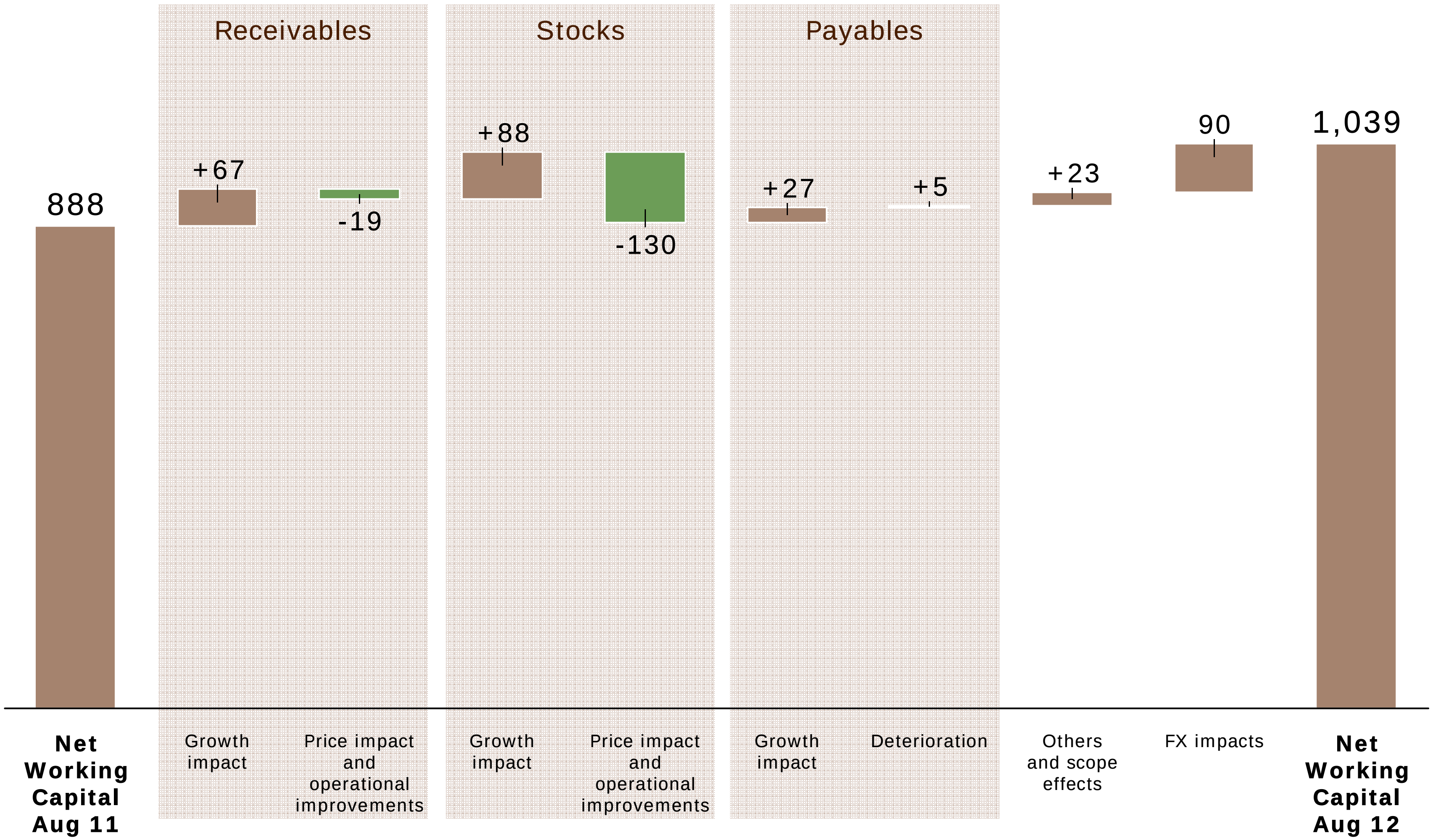



* Paid from paid-in capital reserves

Net Working Capital evolution

# Increased net working capital due to growth, scope effects and FX

**in mCHF**

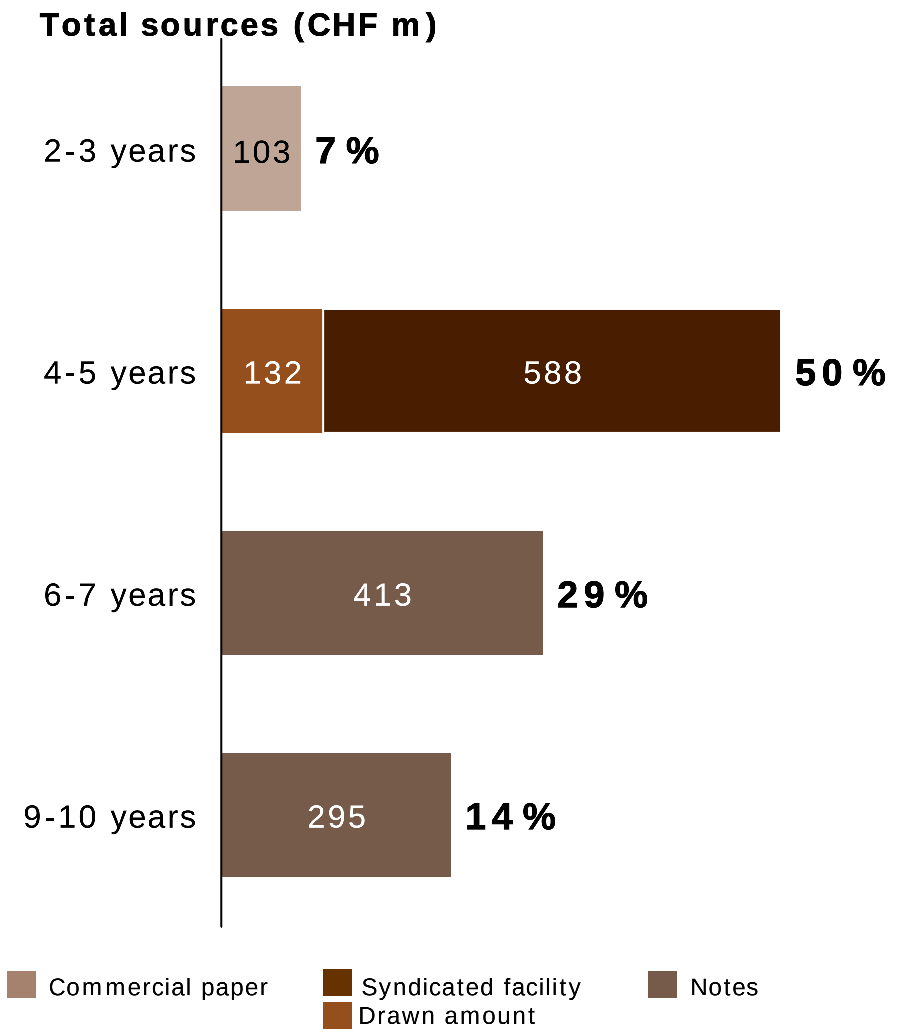


Balance Sheet

# Significant investments this year temporarily affected key ratios

| | Change in % | Aug 12 | Aug 11 |
|---|---|---|---|
| Total Assets [CHF m] | 9.6% | 3'576.6 | 3'263.1 |
| Net Working Capital [CHF m] | 17.0% | 1'039.2 | 888.1 |
