

We prefer evolution, not revolution

THE PURATOS GROUP, A FAMILY OWNED COMPANY, IS PRESENT WORLDWIDE. THE SECRET BEHIND THE BUSINESS THAT GENERATES ONE BILLION EUROS CONSOLIDATED TURNOVER IS NOT ONLY VERTICAL INTEGRATION AND R&D IN GLOBAL TECHNOLOGY BUT IS ALSO ITS LOCAL INTEGRATION IN AN IMPRESSIVE NUMBER OF COUNTRIES, BEING IN THE SAME TIME INSPIRING AND INSPIRED BY LOCAL BREAD, CAKE AND CHOCOLATE CULTURE AS CEO **DANIEL MALCORPS** EXPLAINS IN THE FOLLOWING INTERVIEW WITH BAKING+BISCUIT INTERNATIONAL

+ bbi: Mr. Malcorps, what vision do you and Puratos have for the future of the baking industry and what will be the main factors for growth?

+ Malcorps: Being part of the food business, this sector will be driven on the long term by demographics and quality. According to recent studies, we see that the worldwide population will grow significantly in the next decades and will generate from a growing number of people an increasing demand for quality. Clearly these trends will challenge the food business.

+ bbi: Will the crisis impact those trends?

+ Malcorps: In an economic crisis you can postpone buying another car, but you can't postpone having your next meal. Therefore, we will go through this crisis without huge impacts similar to the ones other industries have to suffer. The first point to consider is that there are long term aspects driving us. Firstly – whatever happens – the consumer will look for quality.

+ bbi: How do you define quality or how does the consumer define quality?

+ Malcorps: In the last 3 years Puratos has talked with over 50,000 consumers about what they like and want. When we asked them to describe what quality means, they speak about products providing them with pleasure and good taste, products which are attractive from a visual aspect, and which convey an authenticity or tradition feeling. They also talk about products positively contributing to their health. It is by the way very interesting to note that consumers consider that bread is naturally healthy. They also expect products to be convenient enough to match their lifestyle. Our way of life has completely changed over the years. When I was a



++ Daniel Malcorps
CEO of Puratos Group

child we had three meals at home, sitting at the family table, and everything was well organized. Today we eat all over the place, at any time, for any occasion and we do not need to be hungry to eat. Therefore we, as consumers, expect to find tasty products anytime and anywhere, always fresh as if they were just coming out of the oven.

+ bbi: And what about the bakers? Do they face specific challenges?

+ Malcorps: Of course the bakers are facing the huge challenge to respond to these consumer trends. But when we ask them the question about their specific challenges, all over

the world they answer that they have difficulties to find skilled bakers.

+ bbi: But surely there is a reason for this!

+ Malcorps: Yes of course, the work of the baker is a difficult one and requests a lot of efforts that less and less people are ready to deliver.

+ bbi: And you at Puratos, do you easily find skilled people who can help the bakers from a technical standpoint?

+ Malcorps: No, that is one reason why we created the Puratos University. One campus is here in the headquarters of the Group in Brussels, a second one is in Skt. Vith near the German border, where we focus on bread fermentation technology. Here we train and teach about 600 internal students who go on to become demonstrators and trainers in different countries. We are now working on building other facilities in Sao Paulo, Brazil, in Guangzhou, China, and one near Philadelphia, USA.

+ **bbi**: But you are an ingredient supplier – not an organizer of education within the branch!

+ **Malcorps**: The mission of Puratos is to support our customers so that they are more successful with their business thanks to our partnership in terms of assistance, ideas, ingredients, concepts and solutions. Overtime our role has evolved a lot. We analyze what the consumer wants; we help our customers to make their concepts more successful and we design the ingredients in order to meet the concept. For the most part these ingredients demand more and more technology and that is the reason why we employ over 400 people in our R&D and technical support departments, among them 75 work on fundamental R&D, and develop global technologies, and nearly 300 focus on application R&D staff locally. Their role is to translate global technologies into local applications. Puratos will never lose sight of the fact that bread as well as patisserie are local products even if they use global technologies. They remain an expression of the local culture. That's the reason why we have 53 factories around the world to be close to our customers.

+ **bbi**: There also seems to be a trend for globalization. Everywhere in the world you can buy baguettes and ciabatta.

