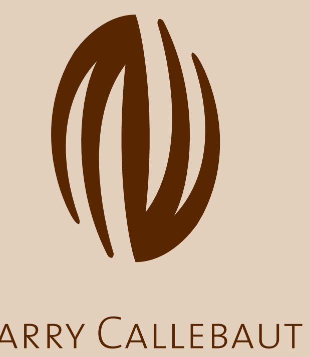

Barry Callebaut

Annual report 2004/05

Agenda.

Annual General Meeting 2004/05, Zurich
December 8, 2005

3-month results 2005/06
January 11, 2006

Half-year results 2005/06
April 10, 2006

9-month results 2005/06
June 29, 2006

News release, media conference and analysts' conference on 2005/06 annual results, Zurich
November 2, 2006

Annual General Meeting 2005/06, Zurich
December 7, 2006

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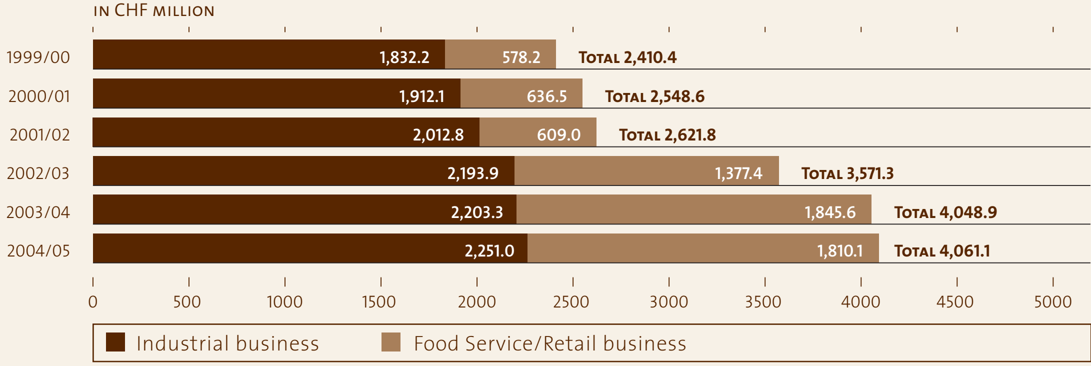
Key Figures.

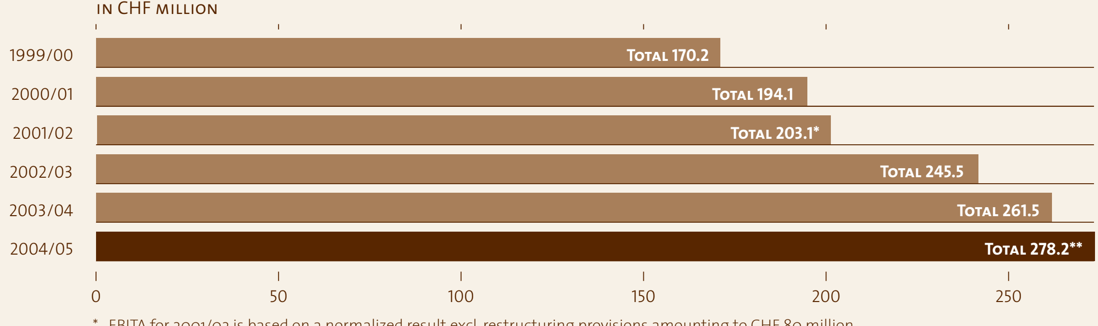
Development of sales revenue

IN CHF MILLION



EBITA development

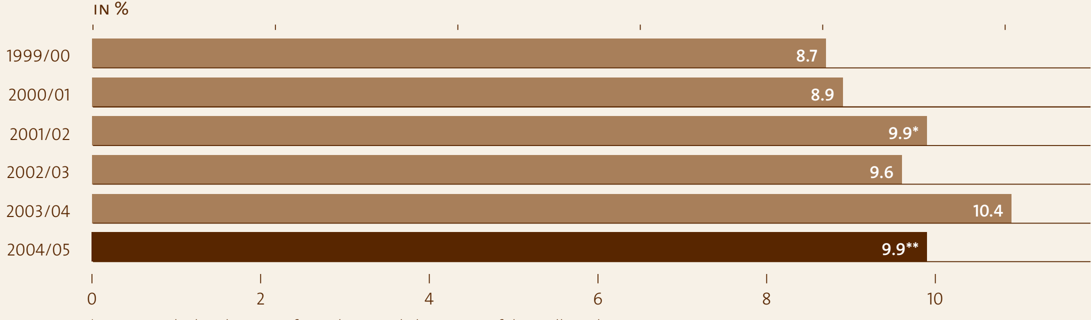
IN CHF MILLION



* EBITA for 2001/02 is based on a normalized result excl. restructuring provisions amounting to CHF 80 million
** EBITA for 2004/05 is based on a normalized result excl. restructuring expenses and impairment charges amounting to CHF 94 million

ROIC development

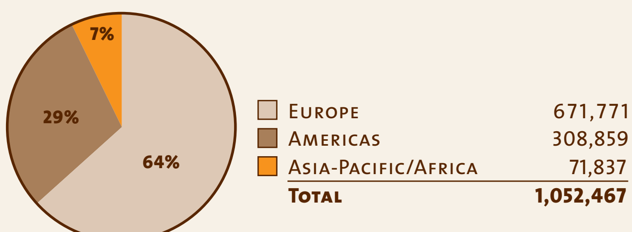
IN %



* Ratio is calculated on a pro forma basis excl. the impact of the Stollwerck acquisition
** Ratio is calculated on a pro forma basis excl. the impact of restructuring expenses and impairment charges

Sales volumes by region, 2004/2005

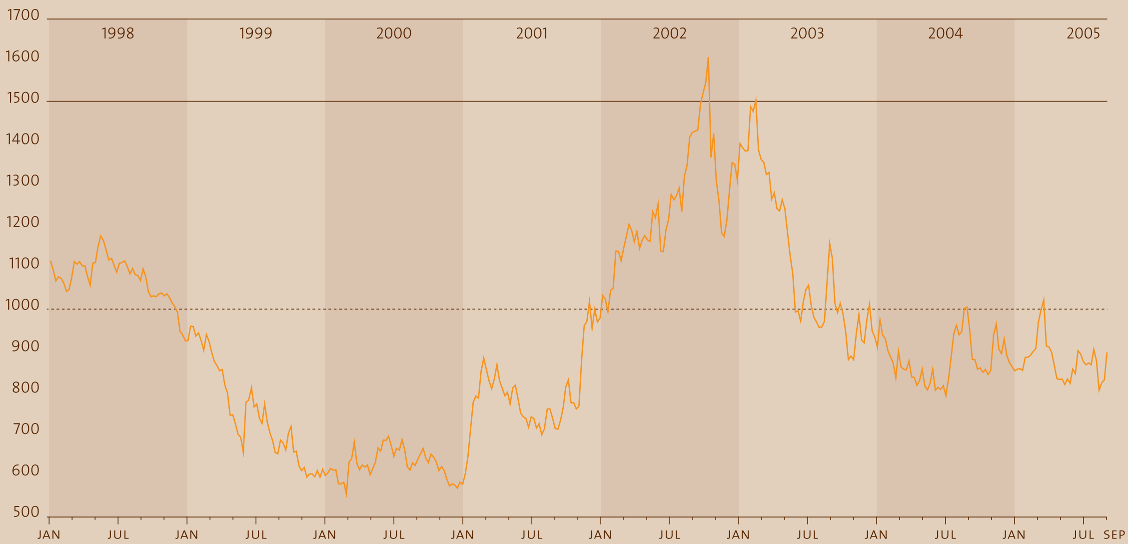
IN TONNES



Europe	671,771
Americas	308,859
Asia-Pacific/Africa	71,837
Total	**1,052,467**

Cocoa price development

in GBP/tonne (London Terminal market, 6-month forward price)



Share price development Barry Callebaut vs. indices

01.09.02 = 100%

160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
-40%

SEP JAN APR JUL OCT JAN APR JUL OCT JAN APR JUL

2002/03 **2003/04** **2004/05**

70%
60%
50%
40%
30%
20%
10%
0%

Barry Callebaut AG — SPI Swiss Performance Index — SPI Small & Mid-Cap Index

The bar chart shows the performance of the Barry Callebaut share in percent during one year against the performance of the SPI Swiss Performance Index and the SPI Small & Mid-Cap Index.

Key Figures Barry Callebaut		Change (%)	2004/05	2004/05	2003/04
		before restructuring and impairments [6]	before restructuring and impairments [6]	after restructuring and impairments	
Income Statement					
Sales revenue	**CHF m**	0.3%	4,061.1	4,061.1	4,048.9
Sales volumes	**Tonnes**	4.1%	1,052,467	1,052,467	1,011,358
EBITDA [1]	**CHF m**	3.9%	379.1	285.1	364.8
Operating profit before amortization (EBITA)	**CHF m**	6.4%	278.2	184.2	261.5
Operating profit (EBIT)	**CHF m**	16.2%	265.3	171.3	228.3
Net profit (PAT)	**CHF m**	40.4%	162.3	68.3	115.6
Cash flow [2]	**CHF m**	9.5%	276.1	227.1	252.2
Balance Sheet					
Balance sheet total	**CHF m**			2,664.8	2,760.5
Net working capital	**CHF m**			830.8	914.1
Non-current assets	**CHF m**			1,168.2	1,099.9
Net debt	**CHF m**			953.5	943.0
Shareholders' equity	**CHF m**			836.7	800.9
Ratios					
Return on capital employed (ROCE) [3]	**%**		16.5%	10.9%	15.4%
Return on equity (ROE)	**%**		19.4%	8.2%	14.4%
EBITA per tonne	**CHF**		264.4	175.0	258.6
Debt-to-equity ratio	**%**			114.0%	117.7%
Shares					
Share price at year end	**CHF**	57.4%		370	235
EBITA per share	**CHF**	6.4%	53.82	35.63	50.59
Earnings per share	**CHF**	40.4%	31.39	13.20	22.36
Cash earnings per share [4]	**CHF**	7.7%	71.34	61.86	66.25
Capital reduction and repayment	**CHF**	2.6%		8.0[5]	7.8
Other					
Employees	**Number**	–4.4%		8,542	8,933

[1] EBIT + depreciation of tangible assets + amortization of goodwill and other intangibles

[2] Net profit + depreciation of tangible assets + amortization of goodwill and other intangibles + impairments and write-downs in relation to the restructuring program

[3] EBITA/Average (Capital employed – Goodwill)

[4] Operating cash flow before working capital changes/diluted shares outstanding

[5] Proposal of the Board of Directors to shareholders (instead of a dividend)

[6] Since the Board of Directors decided to intensify the current restructuring program primarily focusing on the Consumer Products business unit, a provision of CHF 49 million and impairments and write-downs of CHF 45 million have been charged to the accounts of fiscal year 2004/05. For reasons of comparison, the key figures as per August 31, 2005 have been prepared based on a normalized result before restructuring and impairment charges

Company Profile.

Our portrait

Barry Callebaut is the world's leading manufacturer of high-quality cocoa, chocolate, and confectionery products and the preferred solutions provider for the food industry. Our customers include:

- Multinational branded consumer goods manufacturers who incorporate our ingredients in their consumer products and who increasingly also entrust us with the molding and packaging of their finished products
- Artisanal and professional users of chocolate including chocolatiers, pastry chefs, bakeries, restaurants, hotels and caterers
- Food retailers for whom we make branded as well as customer label products

We also provide a comprehensive range of services in product development, processing, training and marketing.

Barry Callebaut operates more than 30 production facilities in 23 countries, employs more than 8,000 people and generated sales of more than CHF 4 billion in fiscal year 2004/05.

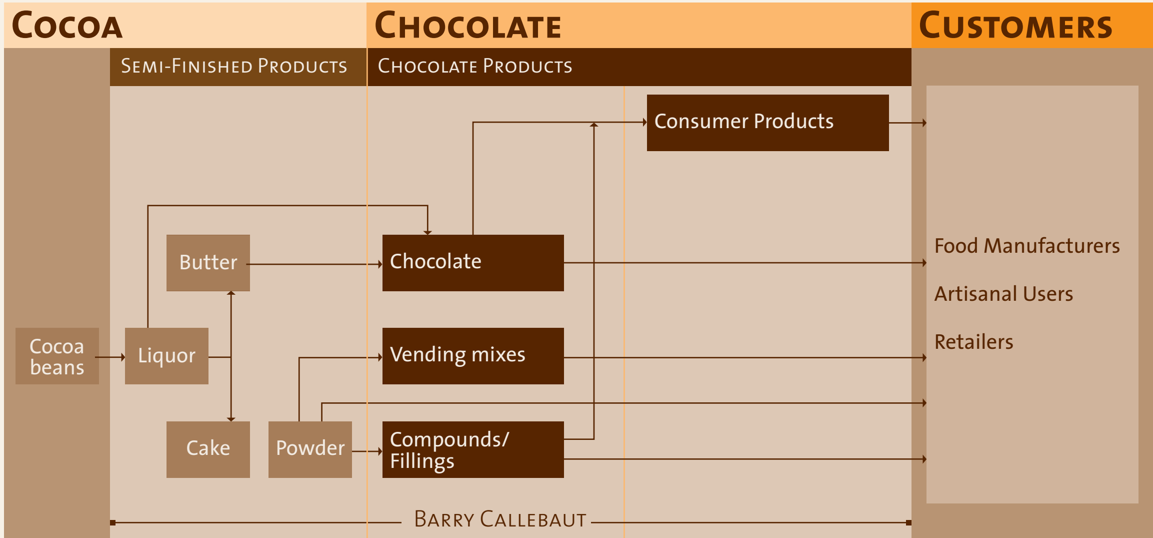
Our vision

Our goal is to be Number One in all attractive customer segments and in all major world markets.

Our heritage, our knowledge of the chocolate business – from the cocoa bean to the finest product on the shelf – and our innovative power in confections overall make us the business partner of choice for the entire food industry. We seek to apply our constantly evolving expertise to helping our customers grow their businesses, and we are passionate about creating and bringing to market new, healthy products that taste great, delight all senses, and are fun to enjoy.

Our strength comes from the passion and expertise of our people, for whom we strive to create an environment where learning is ongoing, entrepreneurship is encouraged, and creativity can flourish.

We are working towards our vision with confidence thanks to the strong commitment of all our colleagues around the world to our core values: customer focus – passion – entrepreneurship – team spirit – integrity.



Letter to Shareholders.

Dear Shareholders

Your company, Barry Callebaut, has increased its operating results before restructuring expenses and impairment charges for the seventh year in a row since its Initial Public Offering in 1998.

We were able to grow total sales volumes by more than 4%, despite the fact that we deliberately gave up certain unprofitable sales volumes in our consumer business. Due to lower cocoa bean prices and negative currency effects, sales revenue increased by 0.3%. Excluding the effect of the restructuring expenses, impairments and write-downs on fixed and current assets as announced in July 2005, and charged to the accounts of the fourth quarter, operating profit (EBITA) went up by more than 6%, and net profit (PAT) rose by more than 40%.

We are pleased that Barry Callebaut has been able to significantly increase the value for its shareholders since its IPO. This achievement is all the more impressive considering that the global chocolate market expanded by only 1–2% p.a. during the same period. Detailed information about our business in fiscal 2004/05 is provided in the "Business Performance" and "Consolidated Financial Statements" sections.

Below is a summary of the most important events of the 2004/05 fiscal year:

- We successfully concluded the integration of the Vending Mix business of AM Foods, specializing in chocolate and cappuccino blends for beverage vending machines. This business was acquired in September 2004.
- We continued our geographic expansion with the opening of a new plant on the West Coast of the U.S. and a sales office in Turkey.
- We aligned our research and development activities more closely with the three most significant market and consumer trends: health, taste experience and convenience.
- We intensified and accelerated the restructuring of the Stollwerck Group, which we acquired in 2002.
- A new revolving credit facility of EUR 850 million allowed company debt to be refinanced on more favorable terms.

Our core business with industrial and professional/artisanal customers once again proved to be very robust in a highly competitive environment. Business with both of these customer groups made a decisive contribution to the Group's operating profit, more than offsetting the still unsatisfactory performance of our European consumer products activities. Despite the challenging economic environment we faced in Germany and other parts of Western Europe, we achieved a good result, benefiting from having three distinct customer groups and a broad geographical reach.

The European consumer products business continued to experience adverse market conditions, an unfavorable product mix and considerable price pressure. Our ultimate objectives are to extend our cost leadership to the consumer products business and to generate profitable growth in this business unit in 2006 and beyond, primarily with customer label products. This situation prompted us to intensify and accelerate the current restructuring program in Germany, also in an effort to achieve additional cost savings. Furthermore, in the fourth quarter we finalized a number of measures that will steadily improve the efficiency of the Consumer Products North America business unit and our operations in Africa.

Consequently, restructuring provisions of CHF 49 million in cash and another CHF 45 million in impairments and write-downs on fixed and current assets were recognized in the income statement for the fourth quarter. The ensuing cost savings and improvements to the gross margin are expected to reach CHF 40 to 50 million annually in year three and recurring thereafter. We are confident that the European consumer business will achieve a turnaround in the current fiscal year.

Our share price increased significantly during the fiscal year and the revolving credit facility signed in August 2005 was oversubscribed by the invited banks by more than EUR 300 million. These are tangible signs that the capital markets trust our company.

The operating performance of our businesses serving industrial and professional customers continued to be strong, and the outlook for our consumer products business has improved. In recognition of this, and despite the effect of the restructuring-related provisions, impairments and write-downs of CHF 94 million on the accounts, the Board of Directors will propose to the Annual General Meeting of shareholders on December 8, 2005 an increased payout of CHF 8.00 per share, paid in the form of a reduction in par value per share.

Transition from a supplier of ingredients to a provider of solutions for the food industry

Two major trends have been evident in the chocolate industry for several years: the ongoing consolidation among market participants, and the decline in the number of fully vertically integrated food manufacturers, due to the high level of pending investment in the production facilities. As a result of the latter trend, many of the large food manufacturers started focusing on sales and marketing and are outsourcing production. This trend to outsource has played a significant role in the sustained growth of Barry Callebaut, leading to an increase of more than 30,000 tonnes in volumes supplied to industrial customers last year.

Barry Callebaut's business strategy has been geared towards these trends since the company was founded in 1996 through the merger of Belgian-based Callebaut and French-based Cacao Barry, resulting in a fully vertically integrated chocolate company across the entire value chain, present in both cocoa-growing countries and end-consumer markets. We are playing an active role in the consolidation of the industry, we are capitalizing on the outsourcing of manufacturing and, together with our customers, we are expanding into new markets in Eastern Europe and Asia-Pacific.

Since the merger, we have transformed Barry Callebaut from a supplier of industrial and specialty chocolate for industrial and artisanal customers into a provider of integrated solutions, from the bean to the shelf. We provide a full spectrum of comprehensive solutions. For industrial customers, this may start with the delivery of application-specific semi-finished goods and end with the packaged consumer product. For artisanal and professional users we offer a full range of products and services: from premium-quality chocolate products used in the exquisite creations of chocolatiers and pastry chefs to convenience products; from training courses for professionals to innovative concepts for in-store bakeries. In the consumer products business we provide solutions for retailers, to whom we offer customer label concepts, selected branded products for the introduction of innovations and complete category management solutions.