| Non-Current Assets [CHF m] | 17.9% | 1'424.8 | 1'208.4 |
| Net Debt [CHF m] | 19.4% | 942.9 | 789.8 |
| Shareholders' Equity [CHF m] | 11.5% | 1'357.1 | 1'217.1 |
| Debt/Equity ratio | | 69.5% | 64.9% |
| Solvency ratio | | 37.9% | 37.3% |
| Net debt / EBITDA | | 2.2x | 1.8x |
| Interest cover ratio | | 5.8x | 6.0x |
| ROIC | | 14.2% | 15.6% |
| ROE | | 18.7% | 20.9% |

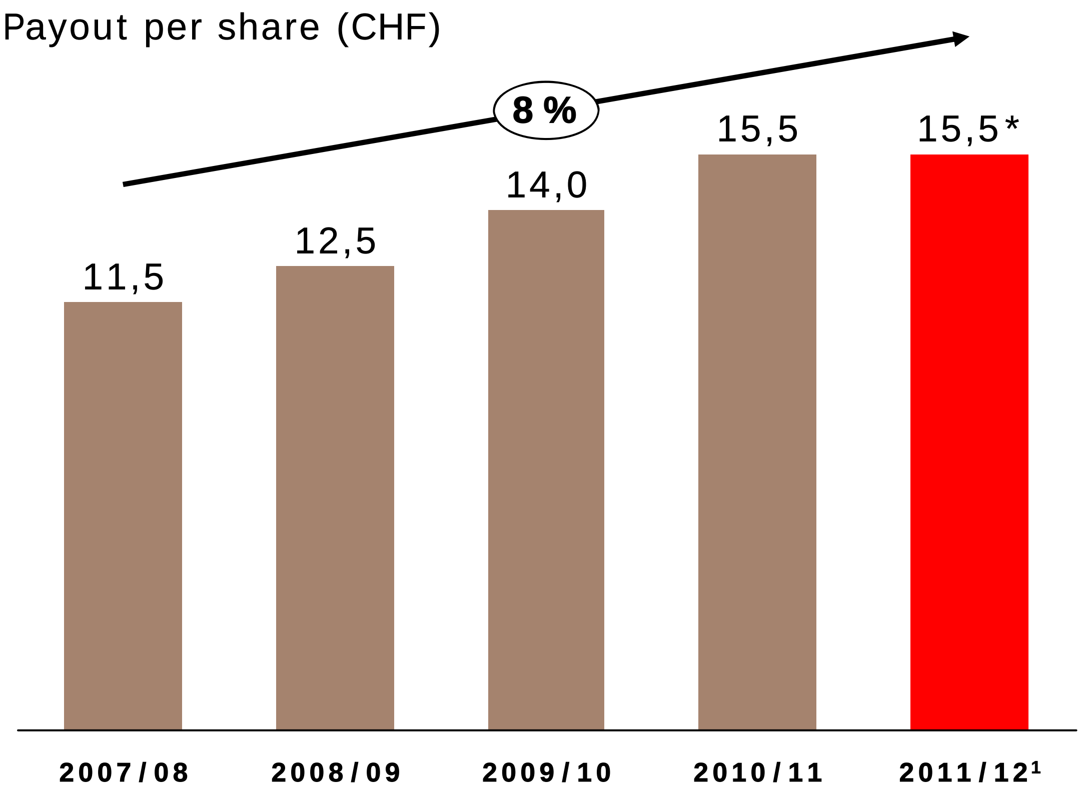
# Net debt
## Stable financing structure with average tenor 6 years




