



# News Release

## Barry Callebaut reports sales for first nine months of fiscal year 2006/07: Sustained strong sales

- Sales volumes up organically by 6.0% to 838,349 metric tonnes, driven by accelerating outsourcing trend
- Strong sales revenue<sup>1</sup> growth of 4.1% to CHF 3,285.0 million
- Barry Callebaut is actively pursuing various options for the Brach's consumer business in North America, including a joint venture, a partial or a full sale
- Planned issuance of a EUR 350 million bond to increase financial flexibility, subject to market conditions
- Three-year financial targets for period 2005/06 through 2007/08 confirmed

Zurich/Switzerland, June 28, 2007 – Barry Callebaut AG, the world's leading manufacturer of high-quality cocoa and chocolate products, announced today its key sales figures for the first nine months of fiscal year 2006/07 ended May 31, 2007. In addition, the company intends to launch a EUR 350 million Fixed Rate Note to improve its financial flexibility and average maturity of its debt profile and to benefit from currently favorable capital market conditions. Barry Callebaut delivered dynamic growth in the first nine months of the current fiscal year as sales volumes rose to 838,349 metric tonnes, which corresponds to an organic growth rate of 6.0% – more than twice the growth rate of the global chocolate market. Volumes were driven by an excellent performance of the Food Manufacturers business unit, especially in Europe, as an increasing number of previously fully integrated food manufacturers began to outsource their chocolate needs to specialized partners. Sales revenue<sup>1</sup> rose by 4.1% to CHF 3,285.0 million. A part of this increase was due to exchange rate effects, primarily the appreciation of the Euro against the company's reporting currency, Swiss franc. Excluding the Brach's consumer business in North America, sales volumes rose 7.4% and sales revenue<sup>1</sup> 6.1%.

Patrick De Maeseneire, CEO of Barry Callebaut, said: "I am very pleased that Barry Callebaut continued on its growth path and was again able to substantially outpace the growth of the global chocolate market in the first nine months of the current fiscal year. During this period, we won three major supply contracts with prestigious international consumer goods companies Nestlé, Hershey and Cadbury. Thanks to our global presence from the bean to the shelf and our innovative strength, we have been able to establish ourselves as the outsourcing partner of choice in the chocolate industry."

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<sup>1</sup> For comparison reasons the prior-year sales revenue has been adjusted for extraordinary bean sales. Reported sales volumes only include processed goods. Therefore physical bean sales are not included in the reported sales volumes whereas they are included in reported sales revenue.



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## Group key sales figures for the first nine months of fiscal year 2006/07

GROUP		Change (%)	Nine months up to May 31, 2007	Nine months up to May 31, 2006
Sales volumes	mt	6.0	838,349	791,115
Sales volumes excl. Brach's	mt	7.4	788,186	734,115
Sales revenue <sup>1</sup>	CHF m	4.1	3,285.0	3,154.9
Sales revenue <sup>1</sup> excl. Brach's	CHF m	6.1	3,065.6	2,888.5

## Overview of sales performance per region in the first nine months of fiscal year 2006/07

### *Region Europe*

Region Europe achieved sales volume growth of 8.4% to 556,525 tonnes, driven by good demand from industrial and artisanal customers. Eastern Europe registered double-digit growth. To better capture the growth potential in this region, Barry Callebaut is strengthening its operational setup and will inaugurate its new factory in Russia in September. Sales revenue<sup>1</sup> in Region Europe rose by 5.9 % to CHF 2,285.0 million compared to the same prior-year period.

The Food Manufacturers business unit benefited from increased and new outsourcing volumes in Western Europe with strong growth in core markets, such as Belgium, the UK, Germany, France and the Netherlands. The business unit achieved particularly strong volume growth in Eastern Europe, especially in Poland and in Russia. The Gourmet & Specialties business unit also recorded good sales revenue growth, especially in the UK, France and Eastern Europe. As expected, sales revenue was lower in the Consumer Products Europe business, resulting from the earlier communicated termination of some customer label contracts. This impact is expected to phase out in the course of the current fiscal year.

### *Region Americas*

Sales volumes in Region Americas increased only slightly to 224,643 tonnes, up from 224,246 tonnes in the prior-year period, as strong growth at the Food Manufacturers and Gourmet & Specialties business units was offset by an unsatisfactory sales performance at the Consumer Products North America business. As a result sales revenue in the region declined to CHF 760.3 million, down 4.5% from CHF 796.5 million in the same prior-year period

The continued unsatisfactory performance of Barry Callebaut's North American consumer business prompted the company to put the business unit under strategic review as communicated earlier this year. Barry Callebaut is now actively pursuing several options including a joint venture, a partial or a full sale of the Brach's business, which accounts for more than three quarters of sales revenue at Consumer Products North America. Following expressions of interest, Barry Callebaut management believes that a sale is the most favorable outcome.