Feeling the market's pulse

There are three major consumer trends: health, taste experience or indulgence, and convenience. While consumers have become more health-conscious, they also enthusiastically embrace new experiences with regard to taste and indulgence. They are willing to pay a premium for enjoyment. Premium products and attractively priced customer-label products are the two segments whose sales are growing in Europe despite the slow economy. Barry Callebaut is active in both segments. Consumers are also buying more convenience foods; they are often on the go, spending less time on meals and eating less at home.

These findings from trend research and consumer observation serve as a guide in the pursuit of innovation throughout our Group. We are offering our industrial customers more products that combine great taste with good nutrition. We have developed a broad range of ready-to-use and ready-to-sell products for our artisanal and professional customers to save them time and effort. We have created chocolate products with less or no added sugar for health-conscious consumers. Those consumers who are looking for great taste can try chocolate rich in cocoa and at the same time benefit from the high concentration of healthy, natural polyphenols; for a quick snack on the go or at work we offer bite-sized chocolates and a variety of chocolate blends designed for beverage vending machines.

We consider innovation a must for the future profitable growth of our company. In order to promote innovation, the Board of Directors has created the new function of "Chief Innovation Officer" at Management Team level and appointed Hans P. Vriens to this position as of December 2005.

Another cornerstone of our future success is cost leadership. We believe these two criteria, innovation and cost leadership, go hand in hand. Cost leadership frees up financial resources that can be invested in innovation, and innovative production processes ensure that we can retain cost leadership. In this way we intend to continue growing twice as fast as the market in the years ahead.

Expansion into high-growth markets

Western Europe and North America will remain the most important markets in terms of sales revenue during the coming years. The markets in Western Europe are mature markets and will generally show little growth.

The markets in Eastern Europe and Asia-Pacific are at a different stage of development. Annual volume growth in Eastern Europe over the next five years is expected to average 4%. The Russian market is growing even faster and is likely to overtake Great Britain in terms of per capita chocolate consumption by 2009. Metropolitan Eastern Europeans are developing a taste for better quality products and spending power is on the rise throughout most of the population. Market research institutes expect annual growth in Asia-Pacific to range between 20% and 25%, with an even faster growth rate of approximately 30% in China, as a consequence of its low starting point. Good growth rates can also be seen in other countries, for example in South Africa, Saudi Arabia, Israel, Brazil and Argentina.

Until now only 11% of our total sales volumes have been in countries outside Western Europe and North America. We have been primarily active in these markets, where there are about 750–800 million consumers. Expansion into the markets of Eastern Europe and Asia, where there are three times as many people and consumption potential is accordingly higher, holds out the prospect of continued better-than-average growth for our company.

We are therefore aiming to increase the share of sales generated in regions other than Western Europe and North America from 11% to 20% between now and the year 2010. We are selectively expanding our geographic presence to meet this target.

- We have expanded our existing factory in Singapore by adding a production line for white chocolate.
- We are planning to build a new chocolate plant near Moscow, the Russian capital. It is scheduled to go into operation at the beginning of 2007.
- In China we are reviewing the acquisition of an existing, modern chocolate factory.
- We are in the process of doubling the capacity of our cocoa factory in Ghana.
- We have established a need for our own cocoa processing facilities in Asia-Pacific, where Indonesia, Vietnam and Malaysia are of increasing importance as cocoa growing countries. We have strengthened our bean sourcing activities in Asia-Pacific to promote diversification. During the coming twelve months, we will be evaluating appropriate sites in this region for a cocoa processing factory.
- We are stepping up our local procurement activities in order to meet growing customer demand for chocolate made with single-origin beans and for beans from rare growing areas.

Creating value on the basis of our core values

Five core values are the foundation of our company: Customer Focus – Passion – Entrepreneurship – Team Spirit – Integrity. These are not just platitudes, as we proudly point out in the middle section of our annual report, where you will find five portraits of dedicated employees, individuals and teams who live our core values, thereby creating value for our stakeholders. To ensure that these core values are infused into everything we think and do, we have made them a part of the performance appraisals of all bonus-eligible employees.

Board of Directors

All Board members stand for re-election for another term of office of one year. Andreas Schmid, having served as Chairman for seven years, four of which as Chairman & CEO, expressed his desire to pass the Chairmanship on to Andreas Jacobs. The Board of Directors asked him to assume the function of Vice Chairman. The Board would like to thank Andreas Schmid for the many years of dedication and commitment during which he successfully shaped the strategy and direction of the company, and is looking forward to continuing the cooperation. Furthermore, the Board of Directors proposes to the Annual General Meeting that Mr. Stefan Pfander, Chairman Europe of Wm. Wrigley Jr. Company, Chicago, be elected as a new Board member.

A word of thanks

We extend our sincere gratitude to all our employees across the globe. Their tireless efforts, passion for chocolate, expertise and professionalism in serving our customers have made Barry Callebaut's outstanding performance possible. We also thank our customers for their business and our shareholders for their trust.

Andreas Schmid
Chairman of the Board of Directors

Patrick G. De Maeseneire
Chief Executive Officer

Board of Directors and Management.

Board of Directors

Andreas Schmid
Chairman

Andreas Jacobs
Vice Chairman

Rolando Benedick

Markus Fiechter

Andreas W. Keller

Urs Widmer

The Board of Directors proposes to the Annual General Meeeting of the Shareholders that **Mr. Stefan Pfander** be elected as a new Board member.

Corporate Secretary

Ute Zeller

Management Team

Patrick G. De Maeseneire *
Chief Executive Officer

Onno J. Bleeker *
Consumer Products
Europe

Dieter A. Enkelmann *
Chief Financial Officer

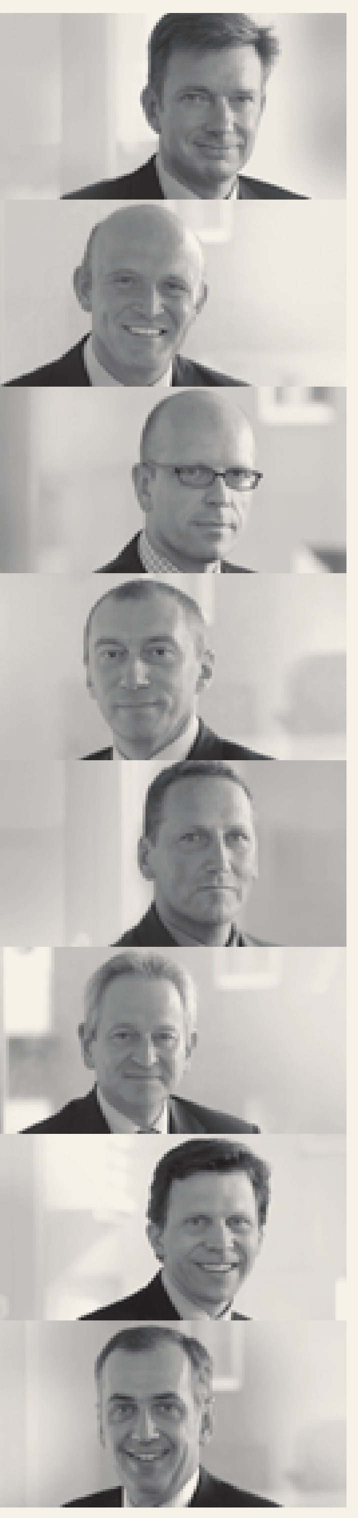
Massimo Garavaglia *
Food Manufacturers

Chuck Haak
Consumer Products
North America

Dirk Poelman
Chief Operations Officer

Steven Retzlaff *
Sourcing & Cocoa

Benoît Villers *
Gourmet & Specialties



As of November 2005

* Members of the Senior Management Team

Overview of Business Performance.

Income Statement

For the first time, the income statement is presented applying the "function of expense method" instead of the previously applied "nature of expense method". This will provide a more accurate picture of gross margin developments in the income statement. For reasons of comparison, the figures of the previous year have been restated accordingly. The following comments are related to the new form of presentation for both fiscal years.

Total **sales volumes** of products sold to third-party customers increased by 41,109 tonnes or 4.1% to 1,052,467 tonnes. After elimination of the effect related to the Vending Mix business aquired from AM Foods, sales volumes increased organically by 2.7%. Whereas the Food Service & Retail business segment recorded a slight decrease in volumes, the Industrial business segment recorded strong growth of 5.8%. Overall, the volume growth amounted to 5% in Europe and 4% in the Americas; volumes decreased by 1% in the rest of the world, where the strong growth recorded in Asia-Pacific could not make up for the decrease in the African countries.

Revenue from sales and services increased 0.3% to CHF 4,061.1 million, compared to CHF 4,048.9 million in the previous year. The first-time consolidation of the Vending Mix business of AM Foods contributed a net amount of CHF 51.9 million to sales revenue growth, yet this growth was almost entirely offset by the impact of lower cocoa bean prices and negative exchange rate movements on sales revenue, mainly involving the Euro and U.S. dollar against the CHF. Organically, the Cocoa and Food Manufacturers business units showed a strong increase in sales revenue, whereas the Consumer Products business units' sales revenue experienced a decrease as they further reduced stock keeping units and unprofitable business volumes and were exposed to a highly competitive market situation in the U.S. (fruit snacks).

Gross profit increased by 0.7% or CHF 4.7 million to CHF 698.6 million. In the new presentation of the income statement gross profit is defined as sales revenue minus cost of goods sold, the latter including raw material as well as all production and distribution related costs. Previously gross profit was defined as sales revenue minus raw material costs only. Gross profit in relation to revenue from sales and services was slightly higher at 17.2% compared to 17.1% in the previous year, also as a consequence of the continued restructuring efforts. Gross profit per tonne amounted to CHF 663.8 compared to CHF 686.1 in the previous fiscal year. The decrease of 3.2% in gross profit per tonne is mainly the result of an unfavorable business mix development in the Consumer Products business units, accompanied by the effect of the sharp increase in hazelnut prices on Consumer Products Europe, which could not fully be offset by increases in sales prices.

Sales & Marketing expenses dropped by 6.2% to CHF 228.2 million, down from CHF 243.4 million in the previous year, and **General & Administration expenses** slightly decreased by 0.6% to CHF 219.8 million, down from CHF 221.1 million. These two cost blocks were reduced despite the volume growth as a consequence of overall tight cost control.

Other income decreased to CHF 47.0 million, slightly down from CHF 48.5 million in the previous fiscal year. In both years, this item consisted of several operating income but non-sales related items, such as gains on sales of assets, income generated by our seminar hotel Schloss Marbach, reversals of unused provisions and previously recorded impairments on assets, curtailment gains for pension plans and other non-recurring items recorded in our different businesses.

Other expense including the amortization of intangibles, bad debt losses, losses on sales of fixed assets and other non-recurring or prior period related expense items amounted to CHF 32.4 million compared to CHF 49.6 million in the prior year. The decrease in other expense is due to the discontinued goodwill amortization.

Operating profit before restructuring and impairments is CHF 265.3 million, up 16.2% from CHF 228.3 million in the previous year. However, goodwill was still amortized in the previous year whereas, due to changes in the IFRS accounting standards, goodwill is no longer amortized as of this fiscal year. Instead, an annual impairment test is conducted and impairment charges are recognized in the income statement whenever necessary, which

was not the case for this fiscal year. As a consequence, the key indicator of operational performance for this transition period is **EBITA (earnings before interest, taxes and amortization)**, which stood at CHF 278.2 million, an increase of 6.4% compared to CHF 261.5 million in the prior year. EBIT will again be used as the preferred performance indicator as from next fiscal year onwards.

On a per tonne basis, EBITA before non-recurring items increased by 2.2% to CHF 264.4, compared to CHF 258.6 in the previous year. Analyzing this ratio per business unit, Food Manufacturers and Gourmet & Specialties contributed positively to this development, whereas the business units Consumer Products and Cocoa recorded decreases in EBITA per tonne.

Restructuring expenses and impairment charges on assets of a total of CHF 94 million reflect non-recurring charges for the restructuring program communicated in July 2005. This program includes impairments and write-downs on fixed and current assets of CHF 45 million and provisions to cover restructuring related cash expenses of CHF 49 million, including costs for employee severance payments.

Operating profit (EBIT – earnings before interest and taxes) – negatively influenced by the above-mentioned non-recurring charges of CHF 94 million for restructuring, write-downs and impairments – amounted to CHF 171.3 million compared to CHF 228.3 million in the prior year.

Net financial cost was reduced by 10.0% to CHF 83.2 million, down from CHF 92.4 million in the previous year. This decrease was mainly attributable to lower interest rates compared to the prior-year period, helped by some favorable exchange rate movements.

Taxes amounted to CHF 20.4 million compared to CHF 19.4 million in the previous year. The increase of the tax expense is mainly the result of a reduced first-time capitalization of tax losses carried forward in the current year compared to prior year and some one-off impacts. This increase was partly offset by the tax effect of the impairment charges as part of the restructuring program. The tax rate increase to 23.2%, up from 14.3% in prior year, is mainly a consequence of the decrease in profit before taxes, which was significantly impacted by the restructuring and impairment charges of CHF 94 million, that were only partly tax effective.

Net profit prior to the CHF 94 million restructuring and impairment program increased to CHF 162.3 million. Last year, net profit was negatively impacted by CHF 23.4 million of goodwill amortization, which according to IFRS has been discontinued from this fiscal year onwards. Eliminating this effect, net profit on a pro forma basis stands at CHF 138.9 million, up 20.2% compared to the prior year's net profit of CHF 115.6 million. Including restructuring and impairment charges, stated net profit amounts to CHF 68.3 million. **Earnings per share** stand at CHF 31.39, up by 40.4% from CHF 22.36 last year. Eliminating the effect of the ceased amortization as stated above, earnings per share are CHF 26.86. Including the one-time effects of the restructuring program, earnings per share amount to CHF 13.20 as stated in the financial statements. **Cash earnings per share**, defined as operating cash flow before working capital changes, decreased to CHF 61.86 compared to CHF 66.25 in the previous year. Eliminating the effect of the cash effective restructuring charges, cash earnings per share increased to CHF 71.34.

Cash Flow Statement

Net cash flow from operating activities before working capital changes amounted to CHF 319.8 million, compared to CHF 342.5 million in the previous year. This decrease includes the impact of the provisions for cash-effective restructuring items. Net cash flow from operating activities (including working capital changes) was CHF 204.2 million compared to CHF 237.4 million. This amount is affected by the cashout incurred for the current restructuring as well as the cash effects provided for in the previous restructuring program.

Net cash flow from investing activities amounts to CHF –158.3 million compared to CHF –73.4 million in the prior year. The main reason for the increase is the cash-outflow from acquisitions, including the acquisition of the Vending Mix business of AM Foods, the squeeze-out of the previous Stollwerck minority shareholders and the acquisition of a sales agency in Turkey. The other principal com-

ponents of investing activities in the last two fiscal years were capital expenditures related to continuous investments in ongoing operations and the building of a new factory on the U.S. West Coast during the fiscal year under review.

Net cash flow from financing activities was CHF –45.8 million compared to CHF –167.4 million in the prior fiscal year. Excluding the cash effects of the capital reduction and transactions in treasury shares, net cash flow from financing activities amounts to a positive CHF 4.9 million (2003/04: CHF –114.3 million).

Balance Sheet and Financing Structure

The **balance sheet total** as of the end of August 2005 amounted to CHF 2,664.8 million, down 3.5% or CHF 95.7 million from CHF 2,760.5 million in the prior year. The main reasons are reduced inventories and receivables due to tighter working capital management and an increase of the securitization program for trade accounts receivable, partly compensated by higher non-current assets mainly due to the acquisition of the Vending Mix business of AM Foods.

Net working capital decreased by 9.1% or CHF 83.3 million to CHF 830.8 million at the end of August 2005, down from CHF 914.1 million at the end of the prior-year period. Net working capital was reduced significantly by lowering inventory levels, mainly cocoa bean stocks, and expanding the securitization program for trade accounts receivable, partly offset by reduced other current liabilities.

Restructuring provisions stood at CHF 33.4 million at the end of August 2005, compared to CHF 62.7 million as of the end of August 2004. In the period under review, restructuring provisions increased in the amount of CHF 49.3 million, mainly related to the mentioned restructuring program announced in July 2005. The usage of restructuring provisions of CHF 75.8 million during the fiscal year includes costs for items provided for in previous periods, such as the payment for the Central States pension fund settlement in Brach's, severance payments relating to the sales force restructuring in Germany and costs for the closure of the Cologne production site as well as payments in relation with the restructuring program announced in July 2005. The remaining provisions will cover the severance payments and other cash items not yet effected at the end of August 2005.

Net debt stands at CHF 953.5 million, slightly up compared to the CHF 943.0 million as of the end of August 2004. The negative effects on net debt required for the acquisition of the Vending Mix business of AM Foods were compensated by the reduced net working capital. At the end of the fiscal year, the Group's total debt portfolio had a weighted average duration of 4 years, pushed up from 2.5 years as reported in the previous year. This move is driven by the EUR 850 million Revolving Credit Facility the Group entered into on August 29, 2005 and does not reflect the two one-year extension options embedded in the facility. Interest rate exposures have been hedged and fixed up to an average duration of 4.5 years for approximately 82% of the reported net debt. The Group's liquidity profile has been substantially improved as a result of the committed Revolving Credit Facility both in terms of amounts and average committed duration.

Shareholders' equity increased by 4.5% or CHF 35.8 million to CHF 836.7 million as of the end of August 2005, compared to CHF 800.9 million at the end of the prior year. Therefore the debt to equity ratio slightly improved to 114.0%, down from 117.7%, and the solvency ratio to 31.4%, up from 29.0% at the end of the previous year.

The return on invested capital slightly decreased to 9.9%. Including the effects of the restructuring program and impairments, the return on invested capital stands at 6.5%.

Industrial Business.

The Industrial business segment consists of the two business units Sourcing & Cocoa and Food Manufacturers. It includes the asset- and capital-intensive activities of the Group that are needed to procure all raw materials, to process cocoa and to produce semi-finished and chocolate products that are sold to industrial food processors and consumer goods manufacturers, along with ready-to-use products and services.

Industrial Business Segment

		Change in %	2004/05	2003/04
Sales volumes	**Tonnes**	5.8%	688,418	650,621
Cocoa	**Tonnes**	5.7%	133,478	126,316
Food Manufacturers	**Tonnes**	5.8%	554,940	524,305
Sales revenue	**CHF m**	2.2%	2,251.0	2,203.3
Cocoa	**CHF m**	–0.5%	561.3	564.0
Food Manufacturers	**CHF m**	3.1%	1,689.7	1,639.3
Operating profit before amortization (EBITA)	**CHF m**	10.1%	215.9	196.0
EBITDA	**CHF m**	8.0%	268.3	248.3
Segment assets	**CHF m**	3.0%	1,708.3	1,658.2
EBITA/Segment assets	**%**		12.6%	11.8%

Sales volumes in the Industrial business segment increased strongly by 5.8% to 688,418 tonnes.