- Diversified & long-term funding structure refinanced last year
- More than 70% of interest on a fixed basis, rest floating
- Bank loan as secure back-up facility for more attractive short-term funding and short-term working capital needs
- Additional off-balance sheet receivable financing of ca. 250 mn CHF

Proposed Payout

# Payout of CHF 15.5 per share or 33% payout ratio




| | 2007/08 | 2008/09 | 2009/10 | 2010/11 | 2011/12[1] |
|---|---|---|---|---|---|
| **Dividend yield [2]** | **1.6%** | **2.2%** | **2.0%** | **2.0%** | **1.7%** |
| **Payout ratio** | **28%** | **28%** | **29%** | **31%** | **33%** |

1 As proposed by the Board of Directors to the Annual General Meeting
2 Dividend yield based on share price at year-end

Key Facts:

- Average annual payout increase of 8% (2005-2012)
- CHF 15.5 proposed dividend
- Payout ratio of 33% in 2011/12

* Paid out partly from paid-in capital reserves and par value reduction

# Agenda

- Highlights
- Financials
- **Strategy and outlook**

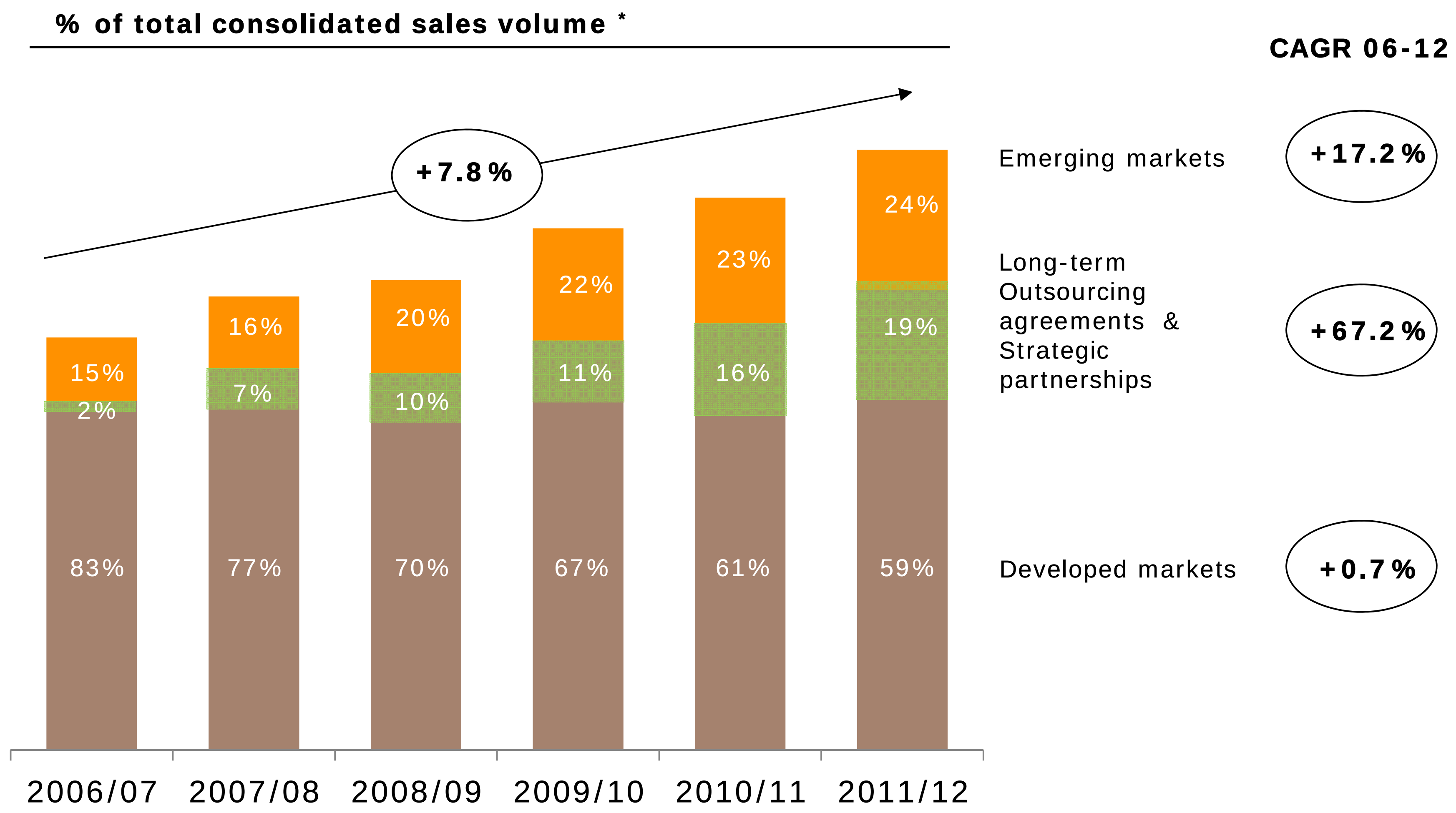
# Consistent implementation of long-term Strategy

