Strong growth in Western Europe, overall significant profit improvement

Sales volume increased in the developed markets of Western Europe despite weak market growth. Overall, a better product and customer mix resulted in a significant operating profit (EBIT) increase of 19.7% in local currencies.

The European chocolate confectionery market declined by 2.6%[1].

In contrast, we managed to grow our sales volume in Region Europe (recently renamed EMEA) by 3.9% to 763,646 tonnes, with a strong acceleration in the last quarter. In Western Europe, the installation of additional manufacturing capacity, resolving the previous capacity constraints, allowed for additional growth. The Region also gained and renewed long-term partnership agreements with leading regional food manufacturers. To fulfill the growing demand in the Polish market for white chocolate, we extended our capacity in Lodz, Poland with a dedicated line. Lodz is also the location where we opened our new Shared Service Center, bundling transactional activities across Europe.

The Food Manufacturers business performed especially well in Central Europe where we recorded double-digit growth across all customer types and sales areas, driven by Germany. We were also able to grow in Southern Europe, particularly in Spain, as well as in Belgium and France, where there is a continuing trend of consolidation in the market. Despite the sluggish demand for chocolate confectionery, other categories such as ice cream grew compared to prior year and we benefited from this.

In February of 2015, the European Patent Office granted us a patent on reduced fat chocolate, broadening our portfolio in response to the growing consumer wish for reduced calorie intake. The patented process makes it possible to manufacture milk chocolate with roughly a third less fat than standard chocolate. The Gourmet & Specialties business again performed well. Our Gourmet business in Western Europe had another strong year of above-market growth based on the significant efforts of our Gourmet team. Especially in Northern and Central Europe, where market consolidation is leading to more systemized chains, we benefited from the growing out-of-home consumption with bakery and Food Service (hotels, restaurants, catering) customers. Our sales of global brands showed a solid performance. To increase our flexibility and the quality of our Gourmet products, we established a new packaging center in Aalst, Belgium.

In Cologne, we opened our first CHOCOLATE ACADEMY center in the German market and are now able to offer first-class trainings for chocolate professionals.

We achieved double-digit volume growth in the Beverages business. This was attributable to market share gains, new innovative products launched and operational efficiencies. Both our branded and private label business grew, with particularly successful sales of added-value products, such as Cappuccino premixes used for in-home brewing capsules.

In EEMEA (Eastern Europe, Middle East, Africa), the Food Manufacturers business came in lower than prior year, with a recovery starting in the 4th quarter. The reason was a difficult market environment in some of the countries of this Region and the loss of a large customer which was not fully

[1] Source: Nielsen, September 2014 –August 2015

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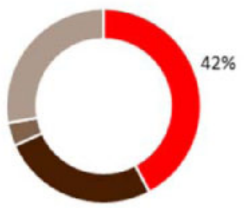
compensated for by the good business with the other customers. However, a more favorable customer mix had a positive impact on operating profit.

The Gourmet & Specialties business again achieved solid volume growth, driven by excellent growth in Turkey, but offset by Russia, where business suffered due to the difficult political and economic situation.

In March 2015, we relocated our CHOCOLATE ACADEMY center to an attractive location in the city center in Moscow. This will bring us even closer to our Gourmet customers, helping them to further build and strengthen their know-how to become a master of their craft while using our products.

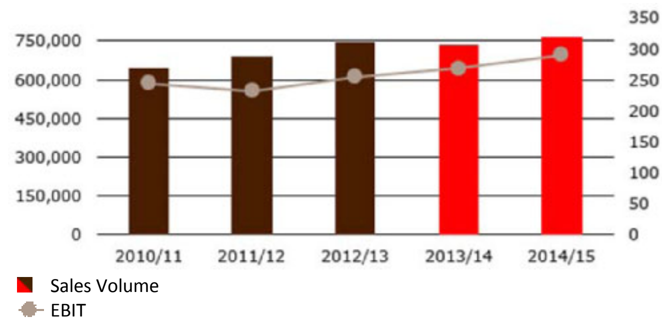
Overall, sales revenue in Region Europe grew significantly by 11.0% in local currencies (–0.4% in CHF) to CHF 2,563.7 million also as a result of higher cocoa bean prices and increased sales of higher value products. Operating profit (EBIT) rose 19.7% in local currencies (+8.1% in CHF) to CHF 289.7 million, driven by better gross margins in Food Manufacturers and a strong contribution from Gourmet & Specialties.

Sales Volume per Region



- Europe
- Americas
- Asia Pacific
- Global Cocoa

Sales Volume / EBIT



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factories

Key figures for Region Europe

		Change %		2014/15	2013/14
		in local currencies	in CHF		
Sales volume	Tonnes		3.9%	763,646	735,204
Sales revenue	CHF m	11.0%	(0.4%)	2,563.7	2,573.3
EBITDA	CHF m	19.5%	8.0%	330.5	306.0
Operating profit (EBIT)	CHF m	19.7%	8.1%	289.7	268.1