Sales revenue saw an increase of 2.2% to CHF 2,251.0 million in fiscal year 2004/05. The strong volume growth of 5.8% was partly offset by lower cocoa bean prices as well as currency developments. Excluding these effects, sales revenue grew by 8.9% organically.

Operating profit before amortization (EBITA) increased by 10.1% to CHF 215.9 million, mainly attributable to the strong volume growth from both semi-finished products as well as chocolate and specialty products sold to food manufacturers, combined with continued cost control.

Total segment assets including current assets amounted to CHF 1,708.3 million, up CHF 50.1 million (or 3.0%) compared to the previous year.

EBITA over total segment assets amounted to 12.6% compared to 11.8% in the previous year.

Sourcing

Barry Callebaut's value chain starts with the procurement of high-quality raw materials like cocoa, dairy products, sugars, fats, nuts, dried fruits, other ingredients, as well as packaging materials. All purchasing activities are centrally managed by the Sourcing business unit. This Group-wide responsibility strengthens Barry Callebaut's purchasing power and allows the application of consistent risk management processes related to the procurement of raw materials. To meet internal and external demand, Barry Callebaut purchases about 15% of the global cocoa harvest.

Cocoa bean prices fluctuated at moderate levels between GBP 797 and GBP 1032 per tonne with a lower volatility in the second half of the fiscal year under review. As of August 31, 2005 prices stood at GBP 824, down from GBP 988 one year ago (see graph on page 6). Due to Barry Callebaut's business model – "cost plus" for the bulk contracts and part of the Gourmet and consumer businesses, with the rest of the business being based on price lists –, changes in cocoa bean prices have no meaningful impact on the company's profitability, but on sales revenue levels and net working capital.

Future cocoa bean price developments will be partly influenced by the political circumstances in Ivory Coast, which accounts for around 40% of the worldwide harvest. Additional steps for further geographic diversification of bean purchasing have been taken by increasing the use of Ghanaian, Nigerian and Indonesian cocoa beans. In order to meet the growing demand for high-quality single-origin chocolate products, sourcing activities also reach out to regions where these fine-grade cocoa varieties grow, such as Ecuador, Venezuela or Java.

In order to cope with the highly seasonal supply and demand for cocoa beans, Barry Callebaut applies a variety of sourcing strategies and best practices for the comprehensive management of the inherent market risks. This includes ongoing diversification of origin countries, vendor assessment, price hedging of physical cocoa through futures market transactions, currency hedging, market structure management and arbitrage management required by the underlying portfolio.

Barry Callebaut has no plantations of its own. However, it is committed to sustainable cocoa cultivation and contributes to the progress of the Sustainable Tree Crop Program (STCP) in West and Central Africa. In 2005, it became a member of the World Cocoa Foundation (WCF), dedicated to providing cocoa farmers training in sustainable, environmentally friendly production methods.

In late 2001, Barry Callebaut was among the signatories of the "Industry Protocol" that maps out a date-specific action plan to ensure that cocoa is grown without the worst forms of child labor. This Protocol was developed in partnership with three main stakeholder groups: governments and governmental organizations, companies and trade associations, as well as NGOs (non-governmental organizations). The aim of the Protocol is to develop and implement credible, mutually-acceptable, voluntary, industry-wide standards of public certification that cocoa beans and their derivative products have been grown and produced without the worst forms of child labor as defined under the ILO Convention 182 (International Labour Organization). Regular progress updates can be found at: www.responsiblecocoa.org.

Hazelnut prices reached historic peaks in 2005 and were high throughout the entire reporting period. Whereas the Food Manufacturers business unit was able to pass on price increases, the Consumer Products Europe business unit faced considerable margin pressure due to prevailing contractual agreements. The company strengthened its direct sourcing activities in Turkey, the main producer of hazelnuts, by establishing a sourcing operation based in Istanbul.

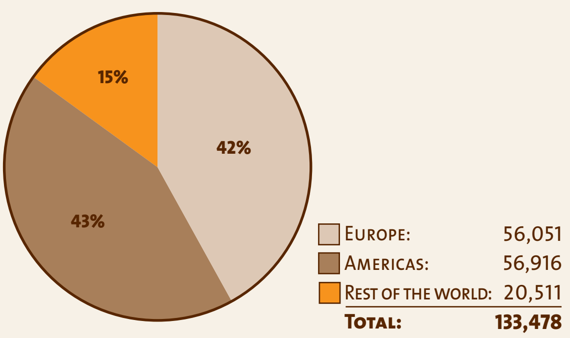
Cocoa

The Cocoa business unit processes cocoa beans into semi-finished products such as cocoa liquor, cocoa butter and cocoa powder. About two-thirds of these products are produced for the company's own use and one-third is supplied to the food industry, where they are used in chocolate products, dairy applications, beverage applications and baked goods.

Sales volumes of semi-finished products supplied by the Cocoa business unit to third-party customers reached 133,478 tonnes, up 5.7% compared to the previous year. Following the growth path pursued in this area, business was very strong for the second year in a row, creating a positive effect on the fixed cost structure, and demand is anticipated to remain high. Most of the growth was achieved in the U.S. and Brazil, with strong growth in the area of cocoa powder in Europe. Sales of semi-finished products to third-party customers often serve as a starting point in a customer relationship, which may ultimately culminate in the outsourcing of chocolate manufacturing processes.

Sales revenue was almost stable at CHF 561.3 million compared to CHF 564.0 million in the prior year. The growth in volumes was offset by lower underlying cocoa bean prices and lower sales prices for powder. Margins have declined overall due to the contraction in pressing margins, but this was largely offset by an increase in sales volumes and by cost-saving initiatives, thus leading again to a very strong EBITA contribution. Special attention was paid to the activities in the origin countries, leading to a restructuring in Ivory Coast.

Cocoa
SALES VOLUMES BY REGION, 2004/05
IN TONNES



Europe:	56,051
Americas:	56,916
Rest of the world:	20,511
Total:	**133,478**

The cocoa powder market continues to grow faster than average global GDP (gross domestic product). Pressing capacity has increased particularly in South-East Asia. Cocoa powder quality is generally improving. To sustain its competitive edge in a largely price-driven market, Barry Callebaut is building on superior customer service and on its broad capabilities in applied R&D.

The revitalizing program of the Bensdorp brand has led to promising results shortly after implementation. Marketing efforts are focused on positioning Bensdorp as the industry's premium cocoa powder. The results of this strategic initiative started in 2003 are convincing: Bensdorp sales showed a double-digit increase in fiscal year 2004/05, and growth is expected to continue.

One of Barry Callebaut's important competitive advantages lies in its presence in the countries of origin in West Africa and in Brazil. The current construction of a second grinding line to the Ghana cocoa factory marks another important step in the geographic diversification of the Group's sourcing and processing activities and is proof of its continued commitment to Ghana.

As part of the Group's commitment to sustainability, Barry Callebaut Brazil initiated a unique development project that helped transform an ordinary cocoa plantation into an organic harvesting site. The outcome is the first certified organic cocoa powder from Brazil.

In the year under review, investments were made in two major projects: The first one is the addition of a new cocoa powder packaging line in Louviers, France, optimizing the entire infrastructure; the second one is a new alkalizing unit at SACO in Abidjan, Ivory Coast. In the U.S., infrastructure modifications were realized in order to produce tempered – i.e. free-flowing – cocoa powder.

Despite a two-day production stop at Barry Callebaut's factories in Abidjan and San Pedro in mid-November 2004 as a result of the political unrest in Ivory Coast, the com-

pany's cocoa supply was not disrupted at any time and no assets were lost. The event confirmed the importance and reliability of the business continuity management processes in place, including the availability of appropriate stock reserves and diversified sourcing structures.

Barry Callebaut is paying particular attention to the increasing demand for organic and healthy products and is continuously bringing innovation to the market. As one of the latest developments, the company has stepped up its research into the health benefits of polyphenols, which are highly concentrated in cocoa beans. These valuable substances with antioxidant effects are partially lost during the course of conventional chocolate production. In 2005, the company has introduced the ACTICOA™ process: The careful selection of beans from Tanzania and Ecuador and subsequent hand washing preserve a significantly higher level of polyphenols in the beans, as opposed to the industrial fermentation, drying and roasting of cocoa. The gentle new process has already been implemented, and respective chocolate products from Barry Callebaut carry the ACTICOA™ symbol.

Food Manufacturers

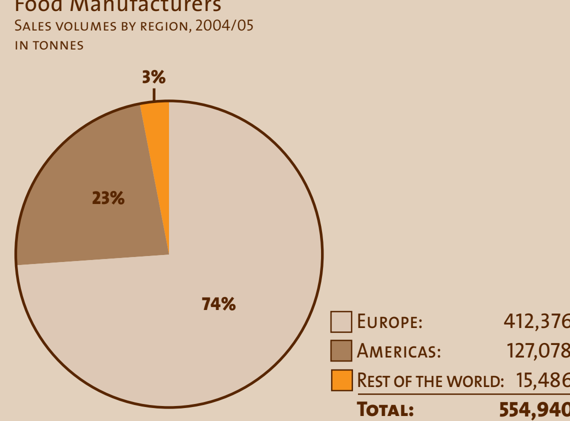
As the largest business unit of Barry Callebaut, Food Manufacturers provides chocolate products, ready-to-use fillings, coatings and customized services to the entire food manufacturing industry. The business unit is a supplier to most of the world's major branded consumer goods companies. It is highly focused on innovation and partnership with customers to help them meet consumer demand for an optimal balance between indulgence, health and convenience. Food Manufacturers is benefiting from the continued outsourcing trend.

The Food Manufacturers business unit had another very successful year. With an increase of 30,635 tonnes to 554,940 tonnes, sales volumes grew organically by 5.8%. Europe, the Americas and Asia-Pacific contributed collectively to this result. China, the Middle East and Japan were the fastest growing local markets in relative terms. Double-digit growth was also achieved in the U.K., Scandinavia, Eastern Europe, Turkey, South Africa and Mexico. A main driver of the increasing volumes is the continued outsourcing trend with big accounts.

Sales revenue amounted to CHF 1,689.7 million. With a plus of 3.1% compared to the previous fiscal year, the Food Manufacturers business unit performed well despite lower cocoa bean prices and unfavorable exchange rates. Excluding these adverse factors, organic sales revenue growth stood at 9.3%. Production costs per tonne remained flat and therefore offset inflation. The business unit continues to strive for cost leadership.

In Europe, there has been considerable competitive pressure as a result of the additional capacity that has been installed in the market. Aggressive pricing has led to strong competition in bulk and standard products. On the other hand, consumers are increasingly reaching for niche products primarily associated with the trend toward health and well-being – an area where Barry Callebaut is best positioned to seize future growth opportunities. Margins were also under pressure in the U.S. Nevertheless, the total dir-

Food Manufacturers
Sales volumes by region, 2004/05
in tonnes



ect margin has remained stable, thanks to the compensating effect of the higher sales volumes.

The Group's most important investment in the Food Manufacturers business unit in the past year was the new factory in American Canyon, California, that became fully operational in September 2005. California is the biggest chocolate market in the U.S., and Barry Callebaut has been able to grow its sales on the U.S. West Coast by 8 to 10% over the last two years. In Singapore, an additional production line for white chocolate has been installed on the basis of a Barry Callebaut patented process. In order to customize the product portfolio, Barry Callebaut is expanding its chocolate, compound and filling offerings and evaluating infrastructure needs to efficiently achieve its ambitious targets. Innovation is becoming increasingly important, and the company seeks differentiation in terms of products and services, based on better customer and market insights.

Multiple fields for future expansion and profit growth have been identified. In mature markets, growth is expected to come primarily from specialty and innovative products as well as from tailor-made services for major corporate customers. The outsourcing need of big accounts is confirmed and, particularly in the area of specialties or even functional confectionery, most companies are looking to outsource all or part of the manufacturing. In the distribution segment of food, drug and mass chains alone, functional confectionery is approaching USD 2 billion in annual sales, with double-digit market growth rates over the last few years.

Customers expect from Barry Callebaut a proactive product development approach that helps them meet the rising demand for specialty products and also cope with the pressure from the private label market. In the year under review, additional origin chocolates have been developed, new products without added sugar were supplied and the fair trade range was extended. Milk chocolate with real caramel and with honey are innovative taste combinations. Having a large number of production sites and dedicated production lines gives Barry Callebaut considerable flexibility in producing specialties, including new kosher and organic chocolate products. Furthermore it is broadening and deepening its customer relationships by providing tailor-made services, including shared R&D capabilities and technical assistance.

Barry Callebaut is expending major R&D and product innovation efforts to deliver on consumers' desire for an optimum balance between indulgence, health and convenience. Modern lifestyle is encouraging on-the-go consumption and convenience eating solutions. Products arising from this trend need to fulfill demanding dietary requirements in order to satisfy the general quest for well-being and vitality. One of the areas where Barry Callebaut has translated research into action is the reduction of TFAs (trans fatty acids) originating from hydrogenated oils and present in certain compounds and fillings. Studies suggest that there is a direct link between consumption of TFAs and heightened risk of cardiovascular diseases. Barry Callebaut has reduced average TFA levels in Europe from 7.7% to 2.9% within the last three years for all vegetable fats processed (cocoa butter, which is TFA free, not included) and is aiming to lower the figure to around 1% TFA in the fat by end 2006. In this context, the highly popular Tintoretto range of fillings has been switched to low TFA as well. Legislation is expected to require TFA reduction in the future. Denmark, already today, allows foodstuff fats to contain only 2% of TFAs. Increased awareness will also be created in the U.S. with the introduction of mandatory TFA labeling in 2006.

The Food Manufacturers business unit intends to maintain and enhance its global market share. It is also targeting geographic expansion in emerging markets, such as Russia and China. Strong economic growth, urbanization and a change in eating habits are expected to drive high growth in the consumption of chocolate confectionery in China, India and Indonesia. With recent openings of sales offices in Moscow, Istanbul and Tokyo, the addition of a white chocolate line in Singapore and the new factory in California, the company has continued its geographic expansion. Russia, where prospects are particularly promising, is the world's fourth largest confectionery market after the U.K., the U.S. and Germany, with a volume of around 2.2 million tonnes. Barry Callebaut is planning to build a green field plant close to Moscow in 2006.

Food Service/ Retail Business.

The Food Service/Retail business segment consists of the business units Gourmet & Specialties and Consumer Products Europe and North America, which cater to the needs of chocolate craftsmen, vending operators and global retailers. The segment includes the activities involved in supplying innovative premium specialties and convenience products to food professionals and in creating high-quality, good-tasting, healthy products for end consumers.

Food Service/Retail Business Segment

		Change in %	2004/05	2003/04
Sales revenue	**CHF m**	–1.9%	1,810.1	1,845.6
Gourmet & Specialties	**CHF m**	7.9%	554.5	514.0
Consumer Products	**CHF m**	–5.7%	1,255.6	1,331.6
Operating profit before amortization (EBITA)	**CHF m**	–0.9%	108.3	109.3
EBITDA	**CHF m**	–2.0%	156.3	159.5
Segment assets	**CHF m**	–10.2%	856.2	953.4
EBITA/Segment assets	**%**		12.6%	11.5%

Sales revenue in the Food Service/Retail business segment saw a decrease of CHF 35.5 million or 1.9% to CHF 1,810.1 million. The first-time consolidation of the Vending Mix business acquired from AM Foods contributed positively to the development of sales revenue but this was offset by lower revenue in the Consumer Products business units.

Against the backdrop of the weak development of the German and other Western European economies and in order to realize additional cost savings, an intensified restructuring program focusing primarily on the Consumer Products Europe business unit has been initiated. The restructuring program of CHF 92.8 million of the total of CHF 94 million includes impairments and write-downs on fixed and current assets of CHF 45 million and provisions covering cash expenses of CHF 47.8 of the total of CHF 49 million, including costs for employee severance payments. The cost savings and improvements in the gross margin due to these measures are expected to reach CHF 40 to 50 million in year 3 and recurring thereafter. Operating profit before amortization (EBITA) for the segment amounted to CHF 108.3 million before and CHF 15.5 million after restructuring, compared to CHF 109.3 million in the previous year. The primary and increased contribution to segment profit came from the business unit Gourmet & Specialties. The contribution from the Consumer Products North America business unit was somewhat lower due to an adverse change in the business mix, and the contribution from the Consumer Products Europe business unit was negative mainly due to the unsatisfactory development of the German market and the negative impact of the sharp increase in hazelnut prices.

Total assets for the segment amounted to CHF 856.2 million, down CHF 97.2 million or 10.2% compared to last year, impacted by the working capital reduction, mainly due to the increased use of the trade receivable securitization program. EBITA over total segment assets amounted to 12.6% before and to 1.8% after restructuring, compared to 11.5% in the previous year.

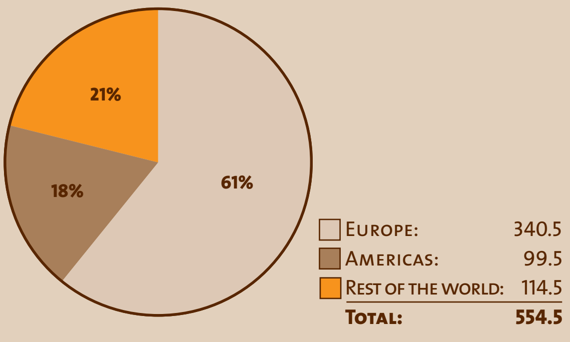
Gourmet & Specialties

The Gourmet & Specialties business unit provides its products and services through three divisions: Gourmet, Beverages and Consumer Africa. The customers of the Gourmet division, professional users such as chocolatiers, pastry chefs, bakeries, hotels, restaurants and caterers, rely on the division's premium chocolate products and on convenient, ready-to-use and ready-to-sell products. Effective marketing measures to support brands, training in Barry Callebaut's Chocolate Academies, innovation support and tailor-made solutions are supplementary services that strengthen the company's partnership with customers. After the full integration of the Vending Mix business of Scandinavian-based AM Foods, acquired in 2004, the Beverages division is a leading supplier of cocoa, chocolate and cappuccino blends for vending machines in Europe. The Consumer Africa division reaches out to more than 200 million consumers in about twenty sub-Saharan countries. It produces sugar and chocolate products in various countries and also distributes some other third-party products.

Sales revenue recorded in the Gourmet & Specialties business unit in fiscal year 2004/05 increased by 7.9% to CHF 554.5 million, up from CHF 514.0 million in the previous year. The first-time consolidation of the Vending Mix business of AM Foods, now Barry Callebaut Sweden, contributed CHF 51.9 million. This compensated for the decline in the Consumer Africa division which was caused by the difficult political situation in Ivory Coast and the weak economic environment in Cameroon. Excluding the effect of the first-time consolidation of former AM Foods, overall sales revenue showed a decrease of 2.2%.

