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Final Report

Confectionery industry: No crisis for confectionery and snack items
Manufacturers and importers cautiously optimistic

ISM: Positive Signals and Powerful Momentum for the Confectionery Business Year 2009

Excellent high-level discussions — More than 32,500 buyers from
approximately 150 countries — Large number of domestic visitors

ISM 2009 generated positive signals across the board for the coming business year. In spite of the financial crisis and negative economic forecasts, the confectionery sector has generated powerful momentum at the beginning of the year through new products and innovative marketing strategies. The 1,593 exhibiting companies that presented their products at the International Sweets and Biscuits Fair from 1st to 4th February 2009 believe they have good reason to be cautiously optimistic. Manufacturers and importers all reported having either good or excellent business discussions at the event. These suppliers were able to meet with the most important buyers from the German and international trade, including all the major retail firms, specialist dealers and representatives of new sales channels. With more than 32,500 trade visitors from some 150 countries, visitor numbers remained approximately at the prior fair's level. While a greater number of German trade visitors were registered at this year's event, the percentage of visitors from abroad fell slightly to 62 per cent, in part because of the turbulent weather in Europe on Monday, 2nd February. "As the annual international meeting place for the industry, ISM is indispensable to the confectionery sector," said Gerald Böse, Chief Executive Officer of Koelnmesse GmbH. "There's no alternative to ISM," added Tobias Bachmüller, Chairman of the International Sweets and



ISM
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www.ism-cologne.com

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Biscuits Fair Working Group, and also Managing Partner of Katjes Fassin GmbH & Co. KG.

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As Bachmüller also pointed out, the strong presence of the German trade at this year's fair underscored the fact that ISM remains very important to Germany's confectionery sector as well. "If anything, it's become even more important, as evidenced by the excellent business discussions we had," said Bachmüller. "The export business also continues to be a major topic of discussion at ISM — and all of our key customers with decision-making responsibility in this area were on hand at the fair. In view of the current difficult economic situation, their presence truly sent a positive signal."

All of the exhibitors reported high-quality contacts at the fair. "We had great discussions with our customers from Germany," said Willi Meier, an authorised clerk and export manager at J.G. Niederegger GmbH & Co. KG. "Our talks with customers from abroad were also good, as we met up here in Cologne with business partners from Central and Eastern Europe, Sweden, the UK and South America." Sönke Renk, a member of the Executive Board of Bahlsen GmbH & Co. KG, also reported a positive trade fair experience: "ISM is crucial both for introducing new products and maintaining and expanding contacts with our most important trade partners." Like many other sector representatives, Renk believes that demand for confectionery products will remain stable not only in Germany but also abroad.

Companies from abroad that utilize ISM as a platform for doing business with customers from around the world were also very satisfied with this year's trade fair. Executives from these firms also praised the good and serious discussions that took place, and were generally quite optimistic regarding the all-important post-fair business the fair would generate. Marie-Josée Graulus-Celis from Belgium's joint stand summed up the feelings of the participating companies as follows: "We enjoyed solid high-level talks and registered strong demand from abroad and a great deal of interest in our products. That's probably why 95 per cent of our exhibitors said they want to come back next year."

Demand for organic products also remains high, as confirmed by Graulus and others. "Our presentations on the Organic Avenue led a lot of people to visit the stands of our individual exhibitors," Graulus explained.

Other companies also reported having had “serious discussions in a friendly atmosphere.” Trade representatives were interested in the concepts employed by manufacturers, which are focusing on offering customers confectionery enjoyment and pleasure through numerous product innovations, even in these difficult economic times.

The “New Product Showcase” immediately established itself at this year’s ISM as the fair’s new central information platform. Some 60 companies presented their new product innovations here, attracting the lively interest of a large number of trade visitors in the process. As a result, numerous reservations have already been received for next year’s New Product Showcase.

ISM — the most important trade fair for confectionery and snack items — takes place every year in Cologne, where it showcases the entire range of chocolate, sugar confectionery, biscuits, snack items, ice cream and raw paste products. Only end products intended exclusively for retail sale are presented.

ProSweets Cologne — The international Supplier Fair for the Confectionery Industry — ran parallel to ISM, and was also successful. ProSweets Cologne grew substantially this year, attracting over 14,700 trade visitors from more than 100 countries, and 307 exhibiting companies from 28 nations, thereby setting new records for the event. The ISM and ProSweets Cologne trade fair duo with their total of 1,900 exhibitors showcases the entire value chain of the confectionery industry.

ISM 2009 Facts and Figures:

A total of 1,593 companies from 65 countries participated in ISM 2009; 80 per cent of the exhibiting companies were from abroad. The fair occupied a gross exhibition space of 110,000 m². The participants included 244 exhibitors and 75 additionally represented companies from Germany, as well as 1,219 exhibitors and 55 additionally represented companies from abroad. Some 32,500 trade visitors from approximately 150 countries attended ISM 2009, with 62 per cent of the visitors coming from abroad.

The 40th ISM will take place from 31st January to 3rd February 2010.

ProSweets Cologne — The International Supplier Fair for the Confectionery Industry — was held in parallel to ISM for the fourth time.