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Excluding Brach's, sales volumes in Region Americas rose by 4.3 % to 174,480 tonnes, leading to a 2.0% increase in sales revenue to CHF 540.9 million.

A changed market approach and market share gains helped the Food Manufacturers business unit to achieve solid growth, while the Gourmet & Specialties business unit experienced good demand for its premium and single origin chocolate products.

## ***Region Asia & Rest of the World***

Region Asia & Rest of the World registered sales volumes of 57,181 tonnes, up 6.9% from the prior-year period. The region achieved sales revenue<sup>1</sup> growth of 19.6 % to CHF 239.7 million.

The good result was driven by a very strong performance of the Food Manufacturers business unit, which recorded large deliveries to Australia and South Africa in the third quarter. Sales of Gourmet & Specialties products were also up in Asia and the rest of the world with rising demand for its premium products in Hong Kong and China.

## **Key sales figures by regions for the first nine months of fiscal year 2006/07**

<b>EUROPE</b>		<b>Change (%)</b>	<b>Nine months up to May 31, 2007</b>	<b>Nine months up to May 31, 2006</b>
Sales volume	mt	8.4	<b>556,525</b>	513,355
Sales revenue <sup>1</sup>	CHF m	5.9	<b>2,285.0</b>	2,157.9

<b>AMERICAS</b>		<b>Change (%)</b>	<b>Nine months up to May 31, 2007</b>	<b>Nine months up to May 31, 2006</b>
Sales volume	mt	0.2	<b>224,643</b>	224,246
Sales volumes excl. Brach's	mt	4.3	<b>174,480</b>	167,246
Sales revenue	CHF m	-4.5	<b>760.3</b>	796.5
Sales revenue excl. Brach's	CHF m	2.0	<b>540.9</b>	530.1

<b>ASIA/RoW</b>		<b>Change (%)</b>	<b>Nine months up to May 31, 2007</b>	<b>Nine months up to May 31, 2006</b>
Sales volume	mt	6.9	<b>57,181</b>	53,514
Sales revenue <sup>1</sup>	CHF m	19.6	<b>239.7</b>	200.5

## **Development of business segments in the first nine months of fiscal year 2006/07**

### ***Industrial business segment***

The Industrial business segment focuses on selling cocoa and chocolate products to industrial food processors and consumer goods manufacturers worldwide.

Sales volumes were 586,947 tonnes, which represents an organic growth of 10.8% compared to the same prior-year period.



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- Sales volumes of Cocoa products sold to third-party customers amounted to 107,495 tonnes, which is a plus of 12.1%. Volumes were pushed to compensate for the margin decline caused by the deteriorating combined (cocoa) ratio<sup>2</sup>.
- Sales volumes in the Food Manufacturers business unit reached 479,452 tonnes, representing a 10.5% rise over the same period in the previous fiscal year. The business unit benefited from higher outsourcing volumes as an increasing number of integrated consumer goods companies shift their focus towards sales and marketing and are seeking to source liquid chocolate from third parties. As a global industry leader, Barry Callebaut is well positioned to further benefit from this trend.
- Barry Callebaut expects to sign the final agreements with Nestlé and Hershey soon and will start to supply both companies in the next few months.

Sales revenue<sup>1</sup> recorded in the Industrial business segment achieved growth of 10.1% to CHF 1,891.1 million, compared to CHF 1,717.4 million for the same prior-year period.

- Sales<sup>1</sup> revenue in the Cocoa business unit rose by 7.5% to CHF 379.8 million, up from CHF 353.3 in the prior year, as a result of higher sales volumes, despite the aforementioned lower average sales prices resulting from the lower combined (cocoa) ratio.
- The Food Manufacturers business unit achieved sales revenue growth of 10.8% to CHF 1,511.3 million, up from CHF 1,364.1 million for the same prior-year period, driven by higher sales volumes.

## ***Food Service/Retail business segment***

The Food Service/Retail business segment serves a broad range of customers, from local craftsmen (such as chocolatiers, pastry chefs, bakers, hotels, restaurants, caterers) to global retailers.

Sales revenue was CHF 1,393.9 million, down 3.0% from CHF 1,437.5 million recorded for the same prior-year period, due to lower sales revenue at the Consumer Products business unit related to the termination of some customer label contracts in Europe and lower sales of Brach's consumer products in North America.

- Sales revenue at the Gourmet & Specialties business unit increased to CHF 448.4 million, up 4.8% from CHF 428.0 million for the same prior-year period. The business unit experienced strong demand for its premium products, especially single origin chocolate.
- Sales revenue at the Consumer Products business unit declined by 6.3% to CHF 945.5 million. Excluding North American consumer brand Brach's, sales revenue declined by 2.3% to CHF 726.1 million.