The well-performing economies in Asia-Pacific have had a favorable impact on chocolate consumption. Sales revenue from this region was up 8.4%.

Gourmet & Specialties
Sales revenue by region, 2004/05
in CHF million



Despite a challenging environment in Africa and strong competition from customer label products in both the Beverages and Gourmet activities, double-digit EBITA growth was achieved by the business unit, thanks to strict cost management, optimized use of resources and the contribution from former AM Foods.

The organic growth of the **Gourmet** division amounted to 4.5% in sales revenue. In Europe, traditional craftsmen continue to suffer from the competition from in-store bakeries and the growing importance of the semi-industrial food service chains. Market growth is seen in two very different fields: first, at the top of the quality pyramid, where demanding chocolatiers and confectioners use the division's main brands Callebaut, Cacao Barry, Carma, and, in the U.S., Van Leer for top-of-the-line creations; second, in the area of convenience, ready-to-use, ready-to-sell and frozen products. With its scale and scope, Barry Callebaut is a supplier to both market segments. The successful Dutch-Belgian high-quality chocolate producer Luijckx, acquired in 2003, has added important resources, products and services to the Group, especially in the areas of ready-to-use and ready-to-sell products. Due to its flexibility in production, Luijckx has also become a valuable supplier of small volumes of specialty chocolate to industrial customers.

A key innovation that emerged from the R&D initiatives of the Gourmet division is Mycryo, which has turned out to be a real breakthrough: Mycryo cocoa butter was

launched in January 2003 for tempering chocolate and as a gelatine replacer. Tests have revealed that it can also be used in savory dishes as a substitute for the usual fatty substances such as oil or butter – with excellent results. The product is being introduced to premium hotel and restaurant chefs as well as institutional caterers and will be a door opener to access new savory market segments with an extended product range.

Corporate key accounts – such as Cash & Carry, duty free and restaurant chains as well as wholesalers associations, vacation resorts, institutional caterers and retailers with in-store bakeries – will be managed on the basis of an improved cross-area approach and a globally consistent sales and pricing policy, allowing for centralized, and thus easier purchasing processes and cost advantages.

The push for innovation helps to broaden the addressable market and to move Barry Callebaut closer to customers, as does geographic expansion. In 2004, Barry Callebaut opened sales offices in Tokyo, Istanbul and Moscow and received excellent customer response.

In the **Beverages** division (blends for beverage machines), the concentration of machine operators is progressing, which, on the supplier side, facilitates the constitution of an efficient distribution organization serving fewer, but bigger customers. With regard to products, a market shift from more expensive milk-based recipes to lower-priced whey powder products can be observed. Customer label and branded products each contribute around 50% to the sales volume of the Beverages division. On the one hand, there is a focus on quality and product innovation for the branded products under the Van Houten, Caprimo and Bensdorp brands; on the other hand, good value for money can be provided in the customer label business due to the ongoing implementation of cost-cutting measures and efficiency improvements. This service is only possible because Barry Callebaut has a fully dedicated Vending Mix factory in Kågeröd (Sweden) brought to the Group through the acquisition of the Vending Mix business of Swedish AM Foods from Arla Foods of Denmark on September 2, 2004. The results of the new Group member have been consolidated as of September 1, 2004. This business, now Barry Callebaut Sweden, has been fully integrated into the organization. Combined EBITA of the former Vending Mix division of Barry Callebaut and Barry Callebaut Sweden together in fiscal year 2004/05 was already higher than EBITA on a stand-alone basis, and full synergies are expected to be achieved in the current fiscal year. Synergies mainly arise from the insourcing of vending mix production to the Kågeröd facility, but also from a unified sales force, repositioned brands, a combined range of products and enhanced R&D capabilities. Barry Callebaut has become a leading player in the chocolate and cappuccino vending mix business and is taking full advantage of the booming out-of-home consumption market in Europe.

The activities of the **Consumer Africa** division were heavily impacted by the political situation in Ivory Coast. Cameroon's economic policy changes, aimed at reaching the tighter fiscal targets set by the World Bank and the IMF, also had a negative impact on the sales of all non-key food products. Finally, the Euro's exchange rate against the U.S. dollar is still adversely affecting the capacity to export to some markets linked to the U.S. dollar, such as Nigeria. In view of the significant decrease in sales volumes in Africa, the division took immediate action in the sense of rigorous cost management in order to align costs to market activity.

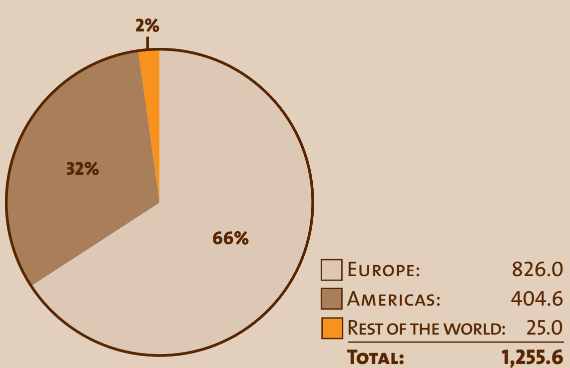
Barry Callebaut will export a complementary product range from Brach's Vernell factory in Linares, Mexico, to Africa to broaden its offerings while avoiding local investments and minimizing the exchange rate risk in countries tied to the U.S. dollar. In the year under review, the division also started introducing pan-African brands in all countries where it does business: Martina for chocolate paste, Mambo for chocolate bars and Matinal for breakfast products. This major effort will not only strengthen the presence and power of the three product brands, but also allow for significant synergies and cost optimization on the marketing side.

Consumer Products

Comprehensive customer label solutions, a small number of local brands for bringing innovations to market and co-manufacturing services for international food manufacturers are the three pillars of Barry Callebaut's offering in the Consumer Products business units. The Group's American subsidiary, Brach's, is the strategic arm into the large and attractive consumer confectionery market in the U.S. It complements the company's presence in the European consumer marketplace, where the retail brands Sarotti in Germany, Jacques in Belgium and Alprose in Switzerland round off the comprehensive range of customer label solutions. Barry Callebaut's factories and know-how for consumer products also strengthen its ability to offer broader outsourcing options to its global industrial customers.

Sales revenue in the Consumer Products business units Europe and North America was reduced by 5.7% or CHF 76.0 million to CHF 1,255.6 million, corresponding to 30.9% of total Group sales revenue. The main reasons for the decline are Barry Callebaut's more selective approach in the customer label business in Europe, continued SKU (stock keeping units) reductions as well as intense competition in the fruit snack business in the U.S. The effect of the reduced volumes was amplified by currency impacts as well as an adverse product mix.

Consumer Products
SALES REVENUE BY REGION, 2004/05
IN CHF MILLION



EUROPE:	826.0
AMERICAS:	404.6
REST OF THE WORLD:	25.0
TOTAL:	**1,255.6**

In pursuit of its value-driven strategy of concentrating on more profitable business and implementing selective price increases, the **Consumer Products Europe** business unit has discontinued certain customer label contracts which did not generate sufficient return. These efforts to improve the sales mix reduced sales volumes in fiscal year 2004/05 by about 8,000 tonnes or 3.2%, all concentrated within the customer label portfolio. Conversely, the business unit increased sales volumes in the branded business by 1.5%, with like-for-like sales for the umbrella brand Sarotti up 5%. The increase in the branded business was achieved against a backdrop of brand rationalization and a streamlining of the product portfolio, leading to reduced complexity. The decline in sales revenue is significantly less than the 5.5% volume loss thanks to management's consistent pricing policy in light of higher sourcing costs for some key raw materials, especially hazelnuts, which reached record prices in the year under review.

While overall sales volumes in Germany were under pressure in fiscal year 2004/05, the Consumer Products Europe business unit managed to increase sales volumes in France and the U.K., and it is verifying opportunities in other markets in order to become less dependent on Germany and to enhance international expansion and diversification.

In the German customer label business, which makes up two-thirds of the sales volume of the Consumer Products Europe business unit, the focus will remain on achieving cost leadership as well as on developing complete customer label solutions. The selective approach to the market will be maintained, and the profitability of business relationships will be subject to ongoing review.

In view of the weakness of the German and other Western European economies and in order to realize additional cost savings, Barry Callebaut has intensified the current restructuring program in the Consumer Products Europe business unit. A supplementary restructuring provision has been set aside and appropriate impairments and write-

downs were charged to the accounts of fiscal year 2004/05. The business unit is intensifying its efforts to achieve cost leadership and to become the customer solutions provider of choice for global retailers in response to ongoing internationalization and to consumers' growing demand for quality at the lowest price. Due to its expertise and production capabilities, Barry Callebaut is also uniquely positioned to take advantage of the trend among consumer goods companies to outsource production and to focus on marketing activities.

Management's intense efforts to rationalize its industrial infrastructure and logistics operations continue to yield the expected results. The plant in Cologne was closed in March 2005 and – as part of the dedicated factory approach – praline production is now concentrated in the company's facility in Norderstedt near Hamburg, which improved capacity utilization and optimized the fixed cost structure. As one of the last steps in the integration into the Barry Callebaut Group, the Consumer Products Europe business started implementing the SAP platform that Barry Callebaut is already successfully using in its other European chocolate businesses.

The squeeze-out of the minority shareholders of Stollwerck in April 2005 facilitates this process, since the company is now a wholly-owned subsidiary of Barry Callebaut.

Major efficiency gains have been achieved throughout the whole business unit with the reduction of SKUs by 40%.

In the year under review, Barry Callebaut has taken further steps to straighten the brand portfolio in Europe. The Gubor, Scho-ka-kola and Kneisl trademarks were sold to Genuport Trade AG, an established German distributor of international brands. As a result of a multi-year co-manufacturing contract with Genuport, Barry Callebaut will remain the exclusive producer and supplier of the products sold under the three labels. Sarotti is the Group's umbrella consumer brand in Germany. Newly launched premium products, such as Sarotti No. 1 or Schwarze Herren, were positively received by the market, registering a 33% volume increase in total. After merging with the Callebaut consumer brand, Jacques has been positioned as the company's only consumer brand in Belgium. In Switzerland and in export markets, the Alprose brand is promoted as a quality brand for Swiss chocolate.

As market research from many sources confirms, consumer demand is moving towards premium, functional and convenience products. Barry Callebaut is at the forefront of consumer focus and innovation. Various sugar-reduced, sugar-free, polyphenol-rich, low-carbohydrate or single-origin products from the company have been brought to market in Europe and in North America and meet the demand for healthy and "better for you" products.

In the U.S., Barry Callebaut complements its consumer activities through its subsidiary Brach's, which offers a broad range of sugar and chocolate confectionery as well as fruit snacks. Fierce competition in Brach's fruit snacks business affected the **Consumer Products North America** business unit's sales revenue negatively in fiscal year 2004/05. The adverse impact on operating profit was more than offset by savings in the sales and marketing area, a reduction in fixed costs, and curtailment gains achieved by adapting Brach's employee benefit plans.

Concerns of American consumers about obesity, diabetes and carbohydrates have led to a general decline in consumption of confectionery and sugar products. Despite this trend, the Consumer Products North America business unit achieved a moderate increase of volumes in this category, i.e. in the direct store delivery and seasonal products.

To strengthen the product portfolio, Brach's pursues a three-way approach: The company is optimizing the product line-up with a radical SKU rationalization program; it is upgrading existing items via quality, packaging, consumer taste preference and added-value offerings; and it is focusing its innovation efforts on new items where the company has competitive advantages. Brach's has expanded its sugar-free Sweet Right line of candy and chocolate products. Leveraging Barry Callebaut's global expertise, the Consumer Products North America business unit will significantly benefit from the increased local production of Barry Callebaut chocolate products, since purchasing through import channels has been exposed to adverse currency fluctuations.

ANNUAL REPORT 2004/05

creating value

Creating value

At Barry Callebaut, we have set ourselves an ambitious goal: to be number one in all attractive customer segments of the chocolate and confectionery industry and in all major world markets.

What kind of company should Barry Callebaut be, in order to achieve this goal? How should we think and behave? That is the question we asked ourselves when we set about defining our company values: Customer Focus, Passion, Entrepreneurship, Team Spirit and Integrity.

Some say that in business, values do not matter. All that is necessary is to "get on with the job", they argue. But experience has taught us that the "business as usual" approach will not take us where we want to go. We need a long-term, sustainable route to creating value for our customers, our colleagues, the communities in which we work and our shareholders. That means we must re-examine the ways in which we think and behave, drawing on our collective experience of what it takes to succeed as a multi-national company operating in global markets.

Our statement of values is a practical guide to the way we work in order to achieve our goal.

CUSTOMER FOCUS

By anticipating market trends and investing time and effort to fully understand customer needs, we go to great lengths to provide products and solutions of superior value through a business partnership with every customer that is characterized by professionalism and mutual trust.

PASSION

Our pride in what our company does inspires and motivates us to give our best at work. We are eager to learn about our business and to share our know-how and enthusiasm with others.

ENTREPRENEURSHIP

With the goal to create superior customer value, we constructively challenge the status quo and explore opportunities to innovate: new eating trends, new markets, new ideas for products and services and new ways of doing business. We are willing to take controlled risks and are determined to persevere.

TEAM SPIRIT

We show respect for our fellow team members and all our stakeholders and are honest, trustworthy and open-minded in all our business activities and relationships. We live up to high ethical standards that promote fairness, equality and diversity.

INTEGRITY

Whether in the field, on the shop floor or in administration – we are one team, sharing a common purpose and common goals. All members of this team actively engage in open communication and idea sharing and are committed to working together to achieve our common goals across the whole organization.

CUSTOMER FOCUS

- PASSION
- ENTREPRENEURSHIP
- TEAM SPIRIT
- INTEGRITY

Barilla and Barry Callebaut: partners in progress

The very first biscuit was probably made by chance, say food historians. Somewhere in the prehistoric Middle East, a clay dish of cereal mash – the staple diet – must have broken, spilling its contents onto a hot hearth. After a while, the unknown chef, her attention drawn by the golden color and appetizing aroma of the residue on the stones, sampled a fragment and discovered that it was good. The world's favorite snack food was born.

The Romans made biscuits part of their diet 2,500 years ago. It was Rome that gave Europe the word itself, which comes from the Latin "biscotus," meaning "baked twice." With such a heritage, it is not surprising that Italy has a widespread tradition of biscuit-making, or that today an Italian company is one of Europe's leading manufacturers of biscuits. Barilla, founded in 1877 in Parma, is a multi-national business with production sites in Europe, Asia and North America. Already world-famous for its pasta and sauces, the company expanded into baked goods in the 1970s and owns popular brands such as Mulino Bianco and Pavesi.

Nowadays, chocolate is an essential ingredient of any biscuit range because when it comes to taste, chocolate and biscuits are natural partners. The partnership between Barilla and Barry Callebaut is also a natural development because the two companies share similar views on what matters to consumers. For Barilla, there are three guiding principles: quality, nutritional balance and flavor. In support of these principles, Barilla carefully monitors its suppliers and invests heavily in research and development. For Barry Callebaut, customer focus is one of our core values.

Barry Callebaut's relationship with Barilla goes back many years. As in any successful partnership, partners must be prepared to give and take. "It's all about trust," says Paul Van Vooren, Corporate Account Manager at Barry Callebaut in Wieze, Belgium. "We need to trust each other, personally, and company to company."

Trust is important because the partnership is based on a high level of transparency. Barilla's emphasis on quality, healthy ingredients and flavor means that it seeks to understand as much as possible about the ingredients and processes used by its suppliers. In a conventional customer-supplier relationship based on short-term contracts this kind of information is not usually available, due to commercial sensitivities. The partnership between Barry Callebaut and Barilla, however, is designed to provide incentives for both sides to overcome these barriers.

Barry Callebaut provides Barilla with detailed information about the cocoa and chocolate products it supplies for use in biscuits and other baked goods, including the cost, precise make-up and quality of the ingredients, as well as information about the product's manufacture, including plant locations and logistics.

> In the mini-factories of Barry Callebaut's applications laboratory in Belgium, we recreate Barilla's production process on a small scale and search together for the ideal chocolate for their product

"This level of transparency means that we get predictability in terms of what Barilla will buy and when. Barilla gets information that helps them to optimize the taste and quality of their baked goods and to manage their production processes more efficiently," explains Paul Van Vooren. The benefits also include tighter logistics. Because Barry Callebaut understands the pattern of the customer's demand for particular products at given times and places, it can reconfigure deliveries to save time, money and resources.

"For us quality, service and price are strategic issues, because they can affect our products dramatically," says Dr. Leonardo Mirone, Buyer at Barilla. "This way of working helps us in three ways. Firstly, we always have the level of quality we choose. Secondly, the ingredients are supplied in the right form, at the right time, with the right level of service. Thirdly, more information on prices helps us to forecast the prices of our finished products more accurately."

This open dialogue between the two companies also creates opportunities for their research and development departments to collaborate more closely. "Our Barilla colleagues get in touch with us whenever they have an idea or an issue to discuss," says Anniek Vanbaelen of Barry Callebaut's R&D department in Wieze. For example, she says, the Barilla team may be looking for ways to make improvements in the recipes of chocolate fillings or coatings. The Barry Callebaut R&D team will typically develop initial proposals and present them at the Barilla offices in Parma. The two teams then work on the project together. "This way of working is also much more interesting for our R&D team members," she adds.

As a result of this high degree of openness, the Barry Callebaut R&D team can provide a more valuable service, says Alex Landuyt, Head of Applied R&D Europe and Asia. "This way, we get a more detailed briefing from the customer, because the Barilla team is open with us," he says. "Greater depth of shared knowledge and understanding between the two teams means our ideas and proposals are better informed, and therefore more useful to the customer." Alex Landuyt's goal is that the customer will eventually treat the Barry Callebaut R&D team as "part of

the family," so that they will turn to Barry Callebaut for ideas and support as naturally as they would to an in-house department. "When they think chocolate, I would like them to think of us," he says.

Barilla's interest in the supply chain extends to ethical issues, reflecting the company's stance on socially responsible business practices. Both Barry Callebaut and Barilla are committed to ensuring responsible employment practices, especially to ensure that no child is harmed in cocoa farming.

The relationship does not stand still: Barilla and Barry Callebaut continue to search for better ways of working. "Every year our collaboration improves, because we are constantly fine-tuning and adding new things," says Dr. Leonardo Mirone of Barilla. "This could mean that in the future we will work together not only on price, quality and service, but also, for example, on sustainability."

Says Paul Van Vooren: "Our partnership with Barilla is a good example of 'customer focus' in action, and to me, it is definitely the way of the future."

Two heads are better than one

Today's complex technologies mean that innovation more often emerges from the planned efforts of a team, rather than from the inspired "genius" working alone. R&D is also more collaborative. To better understand their customers' unique business situation, the R&D team in Wieze, Belgium, organized "Innovation Days" in which their industrial customers could actively participate. Multinationals and smaller regional businesses have taken part. The R&D team familiarizes itself with the customer's product line and then considers how Barry Callebaut can help create new products, applications and processes. This is often the springboard for a wider process of collaborative development. "Innovation Days" have generated a stream of new ideas for customers in the ice cream, biscuits, confectionery and baked goods sectors.