+ **Malcorps**: That's true but at the same time I'll make a bet with you that you not will find the same baguette anywhere in the world. In Paris the baguette is crusty; in London it is softer; in Italy the salt content will be quite different and the flavor is not the same – even the baguette is translated differently in function of the local bread cultures. But of course a few products are indeed truly global like for instance the hamburger bun.

+ **bbi**: Pleasure and convenience – are there any more important trends on the market?

+ **Malcorps**: The health aspect has a very high importance. Today consumers look at food as to a way to contribute to their good health and well being. They want to live and eat healthily but at the same time they are not ready to accept any compromise on the pleasure aspect. So the challenge for the R&D people is to optimize the nutritional and health aspects of the product while delivering the best scores on the pleasure dimension. I think that food manufacturers have made great progress in this direction to the point of educating consumers towards lighter and more elegant tastes. They have even changed the standards. Remember the time when full fat milk was the standard. Today it almost doesn't sell anymore. The standard is now 2% or skimmed milk.

+ **bbi**: Is Puratos responding to this trend?

+ **Malcorps**: Of course, we have reformulated the vast majority of our products to optimize them from a nutritional standpoint. We are also developing products that will contribute to less salt, less sugar and less fat being used and we monitor our progress. We also develop new products clearly aiming at reducing fat, salt and sugar in finished products. For instance we are currently launching a product called Puraslim, which is a patented fat replacer. It replaces margarine

Some facts about Puratos

- + **1919** – Puratos is founded in Brussels in 1919 to create, produce and sell ingredients to bakers and patissiers.
- + **1953** – Creation of T 500, the first complete improver which marks a turning point in the history of Puratos.
- + **1975** – Launch of S500, a powder-based improver. It has grown into a real flagship product for the group and is still the leader today.
- + **1997** – Creation of the Puratos Group.
- + **2000** – Creation of the “O-tentic” range, a completely new type of product allowing traditional breads to be made – a significant innovation in the history of the group. With the dawn of the 21st century, an awareness of environmental responsibility grows rapidly around the globe. Puratos commits itself to this fight for a better world. Creation of the group's structure as it is today. The group intensifies its approach to nutrition and creates the “Great Taste and Wellness” concept.
- + **Group consolidated turnover:** 1 billion Euro
- + **Group headcount:** 5,300 people
- + **World presence:** 60 subsidiaries, 53 plants, 40 Innovation Centers
- + The Puratos products are available in over 100 countries

+ Headquarters

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or butter in the dough without increasing the cost of the finished product.

+ **bbi**: Is it already on the market?

+ **Malcorps**: Yes it is! Although this product is not really part of the bakery tradition, it progressively finds its way in our customers' recipes. But as you know the bakery market is a traditional market and changes take time.

+ **bbi**: What about ecological and environmental aspects and sustainability? The multi-national food and supermarket groups push these ideas. Is it also a trend in the bakery market?

+ **Malcorps**: These aspects are very important – there are a lot of different topics. First of all, we have made sure that all of our factories comply with the strictest regulations and that they are in no way a burden on the environment. Part of our approach of course consists in reducing as much as possible energy consumption. Furthermore we make all ▶

Evaluation of finished products at Puratos innovation center



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efforts to reduce the carbon footprint of our products. As we produce locally in about 40 countries we have a competitive advantage on this because we transport less goods. Furthermore with our customers we develop solutions helping them to save energy and reduce pollution.

+ bbi: Is it really part of your job to help the bakers save energy?

+ Malcorps: Our mission is to help our customers to be more successful with their business and cost saving is a part of this and it is also removing something that could be seen as negative by the consumer.

+ bbi: What about your raw materials, for example palm oil?

+ Malcorps: As many players in the industry have done, we have signed a charter in order to make sure that we use more and more sustainable palm oil. However, it is not possible to change from one day to the next – there is just not enough sustainable palm oil on the market and also the alternative products are not always available. We are in the process of continuous improvements towards sustainably produced palm oil. We are already segregating the oils so if a customer wants completely sustainable palm oil, we can do it!

+ bbi: Is it a sustainably produced palm oil or is it a normal palm oil that you contribute money into a fund for?

+ Malcorps: We offer both and it depends on the demands of the customer as the price varies between the different qualities.

+ bbi: Do you see a growing market in sustainably grown raw materials in the baking industry?