## Our vision: "Heart and engine of the chocolate industry"

| | |
|---|---|
| **Expansion** | Our growth drivers:<br>▪ **Geographical expansion** in emerging markets and strengthen position in developed markets<br>▪ Long term **outsourcing agreements/strategic partnerships**<br>▪ Faster growth in **Gourmet & Specialties** |
| **Innovation** | ▪ **Improve customer products, recipes and production processes**<br>▪ Focus on the **health properties of the cocoa bean** and pro-active R&D |
| **Cost Leadership** | ▪ Improving **operational efficiency** by upgrading technology, increasing capacity utilization, optimizing product flows, logistics and reducing energy consumption |
| **Sustainable Cocoa** | ▪ Increased **focus on** the mid-term and long-term **sustainability of the cocoa supply chain** |

Expansion

# Overall growth based on 3 dimensions




* Exluding Consumer Business

Emerging markets: update on Asia-Pacific strategy

# Growing faster than the market

| | Key priorities | Status |
|---|---|---|
| 1 | Grow the export markets from SEA factories (Malaysia and Singapore) | Expansions of current factories in Singapore and Malaysia during 2012 |
| 2 | Double the size of the business in China<br>Develop locally adapted compound line | 80% capacity utilization, factory to be expanded<br>Doubled the size of the sales force |
| 3 | Gain a foothold in India, further develop imported and local gourmet activities | Elaborating alternatives for local presence |
| 4 | Grow the business with imported Gourmet brands | Double-digit growth in some SEA countries. Significant marketing and distribution efforts |
| 5 | Gain additional partnerships or supply agreements in next 5-7 years; main focus on India, Australia, Malaysia and China | First volumes delivered to global large partners |
| 6 | Selectively grow interesting customers in Japanese business | Expanded agreement with Morinaga and relocation of factory to a larger site |

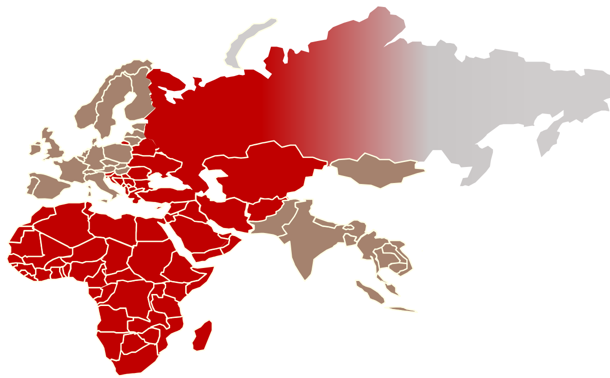
Expansion

# Key findings - Eastern Europe strategy

- Total market in Eastern Europe is approx. 1.5 mio tonnes
- Average annual growth of 3.5% for the total Region
- 20% of the market in open and 80% captive
- 60% of the market is chocolate and 40% compound
- Barry Callebaut has a market share of 25%
- BC annual average volume growth of +14% in the last 5 years
- Major competitors are local players

# Key growth priorities in EEMEA (Eastern Europe, Middle East and Africa)

EEMEA



**1** Grow aggressively in **Russia** and maintain profitability

**2** Build presence in **Turkey** to achieve the leading position in the country as the open market player

**3** Develop a **semi-finished strategy** for the Region in order to be able to enter into long-term supply agreements with target captive players

**4** Identify and Develop the priority growth markets in **Africa and Middle East** with dedicated teams in the countries