Managing logistics in the Internet age

For Barry Callebaut, customer focus means more than just product innovation. Barry Callebaut Ibérica SL., together with the Group's Logistics team, showed just how with their advanced e-logistics solution, Silopolis, for Spain's leading biscuit manufacturer, S.O.S. Cuetara. The Spanish company is now the first Barry Callebaut customer to utilize the Internet for replenishment of bulk supplies. S.O.S. Cuetara uses around 2,000 tonnes of dark and milk compound liquid every year for biscuit coating. The Silopolis system allows Barry Callebaut to check the customer's stock at a distance and automatically initiate replacement orders, deliveries and invoices. Staff at S.O.S. Cuetara can track stock levels, order processing, truck progress and future delivery dates with a few mouse-clicks. The only equipment the customer needs to install is a silo measurement device and a standard Internet browser. This new system has already saved considerable time, energy and money for S.O.S. Cuetara by making bulk replenishment fast, safe and cost-efficient.

- CUSTOMER FOCUS
- **PASSION**
- ENTREPRENEURSHIP
- TEAM SPIRIT
- INTEGRITY

Jean-Pierre Wybauw: a chocolate wizard

As a teacher and ambassador, Jean-Pierre Wybauw promotes the Callebaut brand and Barry Callebaut on the world culinary stage. His passion inspires others. He has taught thousands of students and professionals, many of whom have become our customers. He has helped increase awareness and enhance the reputation of the company, reinforcing the message that Barry Callebaut stands for quality. Directly and indirectly, his work has made a major contribution to building sales.

"Jean-Pierre Wybauw is one of those personalities we would like to meet more often in the chocolate world. Not only is he a mine of information on all things chocolate, he is also a very kindhearted man, always available and willing to share his knowledge… He is a true enthusiast, whose in-depth knowledge of the trade is matched by a passion to communicate this know-how to as many people as possible. His current work promises to be a benchmark for the future."

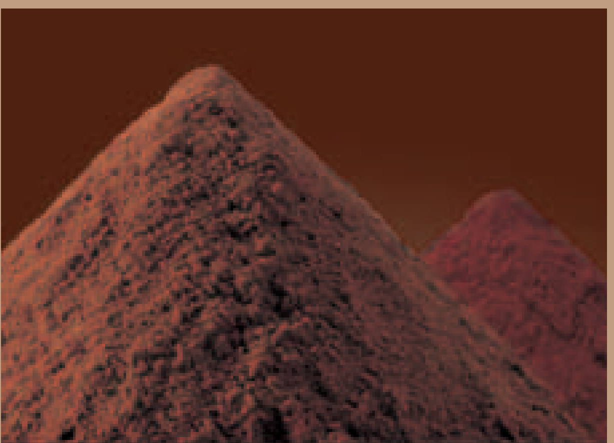
So writes Pierre Marcolini, Master Chocolatier of Belgium, in a tribute to Jean-Pierre Wybauw, an admired teacher, colleague and friend. The dedication appears in *Fine Chocolates/Great Experience*, Jean-Pierre Wybauw's hugely successful first book.

The "chocolate wizard," as he has been called, has been a technical adviser and demonstrator with Barry Callebaut for over 30 years. He travels the world giving courses and lectures on working with chocolate, attracting audiences that can number in the hundreds. A renowned pastry chef, winner of numerous awards, and now a successful author, he has long been in demand as a judge of international chocolate and pastry competitions. In 2002, he was named "Chef of the Year" by the Culinary Institute of America.

Students praise Jean-Pierre Wybauw's patience, kindness and enthusiasm, as well as his culinary skills and technical knowledge. Many share their experiences on the Internet: "Chef Jean-Pierre Wybauw gave us another great demo on chocolate work," reads an Internet posting. "He used simple items like the bottom of a soda bottle, balloons and foam wrapped in plastic to make molds for his chocolate. Everyone in the room hung on his every word. At the end of the demonstration we gathered around, almost like a mob, and asked questions, and marveled over his vast knowledge of all things chocolate."

Learning to love cocoa

We like our sales people to be as knowledgeable about our products as they are enthusiastic. But cocoa is not a simple commodity: it is a complex natural product that can vary greatly. So we decided to set up an intensive training program to help our sales force climb the learning curve more rapidly. During 2004/05, over 100 sales people, customer service and pricing specialists from Europe and North America participated in the program, which was devised by our Cocoa R&D Center of Excellence, based in Louviers, France. Topics included the cocoa brands Barry Callebaut and Bensdorp, cocoa production processes, specifications for each product we sell, important variables such as fineness and color, and applications. During a hands-on workshop, participants mixed their own cocoa powder recipe to see the results of using cocoa of different colors and fineness grades. The second stage of the program focused on commercial aspects of the cocoa business, including new products, best-selling products, market opportunities and competitors.



Jean-Pierre Wybauw's association with Barry Callebaut began when he got to know one of the company's salesmen. "I had my own pastry and chocolate shop in Antwerp. A Callebaut salesman lived just around the corner and became one of my customers," he recalls. "He persuaded me to take a test to become a demonstrator at the Callebaut factory. I passed, but at that time I decided it was not for me."

He opted instead to become a teacher in chocolate and confectionery at a local school. During a factory visit, he met the man who had taken the job. "I could see that he had a great life, and I was sorry I had not taken the chance." Seven years later the position became available, and this time Jean-Pierre Wybauw did not hesitate. He joined the company in 1972.

For many years he worked mostly with professionals, helping them solve problems and improve their skills. He realized that he would be able to get closer to his audience if he knew their language, and over time learned to speak French, German and English as well as his native Dutch. His first book, *Fine Chocolates – Great Experience*, published in 2004 in five languages, was the fruit of these years. Some 20,000 copies were sold in two months, and the book won gold in the category "Best Professional Cookery Book" in the 2005 World Food Media Awards.

His second book, *Chocolade zonder grenzen / Chocolat sans frontières* (Chocolate Without Borders), currently available in Dutch and French, targets a new audience. "My first book was for professionals, but this one is for all chocolate lovers who want to create pralines, pastries, cookies and drinks using chocolate," he says. "The accent is on simple, practical techniques. You can do so many things with chocolate. You can be so creative."

Jean-Pierre Wybauw has a deep-rooted personal commitment to helping those in need. He has long admired the work of *Médecins sans Frontières (Doctors Without Borders)*, and so decided to donate the proceeds from his book to the medical relief organization that works in developing countries.

He is already working on a third book, which will reveal more tricks of the trade. In the meantime, invitations to teach and serve on judging panels continue to arrive. "My diary is full," says Jean-Pierre Wybauw. "At the beginning of next week I will be in Germany. Then I'm off to spend three weeks in Japan and Australia, followed by a trip to Puerto Rico, then straight on to the U.S. That's the life, but I am passionate about my job and I feel more motivated than ever!"

Our passion for fashion!

The 10th annual Salon du Chocolat brought together two traditions for which the city of Paris is famous: fine foods and fashion. We set out to showcase our creativity, as well as our passion for chocolate, in the form of a fifties-style chocolate dress modeled on the catwalk by French actress and model Audrey Hamm. This extraordinary creation, decorated with cocoa beans and cocoa leaves made of real chocolate, complete with chocolate hat and bouquet, was the work of Philippe Vancayseele, International Technical Advisor at the Chocolate Academy at Barry Callebaut in Wieze, and fashion designer Harald Ligtvoet. It drew the attention of many manufacturers, chocolatiers and pastry chefs, as well as consumers, during this important industry event. The ensemble embodies the Barry Callebaut vision – from the bean to the shelf – in a most original way!

How Japan learned to love gourmet chocolate

Koji Tsuchiya, the renowned Japanese chocolatier, is one of Jean-Pierre Wybauw's former students. They first met in 1993 when Jean-Pierre Wybauw gave a training course for Japanese pastry chefs at the Belgian Embassy in Tokyo. Koji Tsuchiya was his assistant and interpreter. "I worked by his side and learned a great deal from his demonstrations," he recalls. Later, whenever Jean-Pierre Wybauw returned to Tokyo, Koji Tsuchiya was invited to act as his interpreter. Over the years, the two became friends.

"Jean-Pierre Wybauw is extremely kind, and he is very enthusiastic about his profession," says Koji Tsuchiya. "He is a skilled and creative chocolatier. He works with an impeccably clean and controlled work space." Like many other chocolatiers, Koji Tsuchiya was particularly interested in Jean-Pierre Wybauw's explanation of the process of chocolate crystallization. "It had always been somewhat unclear to me. He finally helped me to understand this important process."

Koji Tsuchiya began his career as a pastry chef in Japan. In 1982, when he was 21, he traveled to France and worked for six years in the gourmet chocolate and pastry sector. There he first discovered and came to appreciate gourmet chocolate. He returned to Japan in 1987 to develop his career as a pastry chef.

In 1999, Koji Tsuchiya decided to start his own business, *Theobroma Musée du Chocolat*, a gourmet chocolate and pastry shop. Lower-quality chocolate dominated the Japanese market at this time, and *Theobroma Musée du Chocolat* was unique in Japan. Although at first business was slow, his persistence paid off. Koji Tsuchiya now has five shops in the Japanese capital and employs 40 people.

- CUSTOMER FOCUS
- PASSION
- **ENTREPRENEURSHIP**
- TEAM SPIRIT
- INTEGRITY

Innovation and tradition: the Mycryo story

Every innovator knows that moment in the product development process when a breakthrough feels close. At such times, few can resist working over the weekend. That is what Philippe Marand and Philippe Bertrand, Technical Advisors at the Barry Callebaut Chocolate Academy in Meulan, France, did, and their weekend work led to a breakthrough that has opened up new market opportunities.

The two men had already pioneered the use of Mycryo, a powdered form of cocoa butter, as a gelling agent for mousses and as an alternative to gelatin in various recipes. Planning further trials over the weekend and knowing that the company restaurant would not be open, they had brought fish fillets to cook for lunch, as befits former chefs. “We looked at the fish, then at the pan. And we thought, why not, let’s give it a try,” Philippe Marand recalls. “So we used the Mycryo to cook the fish. It worked! And something amazing happened. Not only did it not taste of cocoa butter, the taste of the fish was even enhanced.” For the first time, cocoa butter had been used to cook savory ingredients.

Mycryo is 100% natural because it is made from cocoa butter. Raw cocoa butter becomes Mycryo powder through a carefully controlled process.

As a cooking ingredient, Mycryo performs impressively. It is almost odorless and preserves the natural taste of the food. As a powder, Mycryo creates an even coating around savory foods such as meat, fish, seafood and vegetables, and because it can sustain high temperatures without breaking down, it seals flavors and juices in. Mycryo saves time in the kitchen: it can be used to prepare foods for cooking in advance, which is a great advantage for caterers and chefs. As a powder, it is convenient to use, and does not create hot splashes in the pan.

Tastings conducted by Michel Roth, the renowned French chef, and winner of the awards *Meilleur Ouvrier de France* and *Bocuse d’Or*, revealed that foods cooked with Mycryo had a truer flavor than those cooked with traditional fats and oils.

“I view Mycryo as a completely new product with its own special properties,” says Michel Roth. “It works particularly well with delicately-flavored foods such as fish and seafood because it does not mask their flavor. It also works well with vegetables that lose moisture during cooking, such as spinach and mushrooms. Mycryo brings out the natural flavor and aroma of the food, emphasizing the authentic taste.”

> Michel Roth, renowned French chef, is convinced of Mycryo’s market potential

The use of cocoa butter in this new way is surprising, even for food professionals, yet the taste of foods cooked with Mycryo is convincing. “Chefs will try Mycryo and will gradually begin to use it more and more when they see its advantages,” believes Michel Roth. “Chefs will have to learn about it, and work with it to discover its properties and potential. I am constantly experimenting with Mycryo: there are many possibilities to explore.”

Mycryo also offers the promise of health benefits, because cocoa butter contains health-promoting fatty acids and polyphenols. Less fat is consumed when cooking with Mycryo, because less is required compared with traditional fats and oils. The University of Ghent is currently researching these potential health benefits.

How the product came about

Barry Callebaut first made powdered cocoa butter 10 years ago. Michel Lopez, R&D Chocolate Manager at Barry Callebaut France and Barry Callebaut Spain, was working on new freezing techniques, in response to a request from a large food manufacturer who had asked Barry Callebaut to produce chocolate in powder form. Michel Lopez's team realized that those techniques could provide a solution. The trials were successful, and Barry Callebaut immediately patented the process and product. The industrial customer was delighted with the powdered chocolate, but there was no immediate application for the powdered cocoa butter that had also been produced.

Meanwhile, on the Gourmet business side, Philippe Marand and Philippe Bertrand were searching for a replacement for gelatin, an important food ingredient that is obtained from beef. Following the BSE crisis, food manufacturers knew that they would have to trace the origin of the gelatin they used, in order to reassure consumers.

The immediate concern of Philippe Marand and Philippe Bertrand was the gelatin used in chocolate mousse, as cocoa butter is the only gelling agent in dark chocolate mousses. They discovered that manufacturers added gelatin because there was not enough chocolate to produce a hardening effect. "So we thought, let's try the natural hardener within the chocolate – cocoa butter," explains Philippe Marand. The results were positive. "We felt this was something big, so we contacted the Head of Gourmet & Specialties, Benoît Villers. He listened, and gave us his support."

Next, they turned to fruit mousse. Their trials using cocoa butter instead of gelatin in fruit mousse improved the product. "This was the real innovation. We found that the addition of cocoa butter not only improved the texture, but also the taste and color," recalls Philippe Bertrand. The use of cocoa butter in pastries soon followed.

They soon learned that their colleagues in the research department could produce cocoa butter in powder form. Mycryo was born.

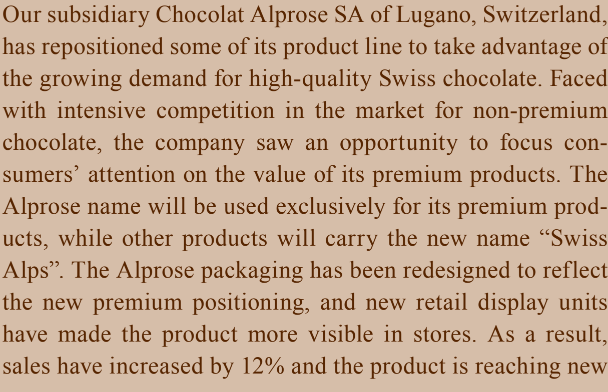
> Mycryo creates an even coating around savory foods such as fish or meat, and preserves their natural taste

Lessons in innovation

The Mycryo story reveals important lessons. It shows how the industrial and gourmet sides of the business are collaborating to mutual advantage, bringing the art and the science of food together. It shows how focus on customer needs – on the gourmet side of the business, for an alternative to gelatin, and on the industrial side, for a new form of chocolate – can lead to innovation.

Those who were involved in the creation of Mycryo believe it is the kind of innovation that will be welcomed by consumers. "Mycryo is not only an innovative form of cocoa butter, it also represents a culinary revolution in terms of how both sweet and savory foods are prepared and cooked," says Eric Martinet, Vice President Marketing Gourmet & Specialties. "Today's health conscious consumer will welcome these benefits," he adds.

"Balancing innovation with respect for tradition – and making use of the positive image of cocoa and chocolate as natural products – offers Barry Callebaut potential for growth. Innovation offers a competitive advantage and will help our brands maintain leadership in the market," Benoît Villers says.



Alprose: introducing a new name for Swiss premium chocolate

Our subsidiary Chocolat Alprose SA of Lugano, Switzerland, has repositioned some of its product line to take advantage of the growing demand for high-quality Swiss chocolate. Faced with intensive competition in the market for non-premium chocolate, the company saw an opportunity to focus consumers' attention on the value of its premium products. The Alprose name will be used exclusively for its premium products, while other products will carry the new name "Swiss Alps". The Alprose packaging has been redesigned to reflect the new premium positioning, and new retail display units have made the product more visible in stores. As a result, sales have increased by 12% and the product is reaching new consumers. "Swiss" manufacture is particularly important in export markets, which account for 70% of the company's sales. To highlight its origins, Alprose created a new "Swiss Premium Chocolate" graphic, featuring the cross motif of the Swiss flag. Selected pralines, tablets, napolitains and dragées are now sold under the premium brand. "Our strategy is to strengthen the product's appeal at the point of purchase," says Peter Rek, Head of Marketing. "Alprose is now well positioned to compete in the market for high-quality Swiss chocolate."

Fresh thinking from Brach's lifts sales

Innovation from Brach's in the shape of its Fresh Candy Shoppe II point of sale display has doubled, and even tripled, sales of its loose candy at some retail outlets. In 2005, Fresh Candy Shoppe II received a silver award from the industry association Point of Purchase Advertising International (POPAI) for "outstanding merchandising achievement." The display was Brach's answer to declining sales in the late 1990s. At that time, American consumers bought candy mainly from retailer-maintained "pick and mix" displays. But Brach's research showed that these displays were not presenting its products to best advantage. Often, displays were not kept in good condition and the product was not rotated regularly. Brach's solution was to offer retailers, free of charge, an attractive point of sale display, exclusively for its own candy, that would be re-stocked and maintained by Brach's itself. The display is most effective when placed in the high-traffic fresh produce section of supermarkets, where consumers are used to weighing the products they want to buy and the "fresh" positioning of Brach's products is reinforced. The new display, currently placed in over 1,300 stores, is popular with retailers because it boosts sales and reduces transportation and labor costs.

- CUSTOMER FOCUS
- PASSION
- ENTREPRENEURSHIP
- **TEAM SPIRIT**
- INTEGRITY

A factory founded on teamwork

Daniel Emond has a favorite saying about leadership: "The power I have is the power I don't have," he declares. As Head of Operations and Supply Chain in North America, he led the team that designed and engineered Barry Callebaut's new chocolate factory in American Canyon, California, in record time and for a relatively low capital outlay. Sharing power with his team was the key to success, he believes.

"It's about delegating," he explains. "I am responsible for delivering the project, but the team members mainly did it on their own. When I sit around the table with my peers, people don't feel I'm more important than they are. Everybody's important in this company. Sometimes you have to just listen, and let people do what they need to do."

California consumes more chocolate than any other U.S. state and Barry Callebaut's sales in the U.S. West Coast market have grown by 8 to 10% over the last two years. When the company decided it was time to build a factory closer to its customers on the West Coast, Daniel Emond was named to head the project.

"Providing better customer service is the ultimate goal," he says. "We want to bring service closer to the customer, and have therefore started to decentralize some of the customer service operations that have been managed up until now from St. Hyacinthe, Canada. A closer relationship with customers means you can work on improving your forecasting accuracy and make better decisions when it comes to production planning."

Daniel Emond's first step was to bring together a steering team that included experts drawn from all over Barry Callebaut's North American operations. The team included heads of production, distribution, research and development, quality control, engineering and human resources.