+ Malcorps: Yes, this topic is more and more present in the discussions. In the chocolate industry, there is even more pressure to achieve this. And there we have joined the Rainforest Alliance as we feel it provides a good balance between

the different aspects of sustainability, including ecological and social aspects, etc.

+ bbi: Who, in the baking industry, will benefit from all these trends and developments – the craft bakeries, industrial producers, the supermarkets or the frozen dough industry?

+ Malcorps: I think that the ones who benefit most are the good quality bakers. In my opinion it doesn't matter if they are craft bakers, industrial bakers, supermarkets or restaurants. The successful people are those who understand what the consumer wants – pleasure, convenience and health. The demand for 'good' products is already very present. Today, for Puratos, the fastest growing product group is the O-tentic line, which is probably a line lending itself towards the most sophisticated breads in the world.

+ bbi: What is special about this line?

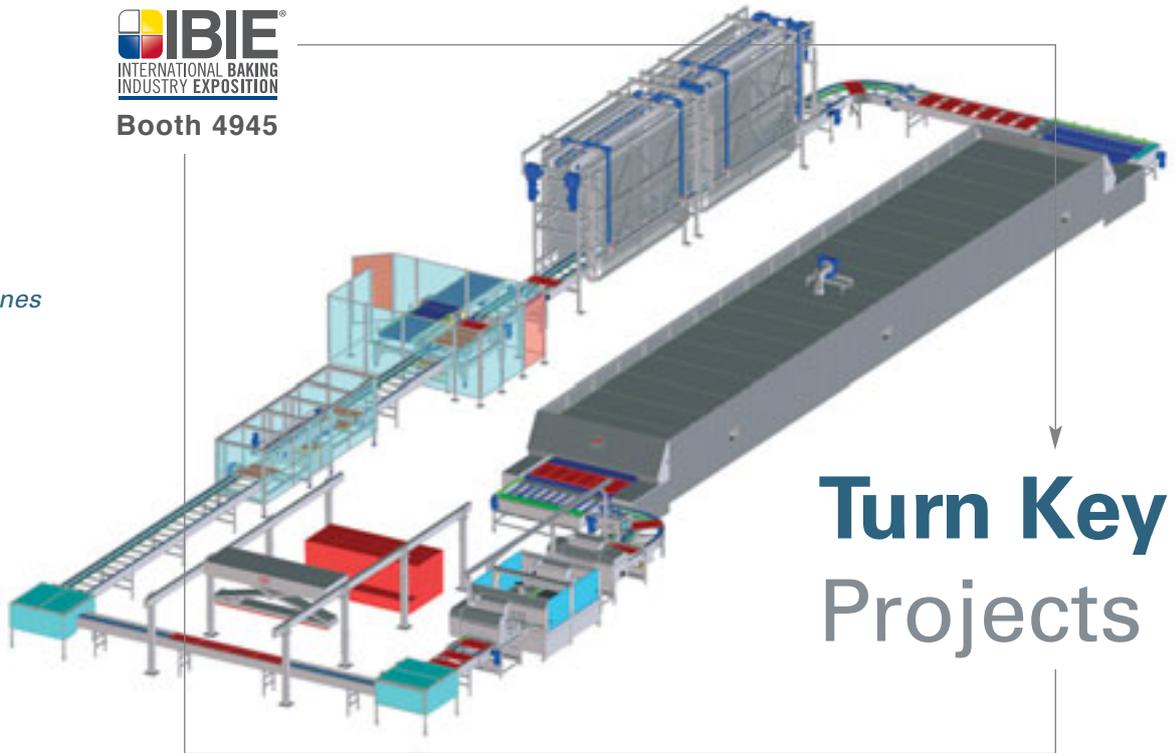
+ Malcorps: It is a patented solution that provides at the same time bread improvement, fermentation and aromatization. Yeast does not need to be added. Six years ago with the help of a futurist we conducted a survey about the future of bread. She spoke with many consumers in Europe and the US. The headline of the survey results was, "the future of bread is its past". Indeed when she asked consumers what kind of bread they would like to have, they most of the time replied "the good bread of the good old times". Even young people said this! But what is this "good bread of the good old times"? In order to know more precisely we appointed a group of ethnologists. They went back 2000 years and found Roman documents reporting that the best bread in the world came from the Puglia region in the south of Italy. We sent people there and they came back with a selection of microorganisms that could be responsible for the great flavor. At the time the taste was wonderful, but the productivity was terrible. There was indeed no yeast as this one only came in the 19th century. So we worked with these microorganisms, ►