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More information is available at:

www.ism-cologne.de (www.ism-cologne.com)

www.prosweetscologne.de (www.prosweetscologne.com)

Additional statements by exhibitors (in alphabetical order):

- Onno Bleeker, President Europe, Barry Callebaut Belgium nv: "ISM is a very effective and important platform for us to meet our customers — in just four days, we welcomed customers from all over the world to our stand."
- Otto Lithardt, Grabower Süßwaren GmbH: "The German trade — which is very important for us — was well represented at the fair. This year's ISM was also one of the best in recent years."
- Andreas Land, Managing Partner, Griesson de Beukelaer GmbH & Co. KG: "We at Griesson de Beukelaer were very satisfied with ISM 2009, as we enjoyed very good discussions with all of our key customers."
- Oscar Kambly, Kambly SA Spécialités de Biscuits Suisses: "We're big fans of ISM, which for us is by far the best platform in the world."
- Willibald Krüger, Managing Partner, Krüger GmbH & Co. KG: "We're very satisfied with ISM and see no reason to change the trade fair schedule."
- Dr. Hermann Bühlbecker, Aachener Printen- und Schokoladenfabrik Henry Lambertz: "The fair was a little quieter than usual. Nevertheless, we were able to conduct key business discussions during ISM, and we continue to believe that the trade fair is extremely important."
- Karen S. Horan, Director of International Trade Services, National Confectioners Association (NCA): "The slight decline in the number of visitors had a positive effect on visitor quality. Our exhibitors were very satisfied, and all of them reported having very serious and important discussions."
- Peter Riegelein, Managing Partner, Hans Riegelein & Sohn gmbG & Co. KG: "ISM is a must for a manufacturer of seasonal articles like Riegelein. The discussions we had were extraordinarily good — all the

big full-range retailers from Germany visited our stand, and we also welcomed a greater number of visitors from abroad.”

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- Claus P. Cersovsky, Rübezahl Schokoladen GmbH: “ISM is definitely the right platform for introducing new products and highlighting our brand.”

The Trends at the 39th ISM

Confectionery suppliers focus on clarity and relevant information

The excitement generated by new products is one of the most important factors of success for the confectionery industry. Consumers love change, especially when it comes to sweets and snacks. As market research data confirms, product innovations, new flavours and formats, and attractive and convenient packaging all serve to continuously give the product range an up-to-date flair and provide incentives to consumers to purchase confectionery products. Market data from last year also shows that between January and November 2008, turnover of nearly €900 million was generated with new products, new packaging and new flavours through sales at food retailers, drugstores, petrol stations, and impulse-buying sales channels. This corresponds to a total sales volume of approximately 104,000 tonnes. In terms of total confectionery turnover, nearly one in every ten euros was thus spent on a new product, according to the market researchers from Nielsen.

Such developments underscore ISM’s tremendous importance to the entire sector as a platform for presenting the new products that consumers can look forward to in the year to come. Spending four days looking at the huge range and number of products in the Cologne trade fair halls reveals much about the trends and new developments in the sector. One thing that’s clear is that many concepts employed by the confectionery industry reflect the consumers’ desire for clarity and relevant information. Whether it’s pralines presented layer by layer in sparkling clarity, or completely new types of sweets whose two sections give off a feeling of heat and cold, respectively — consumers can see for themselves just what the products have to offer. The message here is “We’ve got nothing to hide” — and it’s also reflected in sophisticated and almost purist packaging adorned with photo-like images of the products inside. Exotic ingredients like ginger, pepper and chili have long since conquered the

market, and are now adding their touch of seductive spiciness to marzipan, candies and even liquorice.

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It also became clear during the fair that the messages to consumers are changing. The focus is no longer so much on slogans like “low-fat, low-sugar” or on highlighting functional ingredients — although references to the wholesome nutrients in the cocoa beans in chocolate continue to have a powerful effect. Instead, one of the biggest themes at this year’s fair was the emphasis on products made solely of “natural” ingredients. If the impressions gained at the fair are any indication, regional references and the heralding of the use of local fruits can also be expected to play a bigger role at retailers over the next few months. The most popular fruits at the moment are pears, blueberries and peaches, while classics products such as nut brittle and nougat are experiencing a grandiose revival. “Always use very little of only the best ingredients” was the advice given by television chef and gourmet Johann Lafer during his visit to the fair. Three-star chef Harald Wohlfahrt was on hand as well to stress the premium confectionery product attributes of local roots, perfect preparation and authentic taste. The sector is thus also confidently targeting gourmet consumers. Chocolates are sometimes presented today as works of art, and even certain chewing gums are marketed as lifestyle products, some of which may eventually attain the cult status of an iPod. A key role is played here by the process of personalising formerly mass-produced articles by reissuing them in limited editions accompanied by targeted ad campaigns.

In times of great uncertainty, consumers long for the values of reliability and credibility. Confectionery producers have recognized this, and have responded with fascinating products and brand concepts that reflect this desire. According to many exhibiting companies at the fair, trade representatives expressed their approval for such an approach in extensive and fruitful discussions. Together, producers and dealers want to offer consumers an opportunity and an incentive to indulge in tasty delights. The mood at the end of yet another successful trade fair was thus optimistic, as all participants now eagerly await the developments to come. ISM exhibitors emerged from their business discussions at the fair in a stronger position and are optimistic about the sector’s prospects for the coming weeks. They are certain that the new products and innovations presented at the fair will not fail to have an effect on

consumers. After all, as was reported at many ISM stands in Cologne, January 2009 has already turned out to be a “sweet month for sales.”