"We held a two-day brainstorming exercise out in the country, where nobody could reach us, with lots of fresh air to help us think. Our challenge was to create a factory that would be as competitive as possible, for the lowest possible investment cost. We had USD 20 million to build it – not a lot of money for the job!"

He asked the team to go back to basics. "I said, keep it simple and be creative. People really jumped at the challenge. It was the first time the North American team had had the opportunity

Sharing skills to build a chocolate line

A team from Barry Callebaut Belgium helped design, engineer and commission a new white chocolate production line for the Barry Callebaut factory in Singapore. "Working with colleagues on the other side of the world was a great challenge," said Bart Goetmaeckers, Engineering Manager at Barry Callebaut Belgium in Wieze, who participated in the project. "The two teams collaborated so effectively that we have not needed to return since commissioning."

Design and engineering were carried out in Wieze, and contractors in Singapore assembled the line. The Belgian team traveled to Singapore to manage the start-up phase. They worked with colleagues in Singapore on technical and production issues, and also trained the local operators, many of whom were new to the job.

The new line, commissioned in April 2005, can produce 10,000 tonnes of chocolate per year. Marc Donaldson, Managing Director of Barry Callebaut Asia Pacific, said: "The commissioning of the white chocolate line signals our commitment to be closer to our customers in the Asia Pacific region and respond faster to their growing demand for a wider variety of chocolate."

> In September 2005, our factory in American Canyon, California, became fully operational

to work on such a major project, and this helped motivate everyone. The pride and the joy of it was that we had a chance to show what we could achieve," he recalls.

The steering team determined that the California factory will not manufacture chocolate itself. It processes solid chocolate blocks made at the plant in St. Hyacinthe, taking advantage of the Canadian operation's lower costs. The chocolate is shipped by rail to American Canyon in giant blocks. This costs less than the usual practice of shipping liquid chocolate by road: chocolate is 50% cheaper to transport in solid than in liquid form, and shipping by rail is 30% cheaper than by road.

The team structure employed during the planning phase helped to speed up the project lead-time, which at 18 months is quite challenging for such projects. Specialized design teams worked simultaneously on engineering, production and logistics. The entire project team also held regular coordination meetings. In this way, each design team could focus its attention on one aspect of the project, but could also see how their decisions impacted the whole.

The plan to make self-directed teams responsible for production was a "first" for Barry Callebaut North America. Daniel Emond had seen self-directed teams in action earlier in his career: "It works best when the factory is not too large, especially with a brand-new site where you can create the right culture from day one." At American Canyon, the workers on each shift will take responsibility for all production decisions. Team leaders will facilitate discussions and help the team arrive at a consensus. This requires people with open minds, strong "people" skills and a willingness to take on responsibility.

Jacquie Dragon, Director of Human Resources for the U.S., with the local site management, created detailed competency profiles of the staff required for the factory. "You need the technical skills to do the job, but really it's more about fitting in with the team environment," she says. "Communication is a big thing, because you're working interdependently with people, so "emotional intelligence" – the ability to work collaboratively – is very important."

California proved the ideal place to find the type of recruit she was looking for. "People here are very open to new ways of working and proved receptive to the self-directed team culture," observes Jacquie Dragon. "The local officials have been very welcoming. The factory is good news for the local community: we have brought approximately 60 stable and rewarding jobs."

For Daniel Poulin, Engineering Director for North America, teamworking skills have been critical: "In this type of project, the technical aspect is the easy part. It's your leadership skills that you need to sharpen," he says. "There can be a lot of

stress, and when you're talking with people, it's not the same story each time. Each person has individual qualities, and you have to deal with that, and at the same time you have to focus them on what needs to be done to execute the project." He enjoyed heading a team that included different nationalities and cultures: "It's a multi-ethnic group and I would say that the greatest achievement was that with all our differences, we were able to make it happen."

The American Canyon factory opened for business in September 2005, with the capacity to process 25,000 tonnes of solid chocolate per year and 15,000 tonnes of liquid as a whole capacity. The factory will also manage warehousing, distribution and customer service activities for all finished goods produced for the West Coast market.

The project's benefits to Barry Callebaut include reduced investment and operating costs, and increased revenues as a result of the improved service it will now be able to offer its West Coast customers.

"Credit for the success of this project goes to all the individuals who pitched in and took leadership," maintains Daniel Emond. "And they didn't wait for me to give it, they took it."

Jacques & Callebaut: the best of both worlds

When Barry Callebaut bought the Stollwerck Group in 2002, it added a second Belgian chocolate consumer brand to its portfolio: "Jacques", with its medieval knight logo, instantly recognizable to consumers. Jacques chocolate was produced in Eupen. Barry Callebaut's own "Callebaut" brand was less well known but had a strong reputation for quality. It was manufactured in Wieze. A single, re-positioned brand that combined the familiarity of Jacques with the quality image of Callebaut could mount a strong challenge to the market leader. But first, traditional loyalties would have to be overcome. So the Wieze and Eupen teams resolved to focus on what was best for the company as a whole. An open and constructive debate led to the decision to merge the two brands under the Jacques name and logo. A new advertising campaign gave the brand a younger image, while subtle use of the Callebaut name and colors signaled "quality". The brand was re-launched with an official wedding ceremony in September 2005 to a strong reception from consumers.

- CUSTOMER FOCUS
- PASSION
- ENTREPRENEURSHIP
- TEAM SPIRIT
- **INTEGRITY**

Contributing to local communities in West Africa

The tropical zones of West Africa provide perfect climatic conditions for growing cocoa, one of the top-earning export crops in countries such as Ivory Coast, Ghana or Cameroon. As the world's largest producer of cocoa and chocolate products, Barry Callebaut has had a long association with these African nations.

> Employees of Barry Callebaut Ghana and their families are ready to move into their new houses in Tema

"We are committed to maintaining or exceeding our high ethical standards in every area of operations," says Patrick De Maeseneire, Chief Executive Officer. "Our Code of Conduct underscores this commitment, and through our actions and long-term investments in origin countries such as Ghana, Ivory Coast, Cameroon or Brazil we strive to improve the livelihood of farmers and their families."

In these countries we work to develop mutually beneficial relationships with our suppliers, we invest in the training and professional development of our employees and we contribute to local communities in various ways, such as building housing and sponsoring medical care and services.

Building new homes in Ghana...

Barry Callebaut Ghana has built 54 detached and semi-detached houses at Tema Community 22 in Ghana. The homes were offered at an affordable purchase price to Barry Callebaut Ghana employees, and all have been sold. The houses have from one to three bedrooms, and can be expanded to add more rooms.

In Ghana most people rent their homes, and rents are high. Tenants are often asked to leave their homes with little or no notice, and landlords may ask for two years' rent in advance. Barry Callebaut frequently provides loans to help employees pay their rental advances. Land ownership laws are complex and mortgage financing rates high.

The Tema housing development offers our employees more security by helping them to own homes. Barry Callebaut Ghana acquired the land, and worked with a local bank and building contractor to finance the project and arrange construction. Barry Callebaut has subsidized a part of the cost, enabling employees to pay back their mortgage loan over 20 years.

... and in Ivory Coast

Barry Callebaut subsidiary SACO (Société Africaine de Cacao SA) has completed a building project in Ivory Coast, aimed at offering our employees safe and secure accommodation closer to their place of work. There are 93 new houses in Abidjan and 39 in San Pedro, providing 132 employees with homes.

Each of the detached, self-contained houses can accommodate a family of six, and the houses can be extended if necessary. Many of the employees who moved into these houses were previously living in precarious lodgings in districts with limited access to water and electricity, and subject to flooding.

SACO arranged the construction of the new homes and has subsidized the housing costs. It negotiated loans offering below market interest rates with a local bank, enabling many employees to take their first step towards home ownership.

This initiative follows a similar program completed in Abidjan in 1998 that provided 102 new houses for employees. SACO was the first local cocoa processor in Ivory Coast to build houses for its workers.

Working with farmers in Ivory Coast

Barry Callebaut has launched a new multi-year program for farmers in Ivory Coast that will further improve the quality of cocoa beans the farmers supply and provide farmers with greater economic security. The program, *Barry Callebaut – Partenaire de Qualité (Quality Partner)*, was launched in 2005.

A high proportion of the beans supplied to Barry Callebaut in Ivory Coast come from small farms that do not always follow best practices in growing and harvesting their crops. In order to improve the quality of the cocoa beans, we will work more closely with the farmers through their farming co-operatives.

Working towards a sustainable cocoa economy

Developing countries in West Africa, Central and South America and South East Asia are the source of the three million tonnes of cocoa beans that the world consumes every year. Today, consumers and manufacturers in the industrialized world are more conscious than ever of the economic, social and environmental problems that can affect developing countries. For example, around one third of the world's cocoa crop is currently lost to disease, causing great hardship to small farmers. Barry Callebaut became a member of the World Cocoa Foundation, or WCF, to play an active role in helping to solve critical issues such as poor cultivation practices, child labor and biodiversity. The WCF (www.worldcocoafoundation.org), founded in 2000, is a partnership of companies, governments, and other agencies that works to improve cocoa yields, reduce crop losses and increase the incomes of cocoa farmers and communities. Recent achievements have included increasing farmers' profits in West Africa, training 50,000 farmers in Indonesia on non-chemical pest control and tripling farmers' yields in Peru.

The new program takes a long-term view of our relationship with producers. This program reflects our commitment to quality. We will provide training by working with our partner, ANADER. We will work with local communities to help organize and contribute to health programs. And we will aim to assist farmers in increasing the yield of their plantations as well as the quality of the beans so that they can increase their earning potential.

As part of the agreement with the farmers' cooperatives, we will work together on improving the quality of agricultural and business practices as well as working conditions.

Our partner in the program is the rural development agency ANADER (Agence National d'Appui au Développement Rural), which runs seven training centers in Ivory Coast. ANADER brings to the partnership extensive training expertise and a thorough understanding of the needs and conditions of cocoa farmers.

By helping farmers to improve the quality and quantity of their harvests as well as their agricultural and business skills, we aim to build long-term relationships that live up to our high ethical standards that promote fairness and trust.

Medical support for employees in Cameroon

In Cameroon, a country with no social insurance system, Barry Callebaut offers a health initiative for its employees. Beyond the legal requirement for each company based in Cameroon to employ a doctor for employees, Barry Callebaut has subscribed health insurance policies for all employees and their families. For chronic diseases, which are not covered by health insurance, Barry Callebaut pays 50% of all medical expenses, and 100% of medical expenses related to the treatment of HIV. The company also pays for an annual check-up for all employees. A doctor and five nurses are employed at each of Barry Callebaut's two factories.

To help fight HIV and Aids, SIC Cacaos, our subsidiary in Douala, Cameroon, signed a three-year partnership agreement with the Cameroonian National Committee Against HIV/Aids. Under the program, prevention activities are organized to sensitize employees and their spouses about the dangers of the disease.

The Echoing Hills project

Many Barry Callebaut employees volunteer their time to assist communities in the origin countries. William Collins Ampofo, a Ghanaian mechanic who has worked with Barry Callebaut Ghana since 2001, devotes his spare time to *Echoing Hills*, a non-governmental organization and Christian ministry in Accra, Ghana, that supports the families of disabled people. This organization provides counseling for the caregivers of physically and mentally disabled people, and assembles and repairs wheelchairs.

In recognition of his volunteer efforts, William Collins Ampofo received the Barry Callebaut Chairman's Award in 2004. Sharing the platform with him at the awards ceremony was Monique Mertens, from the Human Resources department at Barry Callebaut Belgium. Monique Mertens, who received a Chairman's Award for her community work in Belgium, and a third award winner, Guido Elskens, from the Maintenance department at Barry Callebaut Belgium, were captivated by William Collins Ampofo's story.

"I was a Girl Scout," says Monique Mertens. "Scouting teaches you commitment, motivation and teamwork. That's my heritage. So when I heard about William's work, I wanted to help him out."

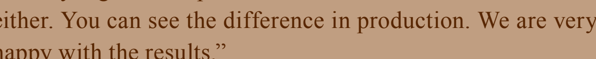
Inspiring family members and friends to join them, Monique Mertens and Guido Elskens organized a fundraising dinner featuring a traditional Ghanaian meal of groundnut soup with chicken and yam – and chocolate donated by Barry Callebaut.

Cocoa goes organic in Brazil

Consumers are buying twice as much organic food as they did in the 1990s, according to market researchers. Organic foods that provide superior taste and quality offer consumers a way to “do the right thing” for their taste buds as well as the environment. Recognizing the importance of this trend, Barry Callebaut Brazil launched a program to develop a source of certified organic cocoa in 2001. That program bore its first fruit in May 2005 with the launch of Brazil’s first organic chocolate drink, branded “Native”, at the Bio Brazil Fair in São Paulo. Forecasts are for sales of 1.5 million packs in the first year, which would generate revenues of CHF 6 million.

Barry Callebaut Brazil is also the first Brazilian exporter of organic cocoa products. In October 2005, first shipments of organic cocoa butter and powders were delivered to our factories in North America. The cocoa butter will be used in the production of organic chocolate for our industrial customers. The cocoa powders will be used by our customers to produce chocolate drinks, cookies and ice cream.

The organic cocoa project is popular with farmers, who learn new sustainable techniques for producing certified organic cocoa beans. Farmers who are now in the fourth year of the program said: “Our cocoa trees have acquired a new look, with lush and healthy leaves. We haven’t had any significant pest attacks either. You can see the difference in production. We are very happy with the results.”



Over 130 people attended the dinner and 485 donated funds. “Thanks to Monique and her colleagues, we were able to procure several wheelchairs and toiletries for people who desperately needed help. Donations such as these help put a smile on people’s faces and gives our lives more meaning,” said William Collins Ampofo.

“The money we raised was a modest contribution to a huge need,” said Monique Mertens. “Projects like this are important because they create bonds between people, stimulate social contacts and increase our awareness of the wider world.”

> Barry Callebaut employees Monique Mertens, Guido Elskens and William Collins Ampofo worked together to raise funds for the NGO *Echoing Hills* in Accra, Ghana

Our People.

Developing our people for today and tomorrow

Corporate training programs at Marbach

Barry Callebaut wants to help our employees succeed in today's working environment and tomorrow's. In late 2004, we introduced a new management development strategy to better support the Group's long-term objectives. We have established a new suite of programs that focus on a wide range of management and functional skills, specifically targeted to key needs across the Group, all sharing the connecting themes of entrepreneurship, leadership, teamwork and customer focus – strongly reflecting Barry Callebaut's core values.

The programs include management development courses and functional and skills workshops. The management development courses include *Source*, a program for junior professionals, *Management Development 1&2*, which studies management techniques of leading companies, and *The Executive Leadership Program*, aimed at senior managers. The functional and skills workshops include modules on project management, customer focus, communication and negotiation.

Since any corporation's growth depends on innovation, learning itself becomes a key strategic process. Marbach, our Learning Center of Excellence, is a clear advantage in our overall training and development effort, providing participants multiple learning opportunities, a unique view of the company and a forum in which to make connections with one another.

We will continue to expand and adapt the Management Development programs to meet the needs of the Group. Our next horizon will be e-learning, which we will introduce as a supplement to Marbach and for special situations.

Regional initiatives

Ghana: Employee training program

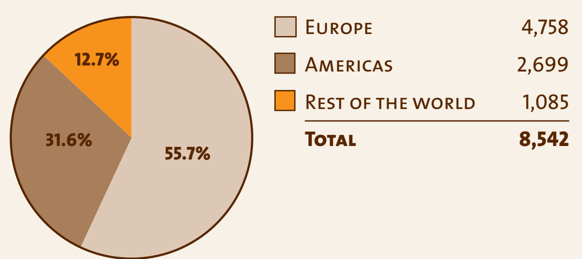
Barry Callebaut Ghana has introduced a new program to provide comprehensive training to all employees whose jobs affect product quality. The annual training plan includes a compulsory course, covering quality policies, firefighting, hygiene and safety. Additional courses are available to help employees increase their technical competency, refresh their skills, learn more about industry issues and prepare for new responsibilities. Employees and supervisors identify training needs together.

North America: Re-engineering Project Management

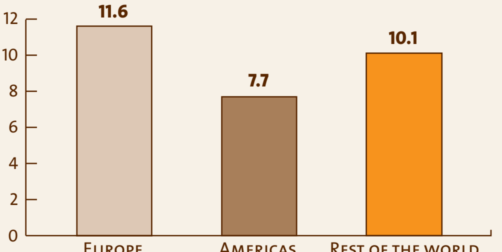
Barry Callebaut in North America is using a new process, called Re-engineering Project Management, to better respond to the business challenges created by growth and competition. The process will assist the management team to re-structure the business so that employees at all levels are empowered to make and execute decisions. The process is used to analyze business issues and define problems, causes and solutions.

Europe: "Eagle Selling" sales program

A new training program called Eagle Selling enables sales professionals from our Food Manufacturers, Gourmet and Beverages businesses in Belgium and the Netherlands to draw on the experiences of Barry Callebaut's senior sales people. Sales professionals learn how to stand apart from competitors, not only for the products they offer, but for how effectively they negotiate deals and meet customer needs.



Average seniority in years



Tenth anniversary of the Chairman's Award

Honoring outstanding performance and community service

The Chairman's Award was inaugurated in 1995 by Klaus Jacobs, the then Chairman of Jacobs Holding AG and founder of Barry Callebaut. The award recognizes employees who have shown outstanding commitment at work and in their local communities.

Nine Barry Callebaut employees received the award this year. Together with their spouses or partners, they were invited to Switzerland for the award presentation and an unforgettable four-day trip around the country. Andreas Jacobs (Chairman of Jacobs Holding AG and Vice Chairman of Barry Callebaut), Andreas Schmid (Chairman of Barry Callebaut) and Patrick De Maeseneire (CEO of Barry Callebaut) presented the award.

Standing, from left to right: Ronny De Wolf, Andreas Schmid (Chairman Barry Callebaut), Bertrand Yomgne Kouokam, Peter Beginn, Andreas Jacobs (Chairman Jacobs Holding AG), André Lehmann, Patrick De Maeseneire (CEO Barry Callebaut), Rob F.M. Steur
Sitting, from left to right: Jose Mercado, Linda Wills, Diane Lapierre, Jean-Pierre Wybauw

Peter Beginn
Retired factory employee
Cologne, Germany – with Stollwerck for over 40 years

Peter Beginn dedicates most of his free time to the German Red Cross. He helps pensioners and handicapped people and was a member of the company's First Aid Team before his retirement.

Ronny De Wolf
Customer Service Department
Wieze, Belgium – with the company since 1977

As Chairman of the Belgian staff association, Ronny De Wolf organizes sports events in his spare time. In his hometown, he is a member of the council committee that organizes social and charitable activities.

Bertrand Yomgne Kouokam
Factory employee
Douala, Cameroon – with the company since 1998

Bertrand Yomgne Kouokam helps educate people about HIV and AIDS prevention, provides financial support for children's education, and is involved in a national plan to aid successful students.

Diane Lapierre
Microbiology Technician's Assistant
St. Hyacinthe, Canada – with the company since 1984

Diane Lapierre is involved in a number of social and charity groups. She helped raise funds for a "zoo-therapy" to help young cancer patients.