**5** Accelerate even more our **Gourmet growth in the region** and further promote our two Global Brands

## Expansion
# Adding new long-term agreements & strategic partnerships

**2006-07**

**Nestlé**
(February 2007)

**Cadbury Schweppes**
(June 2007)

**Hershey**
(April 2007)

**Morinaga**
(September 2007)

**2010-11**

**ex-Kraft Foods**
(September 2010)

**Green Mountain Coffee Roasters**
(Oct 2010)

**Hershey Extension**
(May 2011)

**Chocolates Turín**
(June 2011)

**Baronie Group**
(July 2011)

**2011-12**

**Bimbo**
(Jan 2012)

**Unilever**
(Jan 2012)

**Morinaga**
(June 2012)

**Arcor, Dos en Uno**
(Oct 2012)

# Gourmet: Actions to accelerate growth

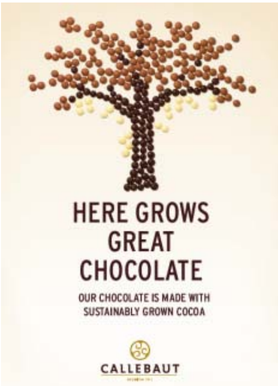
# Working on all priority areas

1 year | 2 year | 3 year | 4-5 year

**Sharpen focus on global brands**

**Increase adjacent product offering**

**From product to segment focus**






**Growth through acquisitions**

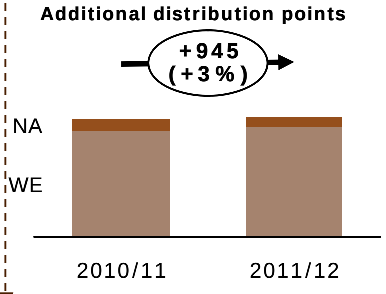
**Independent but interdependent**

**Accelerate geographical expansion - Initiatives in China, Nordic Countries, Russia, Central & South America**

CHOCOLATE ACADEMY

IN PARTNERSHIP WITH TURIN ALTA REPOSTERIA

TURIN ALTA REPOSTERIA




Today

# Successful R&D activities generated new sales volume

- Barry Callebaut received a positive opinion from the European Food Safety Authority for a health claim linking cocoa to improved blood flow

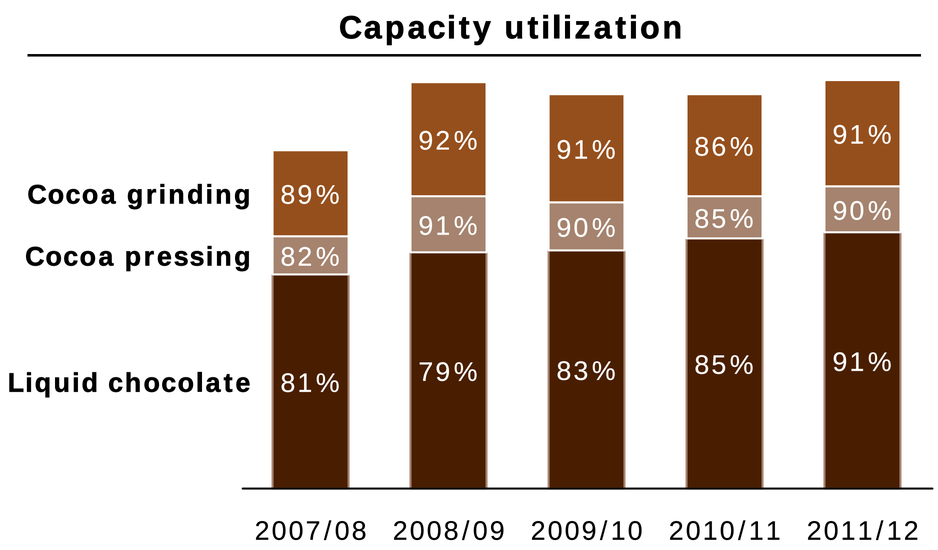
- +11% number of R&D projects versus the prior year to 2,131. Project success rate, went up 8% to overall 58%

- Award at the Food Ingredients Europe (FiE) fair with the Terra Cacao™ chocolate based on our patented Controlled Fermentation technique.

- First prize for the best innovation at Unilever's "Partner to Win" for the new Magnum® ice cream


# Staying the leader in cost through our key initiatives

- Manufacturing costs per ton of activity like-for-like basis = - 3% (target: -2%).
- Volume growth, technology and process improvements increased capacity utilization for liquid chocolate to 91% (target: 82-85%). Cocoa processing to 90% (target: 90-95%)
- “One +” achieved savings of about CHF 8.7 million last year.
- “Project Gold” in Europe and “Platinum” in Americas, two new initiatives designed to save costs throughout the value chain achieved savings of CHF 9.1 million.
- Extensive efforts to reduce energy consumption and tight cost controls



# Some key deliverables from “ Spring ”

Project Spring
Becoming a leader in service


Customer segmentation driving customer value proposition


Optimized indirect spend


More transparent and responsive pricing

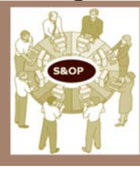
## “Spring” Program

- Customer Segmentation
- Pricing
- Customer Service Model
- Sales & Operations Planning
- New Product Introduction
- QA
- Master Data Management
- Source-To-Pay


Increased control and management of data


Improved contact convenience and faster response to customers

Harmonized QA processes and organisation



Common sales & operations planning

NPI aligned with market needs and enhanced analytics

Sustainable Cocoa

# Achievements in the last 12 months

COCOA HORIZONS

## Farmer Practices

- 20,000 Farmers trained and certified
- CHF 2.8 mio. Certification Premiums paid
- Started Cocoa Horizons in Cameroon
- 500 Farmer Field Schools conducted
- Center of Excellence: construction started
- Farmer Academies: 2 locations identified
- 5 showcase farms started

## Farmer Education

- Adults and children Schools: 3 built, 4 under construction
- Curriculum development for Akoupé Secondary School and Rural Schools
- Collaboration with Jacobs Foundation, Hershey, Mars, Ferrero