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<sup>2</sup> Combined sales prices for cocoa butter and cocoa powder relative to the cocoa bean price



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## **Planned issuance of a EUR 350 million bond**

Barry Callebaut Services N.V., a directly owned finance subsidiary of Barry Callebaut AG, plans to issue a EUR 350 million Fixed Rate Note (10 years non-call life) to further align the company's funding structure with its operational needs, to improve its balance sheet profile and to take advantage of favorable market conditions. The proceeds will be used to increase liquidity, to enable the company to implement existing programs of partnership and expansion such as with Nestlé and Hershey, and explore new opportunities for growth as and when they arise. The issuance is subject to market conditions. At the same time the company intends to renegotiate the terms and conditions of its existing EUR 850 million syndicated credit facilities.

## **Outlook**

Looking ahead, CEO Patrick De Maeseneire said: "An increasing number of previously fully integrated food manufacturers are beginning to outsource their chocolate needs. Our supply agreements with Nestlé, Hershey and Cadbury confirm the accelerating outsourcing trend in the industry, both in Europe and in the United States. Barry Callebaut is well positioned to further benefit from this market development. We continue to shape our company through geographic expansion, cost leadership and innovation. The planned launch of a bond will give us the necessary flexibility to continue on our successful growth path. As already mentioned earlier this year, higher raw material prices will have a negative impact on our financial results in fiscal year 2006/07. The deterioration of the combined (cocoa) ratio is expected to have a negative effect of around CHF 25 million. Higher milk prices will also weigh, but are expected to be partly offset by price increases. Despite these developments, we are confident that we will reach our 3-year financial targets through 2007/08 and are on a steady growth path for the future."

\* These targets are on average: annual top-line growth of 3-5%, EBIT growth of 8-10% and PAT growth of 12-15%, barring any major unforeseen events.

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## ***Barry Callebaut ([www.barry-callebaut.com](http://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, chocolate and confectionery products – from the cocoa bean to the finished product on the store shelf. Barry Callebaut is present in 23 countries, operates more than 30 production facilities and employs approximately 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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Financial calendar for fiscal year 2006/07 (September 1, 2006 to August 31, 2007):

Annual results 2006/07: November 6, 2007 News release, Media conference and Analysts' conference (Zurich)

Annual General Meeting: November 29, 2007 Zurich

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## Key sales figures Barry Callebaut (unaudited)

		Change (%)	9 months up to May 31, 2007	9 months up to May 31, 2006
<b>Sales Group</b>				
Sales volume	mt	6.0%	838'349	791'115
Sales Revenue <sup>(1)</sup>	CHF m	4.1%	3'285.0	3'154.9
(Incl. extraordinary bean sales in 05/06)	CHF m	-0.1%	3'285.0	3'287.4
<b>Sales by regions</b>				
<b>Europe</b>				
Sales Volume	mt	8.4%	556'525	513'355
Sales Revenue <sup>(1)</sup>	CHF m	5.9%	2'285.0	2'157.9
(Incl. extraordinary bean sales in 05/06)	CHF m	0.6%	2'285.0	2'270.4
<b>Americas</b>				
Sales Volume	mt	0.2%	224'643	224'246
Sales Revenue	CHF m	-4.5%	760.3	796.5
<b>Asia / Rest of world</b>				
Sales Volume	mt	6.9%	57'181	53'514
Sales Revenue <sup>(1)</sup>	CHF m	19.6%	239.7	200.5
(Incl. extraordinary bean sales in 05/06)	CHF m	8.7%	239.7	220.5
<b>Sales by business segments</b>				
<b>Industrial Business</b>				
Sales Volume	mt	10.8%	586'947	529'664
- Cocoa	mt	12.1%	107'495	95'867
- Food Manufacturers	mt	10.5%	479'452	433'797
Sales Revenue <sup>(1)</sup>	CHF m	10.1%	1'891.1	1'717.4
(Incl. extraordinary bean sales in 05/06)	CHF m	2.2%	1'891.1	1'849.9
- Cocoa <sup>(1)</sup>	CHF m	7.5%	379.8	353.3
(Incl. extraordinary bean sales in 05/06)	CHF m	-21.8%	379.8	485.8
- Food Manufacturers	CHF m	10.8%	1'511.3	1'364.1
<b>Food Service / Retail Business</b>				
Sales Revenue	CHF m	-3.0%	1'393.9	1'437.5
- Gourmet & Specialties	CHF m	4.8%	448.4	428.0
- Consumer Products	CHF m	-6.3%	945.5	1'009.5

<sup>(1)</sup> For comparison reasons the prior year sales revenue has been adjusted for extraordinary bean sales. Reported sales volumes only include processed goods. Therefore physical bean sales are not included in the reported sales volumes whereas they are included in reported sales revenue.