André Lehmann
Head of Material Management
Hildebrand/Berlin, Germany – with the company since 2004

André Lehmann served on the Berlin volunteer fire brigade for 10 years. He is also a substitute teacher at his local swimming club.

Jose L. Mercado
Factory employee
Pennsauken, U.S.A. – with the company since 2000

Jose Mercado is a volunteer at the Puerto Rican Culture and Arts Center in Camden, New Jersey, where he teaches children and young adults about Spanish culture, including music, art and dance.

Rob F.M. Steur
Sales Manager
Rotterdam, Netherlands – with the company since 2001

Rob Steur is a dedicated employee and a highly motivating "engine" for his sales representatives. His wife is disabled and he spends a lot of his time before and after work, organizing things so that she can get through the day by herself.

Linda Wills
Sales Expense and Account Receivable Manager
Chattanooga, U.S.A. – with the company since 1974

Linda Wills is involved in a range of community groups and activities. She has worked with the Boy Scouts for 20 years and was honored with the James E. West Fellow Award in 1999.

Jean-Pierre Wybauw
Technical Adviser
Wieze, Belgium – with the company since 1972

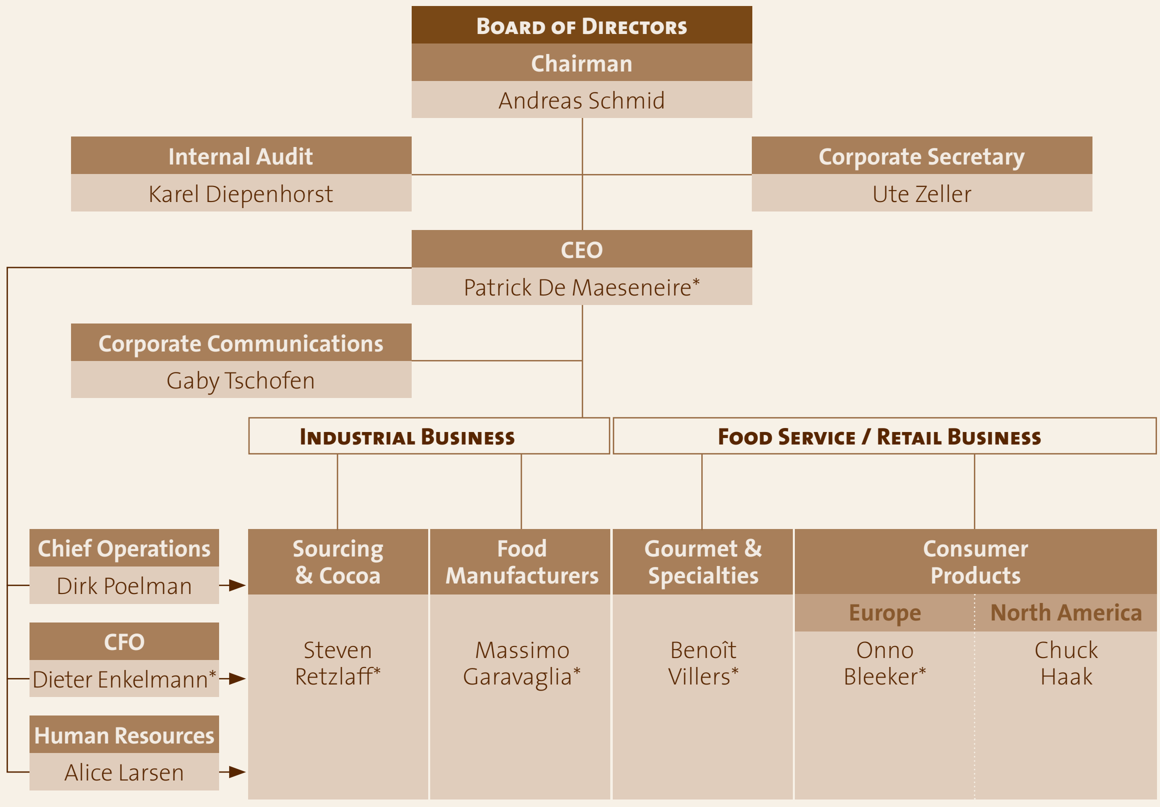
Jean-Pierre Wybauw applied his expertise in chocolate to help people in need. He is donating all the proceeds from his book *Chocolate Without Borders* to *Doctors Without Borders*, the medical relief organization.

Corporate Governance.

The information that follows is provided in accordance with the Directive on Information Relating to Corporate Governance issued by the SWX Swiss Exchange. The principles and rules on Corporate Governance as practiced by Barry Callebaut are laid down in the Articles of Incorporation, the Regulations of the Board and the Charters of the Board Committees. These are reviewed regularly by the Board of Directors and adapted as needed.

Group Structure and Shareholders

The Barry Callebaut Group is divided into two strategic business segments. The following chart provides an overview of the operational group structure as of November 2005:



* Members of the Senior Management Team

The Barry Callebaut Group reports by business segments and regions. Information about listed companies, principal subsidiaries and significant **shareholders** of Barry Callebaut is given on pages 87, 88 and 108 of the Consolidated Financial Statements. There are no cross-holdings equal to or higher than 5% of the issued share capital.

Capital Structure

The information required by the SWX Corporate Governance Directive regarding the capital structure is given on page 97 (share capital), page 80 (movements in the share capital) and page 104 (options) of the Consolidated Financial Statements.

Board of Directors

The Board of Directors is ultimately responsible for the policies and management of Barry Callebaut. The Board establishes the strategic, accounting, organizational and financing policies to be followed, and appoints the Senior Management Team, which is responsible for the operational management of Barry Callebaut.

As of August 31, 2005, the Board of Directors consisted of six non-executive members.

Each Director is elected by the shareholders of Barry Callebaut AG at the General Meeting for a term of office of one year and may be re-elected to successive terms.

Name	Nationality	Function	Member since
Andreas Schmid	Swiss	Chairman	1997
Andreas Jacobs	German	Vice Chairman	2003
Rolando Benedick	Swiss	Director	2001
Markus Fiechter	Swiss	Director	2004
Andreas W. Keller	Swiss	Director	1999
Urs Widmer	Swiss	Director	2004

Andreas Schmid

Chairman of the Board
Joined Barry Callebaut in 1997
Swiss national

Andreas Schmid (1957) was CEO of KJ Jacobs AG (Adecco SA, Barry Callebaut AG, Brach's Confections Inc.) since 1997. In 1999 he became Chairman of the Board and CEO of Barry Callebaut AG. On June 1, 2002, he handed over the CEO function but continued to assume the responsibility of Chairman of Barry Callebaut AG.

He started his career in 1984 at Union Bank of Switzerland. Following a position as assistant to a Swiss industrialist, he was Chief Executive Officer and Managing Director of Kopp Plastics (Pty) Ltd in South Africa from 1989 to 1992. He then worked for the Jacobs Group in various staff and line functions until 1993. From 1993 to 1997 Andreas Schmid was President of the Mövenpick Consumer Goods Division and a member of the worldwide Group Executive Board of Management.

Andreas Schmid is also Chairman of Kuoni Travel Holding AG and Unique Zurich Airport AG. He is also a member of the Advisory Board of Credit Suisse AG.

Andreas Schmid holds a Master's degree in law and studied economics.

Andreas Jacobs

Vice Chairman
Director since 2003
German national

Andreas Jacobs (1963) has been an independent entrepreneur since 1992 with a stake in several companies (Minibar AG, Baar; Schmidlin AG, Aesch; "Deutsche See" GmbH & Co. KG, Bremerhaven plus minority interests in several other companies). From 1991 to 1993, he worked as a consultant and project manager at The Boston Consulting Group in Munich.

He is Chairman of Jacobs Holding AG, member of the Board of Brach's Confections, Inc. and Vice Chairman of Infront Holding AG.

Andreas Jacobs studied law at the Universities of Freiburg im Breisgau, Munich and Montpellier and subsequently obtained a postgraduate degree in European competition law (Dr. iur.) from the University of Freiburg.

Afterwards he obtained a Master of Business Administration from Insead in Fontainebleau.

Rolando Benedick
Director since 2001
Swiss national

Rolando Benedick (1946) has been CEO of the Manor Group since the end of 1989, which includes Manor department stores, FLY Switzerland and Athleticum Sportmarkets, three chains belonging to Maus Frères Holding. He has been Chairman of the Board of Manor AG since 2000 and is also Chairman of Manor Sud SA (formerly Innovazione), the store chain in Ticino.

Rolando Benedick joined the Manor Group in 1967 after completing his secondary studies and various trainee programs in renowned retail groups in Germany, France and Switzerland. In 1970 he was given responsibility for the planning and implementation of the shopping center and store in Monthey. He then became director of the Sion store. He was Chief Executive of the Innovazione chain in Ticino from 1973 to 1989. During this period he planned and implemented many complete renovations and new store openings.

Rolando Benedick is a non-executive Director of Jacobs Holding AG and a Board member of MCH Messe Switzerland AG, the Basel Chamber of Commerce, Swiss Sport Aid, the Gottlieb Duttweiler Institute (GDI) and the Swiss Retail Federation (SRF).

Markus Fiechter
Director since 2004
Swiss national

Markus Fiechter (1956) was appointed CEO of Jacobs Holding AG as of September 1, 2004. From 1994 to 2004 he was CEO of the Minibar Group. From 1991 to 1994 he worked for the Boston Consulting Group as Consultant, Project Manager and Manager in the Zurich office. From 1984 until 1991 he held different managerial positions at Mettler Toledo AG. He started his career as Assistant Professor in Chemistry at the Technical Institute of Horw/Lucerne, Switzerland.

Markus Fiechter is still a Member of the Board of Minibar AG.

Markus Fiechter holds a Master in Chemical Engineering from the Federal Institute of Technology in Zurich (dipl. Chem.-Ing. ETH) and an MBA from the University of St. Gallen (lic. oec. HSG).

Andreas W. Keller
Director since 1999
Swiss national

Andreas W. Keller (1945) joined the trading firm Edward Keller Group in the mid-seventies. After working in Thailand and the USA for a number of years, he joined the Head Office Management Team in 1984. Since 1993 he has been Chairman of the Edward Keller Group and since 1996 Chairman of the Diethelm Group. In June 2000 the two Groups merged to form Diethelm Keller Holding Ltd.

He chairs the Zurich Chamber of Commerce and is a member of the Advisory Board of Credit Suisse Group.

Andreas Keller is a lawyer by education.

Urs Widmer
Director since 2004
Swiss national

Urs Widmer (1941) is an attorney at law with a practice in Küsnacht, Zurich. He has served as Chairman of the Board of Directors of Vontobel Holding AG and Bank Vontobel AG since 2005.

Before joining Vontobel Holding AG, Urs Widmer was Chairman of the Board of Directors of ATAG Ernst & Young AG from 1998 to 2002. Previously he had held various positions at ATAG Ernst & Young. From 1974 to 1980 he worked in the legal department and was promoted to department head in 1980. In 1984 he was appointed a member of the executive board of ATAG debis Informatik AG. In 1986 he was appointed General Manager of ATAG Wirtschaftsinformation Holding AG and member of the Group Executive Board of ATAG Ernst & Young AG. He was elected a member of the Board of Directors of ATAG Ernst & Young AG in 1988 and the Delegate of the Board of Directors in 1990. He joined the Executive Board of Ernst & Young Europe in Brussels in 1991 and the Global Executive Board of Ernst & Young International, New York and London, in 1994. In 1995 he assumed the

position of Delegate and Chairman of the Board of Directors of ATAG Ernst & Young Holding AG. His professional career began as an assistant to the Executive Board of Alusuisse.

Urs Widmer is a member of the Board of Directors of Helvetia Patria AG. He is a trustee of various foundations such as Technopark Foundation, Zoo Zurich and Foundation Kastanienhof.

Urs Widmer earned a doctorate from the Faculty of Law at Zurich University.

Functioning of the Board

The Board of Directors constitutes itself at its first meeting subsequent to the Ordinary General Meeting. The Board elects its Chairman and its Vice Chairman. It meets as often as business requires, but at least four times per fiscal year.

The Chairman invites the members in writing to the meetings, indicating the agenda, the motion for resolution thereto, a condensed assessment and recommendations to vote. The invitations are sent out at least ten business days prior to the meeting. Each member of the Board can request the Chairman to call a meeting without undue delay. In addition to the materials for meetings, the Board members receive monthly financial reports.

By request of one member of the Board, members of the Senior Management Team shall be invited to attend meetings. The Board of Directors can determine by majority vote that other third parties may attend the meeting partially or wholly.

Resolutions are adopted by simple majority of the Board members present or represented. Members may only be represented by a fellow Board member. In case of equal votes the proposal is deemed to be not resolved. Resolutions made at the Board meetings are recorded in written minutes of the meeting.

During the last fiscal year the Board of Directors met 9 times.

The Board of Directors has formed the following committees:

Board Committee

Andreas Schmid (Chairman)

Andreas Jacobs

The primary task of the Board Committee is to assist the Board of Directors in fulfilling its responsibilities to the company and its affiliates, employees and shareholders, and in ensuring compliance with applicable law and regulatory requirements.

In the last fiscal year, the Committee met 13 times.

Audit, Finance, Risk, Quality & Compliance Committee

Andreas W. Keller (Chairman),

Andreas Schmid and Urs Widmer

The primary task of the Audit, Finance, Risk, Quality & Compliance Committee is to assist the Board in carrying out its responsibilities as they relate to the company's accounting policies, financial reporting, internal control, legal and regulatory compliance functions and quality management. In addition, to ensure financial risk management, the committee approves the basic risk management principles and guidelines, reviews the hedging and financing strategies, reviews the bases on which the Board of Directors determines risk tolerance levels and trading limits, and reviews the appropriateness of the risk management instruments and techniques employed.

In the last fiscal year, the Committee met 6 times.

Nomination & Compensation Committee

Rolando Benedick (Chairman),

Andreas Jacobs and Andreas Schmid

The responsibilities of the Nomination & Compensation Committee are the selection, nomination, compensation, evaluation, and, when necessary, replacement of key executives as well as corporate succession planning. The committee also reviews remuneration paid to members of the Board of Directors, ensures a transparent board nomination process, and is responsible for monitoring and managing potential conflicts of interest involving executive management and board members.

In the last fiscal year, the Committee met 3 times.

Directors may request any information necessary to fulfill their duties. Outside of meetings, any Director may request information from members of the Senior Management Team concerning the Group's business development. Requests for information must be addressed to the Chairman of the Board. The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The internal audit function, which is independent from management, reports its significant findings to the Audit, Finance, Risk, Quality & Compliance Committee. In the last fiscal year, certain internal audit tasks were carried out by third parties.

Senior Management Team

The Senior Management Team is headed by the Chief Executive Officer and consists of six persons.

The members of the Senior Management Team do not have significant activities outside of the Barry Callebaut Group.

Barry Callebaut and Jacobs Holding AG, Zurich, have agreed to execute administrative services agreements, under which Jacobs Holding AG offers to Barry Callebaut certain management, consultancy and flight services as well as training facilities. In the last fiscal year, the total compensation paid by Barry Callebaut under these agreements amounted to CHF 1.55 million.

Name	Nationality	Responsibility	Member since
Patrick G. De Maeseneire	Belgian	Chief Executive Officer	2002
Onno J. Bleeker	Dutch	Consumer Products Europe	2002
Dieter A. Enkelmann	Swiss	Chief Financial Officer	2003
Massimo Garavaglia	Italian	Food Manufacturers	2004
Steven Retzlaff	U.S. American and Swiss	Sourcing & Cocoa	2004
Benoît Villers	French	Gourmet & Specialties	1997

As of August 31, 2005

Patrick G. De Maeseneire

Chief Executive Officer

Belgian national

Patrick G. De Maeseneire (1957) has served as CEO of Barry Callebaut AG since June 1, 2002.

Before joining Barry Callebaut, Patrick De Maeseneire held positions with Adecco S.A., Wang Belgium, Apple Computers and Arthur Andersen (Consulting).

He trained as a commercial engineer at the University of Brussels and studied marketing management at Ghent University and business management at the London Business School and Insead, Fontainebleau/France.

Onno J. Bleeker

Consumer Products Europe

Dutch national

Onno J. Bleeker (1957), member of the Senior Management Team, was appointed President Consumer Products Europe in April 2005.

Onno Bleeker started his career with Verba, a food trading and distributing company that had the agency for Callebaut in the Netherlands. He became partner and General Manager of Verba. Verba was sold to Callebaut in 1988. Between 1989 and 2001 he held a number of high-level executive positions within Callebaut and from 1996 within the Barry Callebaut Group, formed through the merger of Cacao Barry and Callebaut. From January 2002 until August 2002 Onno Bleeker was partner and Managing Director of Mebrom Gas and Components International N.V., an international distributor of industrial and refrigerating gases and components.

In 2002 Onno Bleeker was appointed President Cocoa and Food Manufacturers and member of the Senior Management Team of Barry Callebaut AG. From September 2004 to April 2005 Onno Bleeker served as Chief Operations Officer at Barry Callebaut responsible for global production and supply chain.

Onno Bleeker studied business at the London Business School.

Dieter A. Enkelmann

Chief Financial Officer

Swiss national

Dieter A. Enkelmann (1959) was appointed Chief Financial Officer (CFO) in 2003.

From 1997 until early 2003, Dieter A. Enkelmann was with Swiss Re in Zurich, Switzerland, initially as Head Corporate Financial Management and Investor Relations and then in 2001 as CFO of the business unit Financial

Services. From 1985 to 1997 he held various responsible positions in the investment banking area within the Credit Suisse Group in Zurich and in London.

Dieter Enkelmann studied law at the University of Zurich.

Massimo Garavaglia

Food Manufacturers

Italian national

Massimo Garavaglia (1966) has been appointed President Food Manufacturers and member of the Senior Management Team of Barry Callebaut AG in September 2004.

From 1990 to 1992, Massimo Garavaglia was sales manager for an Italian food products importer. Joining Callebaut Italia S.p.A. in 1992, he served as country manager for Italy. After the merger between Callebaut and Cacao Barry in 1996, he was Barry Callebaut's country manager for Italy until 2003. From 2003 until September 2004, he was Manager Mediterranean countries/Middle East/Eastern Europe.

Massimo Garavaglia holds a Master's Degree in Economics and Business Administration from Bocconi University, Milan, Italy.

Steven Retzlaff

Sourcing & Cocoa

U.S. and Swiss national

Steven Retzlaff (1963) was appointed President Sourcing & Cocoa and member of the Senior Management Team of Barry Callebaut AG in September 2004. Steven Retzlaff started his career in 1987 at KPMG Peat Marwick, San Francisco, as an auditor and was promoted to Supervising Audit Senior in 1990. From 1990 to 1993 Steven Retzlaff worked as a Supervising Audit Senior and Audit Manager for KPMG Fides, Zurich. He then joined JMP Newcor AG, Zug, as Director of European Finance and Operations, where he worked for three years. In May 1996, Steven Retzlaff joined Barry Callebaut as CFO of Barry Callebaut Sourcing AG. From 1999 to 2001, he served as CFO Swiss Operations (BC Sourcing AG and BC Switzerland AG). From 2001 to 2003 he was CFO of the business unit Cocoa, Sourcing & Risk Management. In addition to his CFO function, Steven Retzlaff worked as Cocoa Division Head from 2003 to 2004 before he focused solely on his Cocoa Division Head function.