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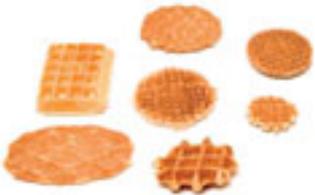
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MORE INFO: WWW.TROMPGROUP.NL

with sensory analysis and biotechnology and developed great breads with the great flavor of the good old times and the productivity of today. This is how we developed O-tentic. As you can see the innovation path we followed is not the classical one. It derives from a passion for the product. The result is that artisan and industrial bakers as well as supermarkets love this product.

+ bbi: What will Puratos's strategy be for the next few years?

+ Malcorps: Our mission is to help our customers be more successful with their business and for that we will keep developing products well in line with the above consumer trends and provide the concepts and services that go with them.

+ bbi: Your competitors also say that they offer not only products but concepts and support. How is Puratos different?

+ Malcorps: I cannot speak for our competitors but in our case we have defined a strategy supporting our mission and vision and we execute it relentlessly. We have now many years of efforts in this direction and our assortments show the result of these many years of development. At Puratos also we make all efforts to be close to our customers everywhere. Therefore we develop global technologies, but we always make sure that we translate them at local level. This is probably the most important specificity of Puratos. Indeed while being global we are local everywhere thanks to our 5,300 people, our 60 subsidiaries, our 53 factories, and our 40 innovation centers.



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+ bbi: Is your plant in Skt. Vith an important part of this strategy?

+ Malcorps: Yes it is! We even have a strain library there which records in its memory all the different strains from all over the world.

+ bbi: You have changed your strategy of communication with your customers. At the last iba exhibition, Puratos did not have a booth. What was the reason for this?

+ Malcorps: As I mentioned earlier, we want to be close to our customers and be part of local bread, cake and chocolate cultures. Our communication strategy is therefore not only at global level like iba it is doing well indeed but also at local level and I would even dare to say at one to one level. Knowing that we are working with a lot of new technologies, which have to be understood, we need closer communication with our customers. Therefore, we have trained thousands of customers all over the world and this is a major investment.

+ bbi: 53 plants around the world! Is everyone producing for their own market or are they sharing products?

+ Malcorps: Our Central Distribution Center is located at our headquarters in Belgium. Several production sites, whether located in Belgium or abroad, supply the Center which on its turn exports concentrates and finished products to over 100 countries in the world. What every production site exports is its know-how and local product knowledge. In our 60 subsidiaries we have people born in these local cultures and they share their knowledge, expertise and ideas with their Puratos colleagues of other parts of the world who often invite them to share this authenticity with bakers, patissiers and chocolatiers of other countries. This exchange of knowledge is unique at Puratos.

+ bbi: In the last 20 years enzymes have become more and more a relevant ingredient for the baking industry. European authorities are now thinking about our new food labeling

law which will make it necessary to label what kind of enzymes are used in bread making. What effect will this have on the market?

+ Malcorps: It is still unclear. Of course, we would prefer avoid labeling things which are not in the final bread product. Enzymes are more than a processing agent. Honestly I am not sure that labeling what kind of enzymes are used will change many things. But on the other hand, the number of consumers, who read the ingredients list, is growing. So it is an important aspect. The labeling will not be a helping factor.

+ bbi: Do you think there is still a growing market for frozen dough?

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+ Malcorps: I think there is a growing market for products which need less and less labor and which help answering today's supply chain challenges. So yes, I think there is a lot of future for the frozen industry.

+ bbi: Puratos is still a family owned company. What is your strategy for growth in the next few years?

+ Malcorps: Puratos now has a turnover of nearly € 1bn, which is split into 40 % patisserie, 40 % bakery and 20 % chocolate. We have the widest presence worldwide amongst the players of the ingredient's market. Through our vertical integration we have a very strong position. Internal growth through own expertise is what we like the most. But of course we will strengthen our position through acquisition, when it makes sense.

+ bbi: Mr. Malcorps, thank you for this interview. +++

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