## Farmer Health

- New Water wells drilled

Sustainable Cocoa

# Chocovision

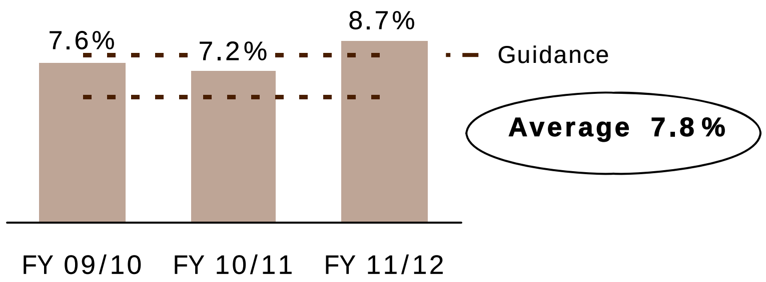
- A platform for informed discussion, discourse and debate for 200 senior business leaders and stakeholders in the cocoa, chocolate and retail industry, organized by Barry Callebaut



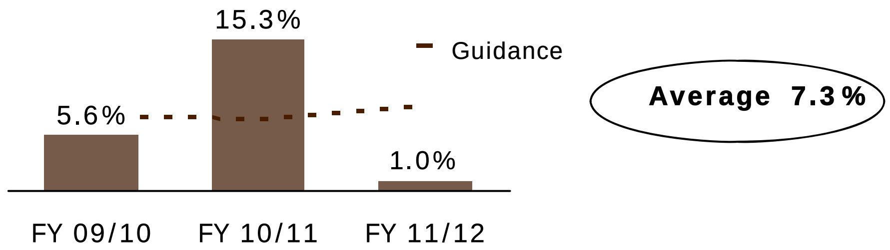



# Renewed mid-term guidance

**Volume growth**




**EBIT growth**
in local currencies




- Four-year average growth targets for 2011/12 –2014/15
  - Volumes: +6-8%
  - EBIT: at least in line with volume growth

* Our view for the 2012-2015 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.

# Our key priorities for FY 12/13

- Finalize the various investments in capacities and structures
- Increase presence in emerging markets
- Implement current outsourcing deals and gain additional volume from strategic partners
- Focus on Gourmet to increase growth pace
- Increase our operational efficiency through project “Spring”
- Continue to invest in Cocoa Horizons to achieve leadership in Sustainability
- Bring innovations to the market

# Summary

- Accelerated volume growth FY11/12 and setting up for further profitable growth:
  - Volume up +8.7%
  - EBIT + 1% in local currencies
  - Net profit = CHF 241.1 mio (5.2%) in loccal currencies
- Growth across all Regions and Product groups
- Year of significant investments in structures, Gourmet, sustainability, factory expansions and ramp-up costs
- Proposed dividend of CHF 15.5 per share
- Renewed mid-term financial guidance

# while we were discussing....

# 3'000'000

Chocolate products containing

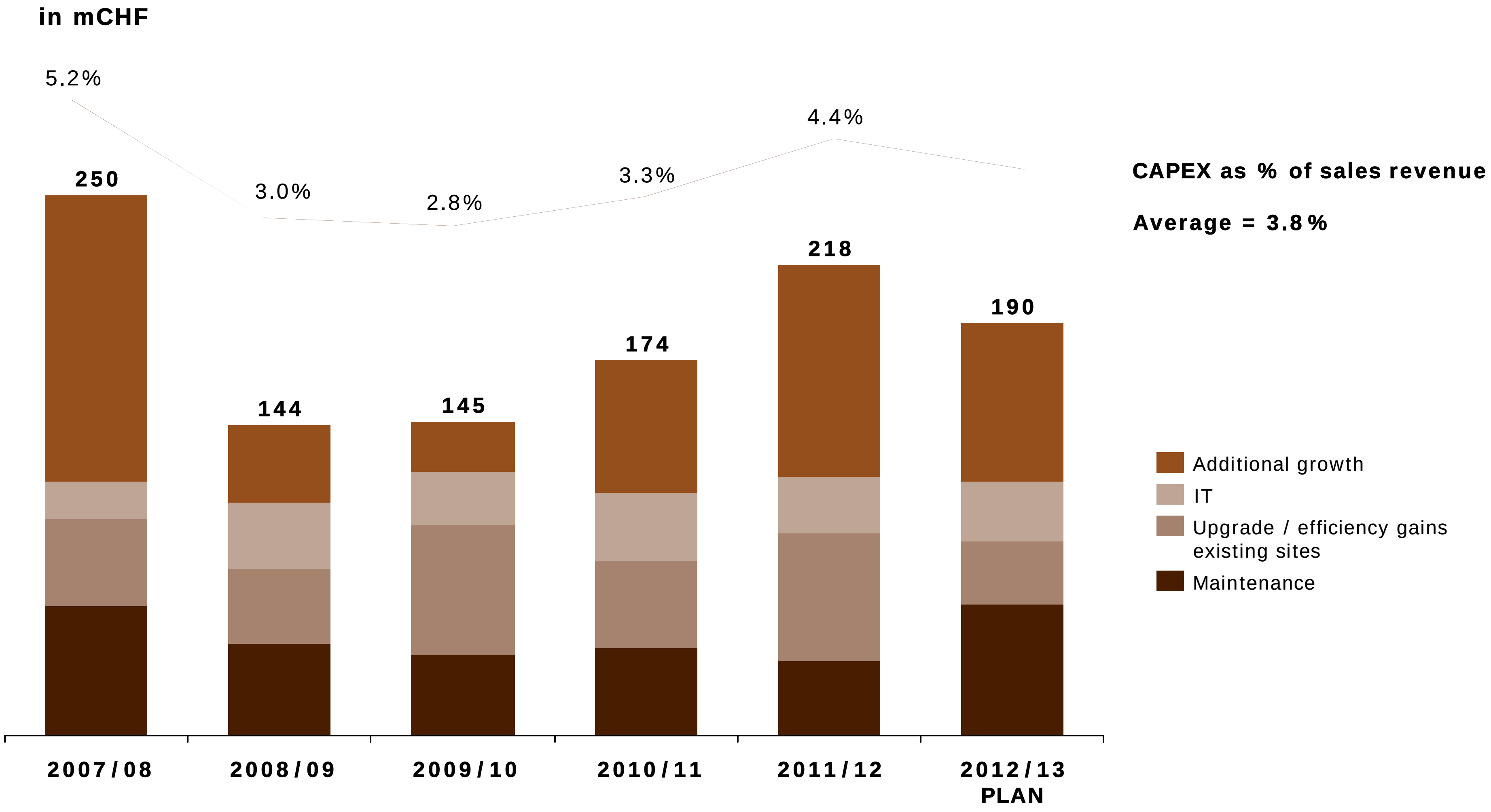
BARRY CALLEBAUT

made people happy worldwide


# Appendix

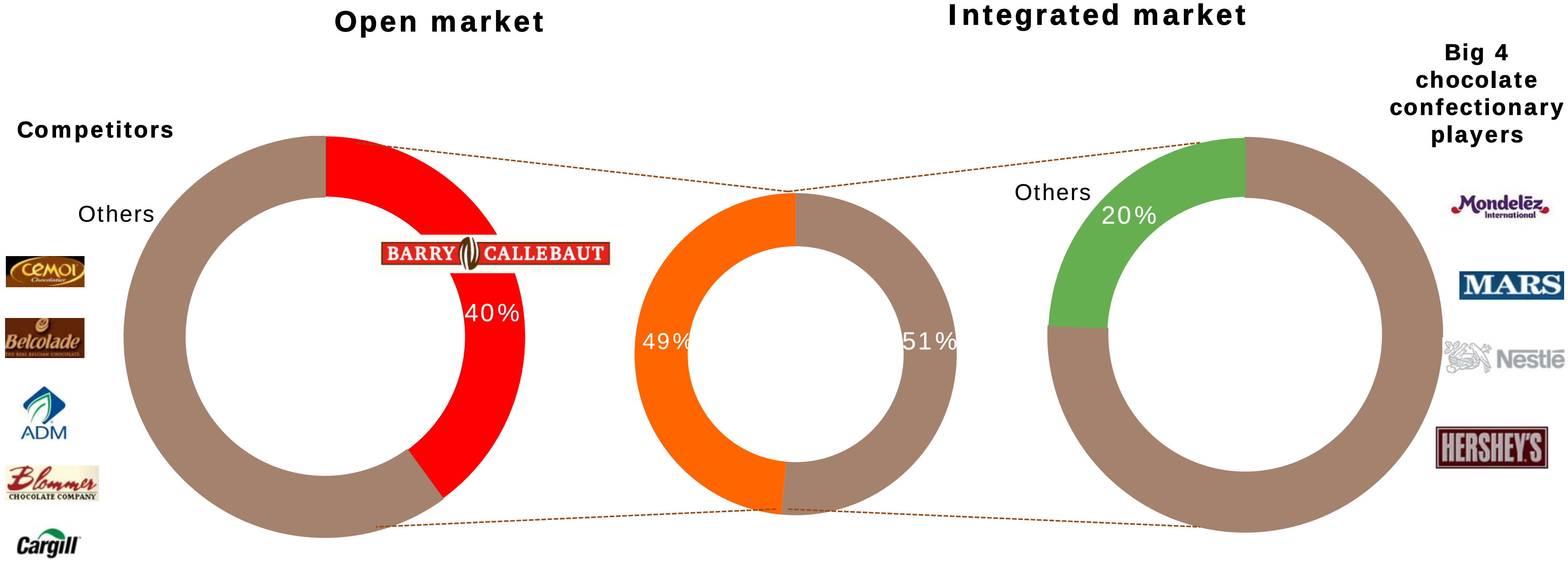
CAPEX development

# Investments support the growth of our business



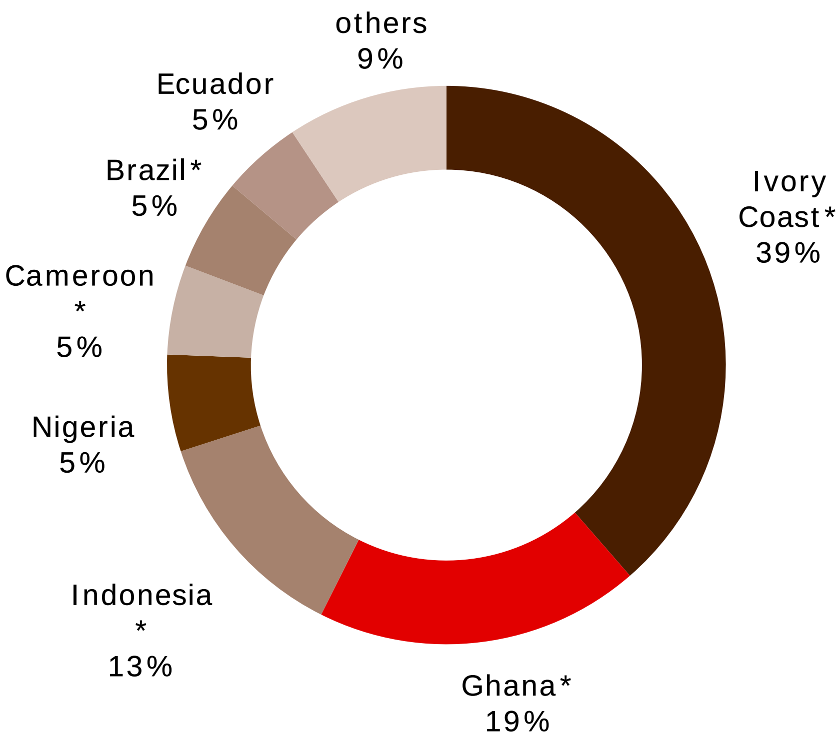
# 3 mio tonnes of outsourcing potential for future growth

**Global Industrial Chocolate market in 2011/12 = 6,100,000 tonnes***



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

Total world harvest (11/12): 3'962'000 MT

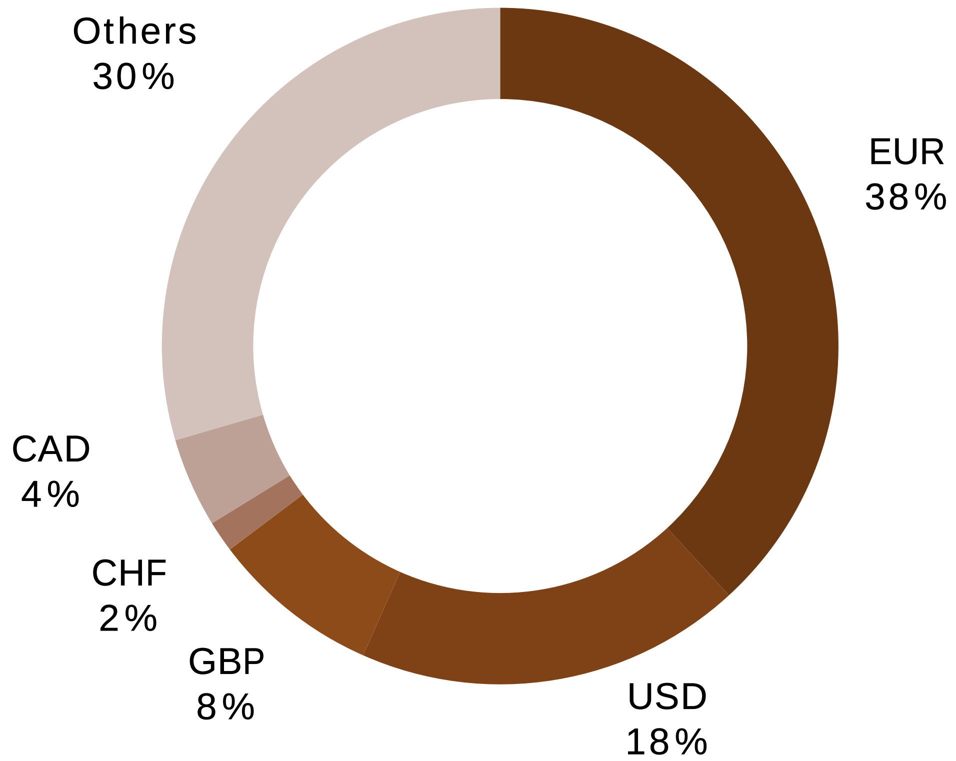



Source: ICCO estimates

- About 70% of total cocoa beans come from West Africa
- BC processed ~574,000 tonnes of cocoa beans or 14% of total world harvest
- 69% sourced directly from farmers, cooperatives & local trade houses
- BC has various cocoa processing facilities in origin countries*, in Europe and in the USA

# Revenue by currency

**FY 2011/12 Sales Revenue**




* Others include: Mexican Peso, Polish Zloty , Brazilian Real, Japanese Yen, Russian Ruble, Australian Dollar, Chinese Yuan, Malaysian Ringgit,, Czech koruna, Swedish Krona, Indonesian, Rupiah ,etc

# Exchange rates

| vs. CHF | Aug 12 | Aug 11 | % 2012/2011 |
|---|---|---|---|
| **Closing rates** | | | |
| EUR | 1.20071 | 1.15765 | 4.30% |
| USD | 0.96080 | 0.80370 | 15.70% |
| CAD | 0.96835 | 0.82186 | 14.60% |
| GBP | 1.51730 | 1.30738 | 21.00% |
| | | | |
| **Average rates** | | | |
| EUR | 1.21145 | 1.26817 | -5.70% |
| USD | 0.92763 | 0.91284 | 1.50% |
| CAD | 0.91900 | 0.92262 | -0.40% |
| GBP | 1.46011 | 1.46426 | -0.40% |