He is a Member of the Board of the European Cocoa Association (ECA).

Steven Retzlaff is a Certified Public Accountant (CPA) and holds a Bachelor of Arts in Economics from Whitman College. He also studied at the Institute of European Studies in Madrid/Spain and at Insead in Fontainebleau/France.

Benoît Villers

Gourmet & Specialties

French national

Benoît Villers (1956) has been President Gourmet & Specialties since mid 2001.

Since 1987 he has been working in various positions in Belgium and Italy for Cacao Barry, which merged with Callebaut in 1996. From 1996 to 1997 he was the General Manager for Barry Callebaut France and became member of the Senior Management Team in 1997. He held the position of Executive Vice President for Sales and Marketing between 1997 and 1998, then Executive Vice President Southern Europe, Asia Pacific, Middle East from 1999 to 2000 and President Cocoa between 2000 and 2001. Benoît Villers started his career in 1981 as a credit analyst for Natexis Bank and after that worked for the French Public Administration as financial analyst between 1985 and 1987.

He has a Master's degree in economics and graduated from the Institut Sciences Politiques.

Compensation, Shareholdings and Loans

The Board of Directors has the final responsibility for the remuneration of the Directors and the Senior Management Team. The Nomination & Compensation Committee assists the Board in fulfilling its responsibility.

The Nomination & Compensation Committee ensures that Barry Callebaut offers an overall package of remuneration which corresponds to corporate and individual performance and market practice, in order to attract and retain Directors and Executives with the necessary skills. The current remuneration scheme is based on three elements consisting of directors' fees or salary, cash bonuses tied to performance and the granting of Barry Callebaut AG shares.

On a yearly basis, usually prior to the December Board meeting, the Committee decides on the performance-related cash bonuses relating to the previous fiscal year and the compensation system for the coming calendar year, and presents its findings for final approval to the Board.

Board of Directors

In the fiscal year 2004/05, total fees to the Board of Directors including directors' fees, performance-related cash bonuses relating to the previous fiscal year, fees for committee membership and a lump sum contribution for expenses, amounted to CHF 1.6 million. Under Barry Callebaut's Stock Ownership Program, 2,000 shares of Barry Callebaut AG were transferred to the Directors for the performance relating to the previous fiscal year. None of the Board members received any other compensation than set out above.

There were no payments for former members of the Board of Directors in fiscal year 2004/05. On August 31, 2005, members of the Board of Directors including persons closely linked held 11,790 shares in Barry Callebaut AG.

Barry Callebaut AG and its Group companies have not granted any collateral, loans, advances or credits to the Board members including persons closely linked as at August 31, 2005.

The compensation paid to the Board member with the highest compensation was CHF 1 million. In addition to that, 1,200 shares of Barry Callebaut AG were transferred to this person for the performance relating to the previous fiscal year.

Senior Management Team

In the fiscal year 2004/05 aggregate compensation of the Senior Management Team comprising annual base salary and performance-related cash bonuses relating to the previous fiscal year amounted to CHF 5.5 million. Under Barry Callebaut's Stock Ownership Program, 34,656 shares of Barry Callebaut AG were transferred to the members of the Senior Management Team for the performance relating to the previous fiscal year and the year under review. None of the members of the Senior Management Team received any other compensation than set out above.

The aggregate compensation for former members of the Senior Management Team who gave up their function during the fiscal year 2004/05 or earlier amounted to CHF 3.8 million. Under Barry Callebaut's Stock Ownership Program, 13,288 shares of Barry Callebaut AG were transferred to former members of the Senior Management Team.

On August 31, 2005, members of the Senior Management Team including persons closely linked held 31,020 shares in Barry Callebaut AG. No options on shares of Barry Callebaut AG have been granted under the Stock Option Plan. Details about the Stock Option Plan are given in Note 24 to the Consolidated Financial Statements.

Barry Callebaut AG and its Group companies have not granted any collateral, loans, advances or credits to the members of the Senior Management Team including persons closely linked as at August 31, 2005.

Shareholders' Participation

Each share of Barry Callebaut AG carries one vote at the General Meeting. Voting rights may be exercised only after a shareholder has been registered in the Barry Callebaut AG share register as a shareholder with voting rights.

No shareholder holding more than 5% of the share capital may be registered as a shareholder with voting rights with respect to the shares such shareholder holds in excess thereof. For purposes of the 5% rule, groups of companies and groups of shareholders acting in concert or otherwise related are considered to be one shareholder. The Board of Directors may, however, on a case-by-case basis permit some or all of the excess shares to be registered with voting rights.

Shareholders may register their shares in the name of a nominee approved by Barry Callebaut AG and may exercise their voting rights by giving instructions to the nominee to vote on their behalf. However, a nominee holding more than 3% of the share capital will be registered as nominee for shareholders with voting rights only if it discloses the identity of each beneficial owner of shares claiming 0.5% or more of the share capital. No nominee holding more than 8% of the share capital may be registered as a shareholder with respect to the excess shares.

A resolution passed at the General Meeting with a majority of at least two-thirds of the shares represented at such meeting is required for the lifting of restrictions on the transferability of registered shares.

Shareholders may be represented at the General Meeting by proxy. Proxy holders must themselves be shareholders, or be appointed by Barry Callebaut, independent representatives nominated by Barry Callebaut AG, or a depository institution.

The Articles of Incorporation follow the majority rules and the provisions on convocation prescribed by the Swiss law for General Meetings of shareholders.

Shareholders with voting rights holding shares with a nominal value of at least of CHF 1 million have the right to request in writing – on at least 60 days' notice – that a specific proposal be discussed and voted upon at the next General Meeting.

Shareholders registered in the share register with voting rights at the date specified in the invitation will be convened to the Annual General Meeting.

Change of Control and Defense Measures

An investor who acquires 33⅓% of all voting rights has to submit a take-over offer for all shares outstanding, according to the Swiss Stock Exchange Law. Barry Callebaut has not elected to change or opt out of this rule.

The service agreements and employment contracts of the members of the Senior Management Team do not contain clauses on change of control. Barry Callebaut does not offer "golden parachutes" to its senior executives. Employment contracts contain notice periods of 6–12 months for the members of the Senior Management Team, during which they are entitled to running salary and bonuses. Two members of the Senior Management Team have an employment contract for a fixed time priod, not exceeding two years.

External Auditors

Ernst & Young AG, Zurich, act as the statutory auditors of Barry Callebaut AG, Zurich, and as the group auditors of the consolidated financial statements since the fiscal year 2002/03. The statutory auditors and the group auditors are appointed by the General Meeting for a one-year term of office. The auditor in charge of Ernst & Young has been exercising this function since fiscal year 2003/04.

For the past fiscal year, the remuneration for the audit of the accounting records and the financial statements of Barry Callebaut AG, and the audit of the consolidated financial statements, amounted to CHF 2.6 million. For internal audit and related expenses Ernst & Young received CHF 0.5 million; for tax and other advisory services a total of CHF 1.8 million.

The Audit, Finance, Risk, Quality & Compliance Committee assists the Board of Directors in fulfilling its oversight responsibility of the external auditors. The specific steps involved in carrying out this responsibility include recommending the external auditors, reviewing their qualification and independence, approving the audit fees, overseeing the external audit coverage, reviewing accounting policies and policy decisions, and reviewing the annual financial statements and related footnotes.

Information Policy

Barry Callebaut is committed to continuous and open communication with its shareholders, potential investors and other stakeholders based on the principles of transparency and equal treatment, i.e. simultaneous provision of price sensitive information and no selective disclosure.

We provide detailed information on our business activities and financial performance in our annual and quarterly reports and press releases, at the conferences for media and financial analysts as well as at the AGM. Further we regularly meet (potential) investors in personal meetings as well as present Barry Callebaut at Industry Events/ Investor Conferences.

Presentations are also made available on our website www.barry-callebaut.com, which is updated continuously.

The agenda for the current fiscal year and contacts are given on pages 2 and 127.

Consolidated Financial Statements.

with Auditors' Report

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Consolidated Balance Sheet

Assets

as of August 31,		**2005**	2004
in thousands of Swiss Francs	Notes		
Current assets			
Cash and cash equivalents		26,682	37,450
Short-term deposits		476	1,101
Trade accounts receivable	3	322,736	387,359
Inventories	4	892,163	987,501
of which cocoa beans stock		*290,857*	*381,959*
Valuation of open commitments and cocoa inventories, net	5	50,050	28,138
Other current assets	6	204,487	219,035
		1,496,594	**1,660,584**
Non-current assets			
Property, plant and equipment	7	725,909	746,095
Investments	8	6,913	5,000
Intangible assets	9	379,937	316,803
Deferred tax assets	21	36,633	18,931
Other non-current assets		18,776	13,049
		1,168,168	**1,099,878**
Total assets		**2,664,762**	**2,760,462**

Liabilities and shareholders' equity

as of August 31,		**2005**	2004
in thousands of Swiss Francs	Notes		
Current liabilities			
Bank overdrafts	10	28,070	39,225
Short-term debt	10	205,613	286,250
Trade accounts payable		271,198	273,773
Income tax payable		41,002	26,418
Provisions	11	39,673	38,610
Other current liabilities	12	286,794	369,177
		872,350	**1,033,453**
Non-current liabilities			
Long-term debt	13	758,978	659,481
Deferred tax liabilities	21	40,675	41,884
Employee benefits	24	142,719	171,644
Provisions	11	4,362	36,474
Other non-current liabilities		3,542	9,709
		950,276	**919,192**
Total liabilities		**1,822,626**	**1,952,645**
Minority interests	16	**5,402**	**6,891**
Shareholders' equity			
Share capital	17	476,674	517,000
Retained earnings and reserves		360,060	283,926
		836,734	**800,926**
Total liabilities and shareholders' equity		**2,664,762**	**2,760,462**

Consolidated Statement of Income

for the year ended August 31, 2005

in thousands of Swiss Francs	Notes	**2004/05**	2003/04
Revenue from sales and services		**4,061,130**	**4,048,887**
Cost of goods sold		(3,362,489)	(3,355,010)
Gross profit		**698,641**	**693,877**
Marketing & Sales		(228,204)	(243,433)
General & Administration		(219,826)	(221,091)
Other income	18	47,026	48,546
Other expense	18	(32,377)	(49,618)
Operating profit before restructuring, write-downs and impairments		**265,260**	**228,281**
Restructuring expense, write-downs and impairments on assets	18	**(94,000)**	**–**
Operating profit		**171,260**	**228,281**
Financial costs, net	19	(83,158)	(92,420)
Non-operating expense, net	20	–	(173)
Profit before taxes and minority interests		**88,102**	**135,688**
Taxes	21	(20,422)	(19,362)
Profit before minority interests		**67,680**	**116,326**
Minority interests	16	585	(724)
Net profit		**68,265**	**115,602**
Basic earnings per share (CHF/share)	22	13.20	22.36
Diluted earnings per share (CHF/share)	22	13.20	22.36

The form of the presentation of the income statement has been changed to the “function of expense” method from the previously applied “nature of expense” method. For comparison reasons, the figures of the previous year have been restated accordingly.

Consolidated Statement of Cash Flows

Cash flows from operating activities

for the year ended August 31, 2005

in thousands of Swiss Francs	**2004/05**	2003/04
Income before minority interest and taxes	88,102	135,688
Adjustments for:		
Depreciation and amortization of tangible and intangible non-current assets	113,847	136,569
Impairment/(Reversal of impairment) of fixed assets	12,991	(2,114)
Write-down of inventories and onerous cocoa contracts in relation to restructuring program	30,385	–
Elimination of foreign exchange (gain)/loss	(4,643)	576
Elimination of interest (income)	(2,924)	(13,494)
Elimination of interest expense	83,353	97,563
Elimination of (gain) on sale of property, plant and equipment	(302)	(5,633)
Elimination of other non-operating expense	–	173
Reversal of provisions	(1,013)	(6,799)
Operating cash flow before working capital changes	**319,796**	**342,529**
(Increase) Decrease in trade accounts receivable	74,433	1,090
(Increase) Decrease in inventories	98,257	143,530
(Increase) Decrease in other current assets	7,293	37,297
(Increase) Decrease in other non-current assets	1,895	(17,448)
Increase (Decrease) in trade accounts payable	(4,628)	(57,616)
Increase (Decrease) in other current liabilities	(81,865)	2,091
Increase (Decrease) in other non-current liabilities	(64,290)	(74,507)
Increase (Decrease) in valuation of open commitments and cocoa inventories	(40,174)	(8,549)
Elimination of impact of the movement in unrealized exchange results on working capital changes	106	(5,355)
Elimination of impact of movement of accrued interests	(5,142)	(12,743)
Cash generated from operations	**305,681**	**350,319**
Interest paid	(78,669)	(84,620)
Income taxes paid	(27,379)	(33,102)
Realized exchange gain	4,537	4,775
Net cash flow from operating activities	**204,170**	**237,372**

Consolidated Statement of Cash Flows

Cash flows from investing activities

for the year ended August 31, 2005		
in thousands of Swiss Francs	**2004/05**	2003/04
Purchase of property, plant and equipment	(95,081)	(86,515)
Proceeds from sale of property, plant and equipment	10,666	10,215
Expenditure for development projects	(7,078)	(3,481)
Acquisition of subsidiaries and minority interests	(67,580)	(6,915)
Interest received	822	13,295
Net cash flow from investing activities	**(158,251)**	**(73,401)**

Cash flows from financing activities

	2004/05	2003/04
(Decrease) in short-term debt	(82,679)	(266,793)
Increase in long-term debt	508,125	188,715
(Decrease) in long-term debt	(412,625)	(35,298)
Decrease (Increase) in deposits long-term	647	(106)
(Increase) in deposits short-term	(8,560)	(845)
Dividends paid	–	(36,148)
Capital reduction	(40,326)	–
Dividends paid to minority shareholders	–	(121)
Acquisition of treasury shares	(17,646)	(32,718)
Sale of treasury shares	7,290	15,902
Net cash flow from financing activities	**(45,774)**	**(167,412)**

	2004/05	2003/04
Effect of change in minority interests	532	724
Effect of exchange rate changes	(290)	(79)
Net increase (decrease) in cash and cash equivalents	**387**	**(2,796)**
Cash and cash equivalents at beginning of year	(1,775)	1,021
Cash and cash equivalents at end of year	**(1,388)**	**(1,775)**
Net increase (decrease) in cash and cash equivalents	**387**	**(2,796)**
Cash and cash equivalents	26,682	37,450
Bank overdrafts	(28,070)	(39,225)
Cash and cash equivalents as defined for the cash flow statement	**(1,388)**	**(1,775)**

Consolidated Statement of Changes in Shareholders' Equity

in thousands of Swiss Francs	Share capital	Legal reserves	Retained earnings	Treasury shares	Hedging reserves	Cumulative translation	Shareholders' equity
Balance as of September 1, 2003	517,000	240,507	16,613	(55)	2,508	(17,414)	759,159
Dividends paid			(36,148)				(36,148)
Acquisition of treasury shares				(32,718)			(32,718)
Sale of treasury shares			(7,097)	22,999			15,902
Currency translation adjustments						(17,894)	(17,894)
Cash flow hedges (Note 15)					(2,977)		(2,977)
Net profit for the year			115,602				115,602
Balance as of August 31, 2004	**517,000**	**240,507**	**88,970**	**(9,774)**	**(469)**	**(35,308)**	**800,926**
Negative goodwill Brach's			17,535				17,535
Capital reduction	(40,326)						(40,326)
Acquisition of treasury shares				(17,646)			(17,646)
Sale of treasury shares			(17,593)	24,883			7,290
Currency translation adjustments					(8)	5,696	5,688
Cash flow hedges (Note 15)					(4,998)		(4,998)
Net profit for the year			68,265				68,265
Balance as of August 31, 2005	**476,674**	**240,507**	**157,177**	**(2,537)**	**(5,475)**	**(29,612)**	**836,734**

At August 31, 2005 legal reserves of CHF 97.9 million (2004: CHF 113.2 million) are not distributable to the shareholders pursuant to Swiss law.

Instead of a dividend, the annual shareholders' meeting held on December 8, 2004 decided on a share capital reduction and repayment of CHF 7.80 per share (total share capital reduction of CHF 40.3 million). After this transaction, the share capital is represented by 5,170,000 authorized and issued shares of CHF 92.20 nominal value each, fully paid in.

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The fair value on August 31, 2005 of the treasury shares amounted to CHF 3.0 million (2004: CHF 8.9 million).

The remaining negative goodwill in the amount of CHF 17.5 million at August 31, 2004 relating to the acquisition of Brach's has been recorded into equity at September 1, 2004 in accordance with IFRS 3.

Summary of Accounting Policies

Basis of presentation

The consolidated financial statements of Barry Callebaut AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (formerly International Accounting Standards) and the provisions of the Swiss Code of Obligations. For consolidation purposes, Barry Callebaut AG and its subsidiaries (the Group) prepare financial statements using the historical cost convention, except for the measurement at fair value of derivative financial instruments and the valuation of open commitments and inventories of cocoa products as disclosed in the accounting policies below.

The Group did not opt for the early adoption of IAS 1, 2, 8, 10, 16, 17, 21, 24, 27, 28, 32, 33, 36 and 38 (all revised in 2003) nor of IFRS 2, 4 and 5. IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) have been adopted for acquisitions after March 31, 2004.

Basis of consolidation

The consolidated financial statements of the Group include all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies, which it controls. Control is normally evidenced when a company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or otherwise has the power to exercise control over the operations. The share of equity and net income attributable to minority shareholders' interests are shown separately in the balance sheet and statement of income. All material inter-company transactions and balances are eliminated. Companies acquired during the year are consolidated from the date control is transferred to the Group and subsidiaries disposed of are included up to the effective date of disposal.

Foreign currency translation

Assets and liabilities of Group companies reporting in currencies other than Swiss Francs are translated to Swiss Francs using year-end rates of exchange. Income and expenses are translated at the average rates of exchange for the year. Differences arising from the translation of foreign currency financial statements using the above method are recorded as cumulative translation adjustment in shareholders' equity.

Foreign currency transactions

Transactions during the year in foreign currencies are translated into the respective local currencies at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective local currencies at the exchange rates prevailing at the year-end date. Exchange gains and losses are included in the statement of income. If related to commercial transactions or to the measurement of financial instruments in coverage of commercial transactions, such foreign currency gains and losses are classified as cost of goods sold. Otherwise, foreign currency gains and losses are classified as financial income and financial expense.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and unrestricted bank deposit balances with an original maturity of 90 days or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash on hand, deposits held at call with banks, other short-term highly liquid investments, reduced by the bank overdrafts.

Trade accounts receivable

Trade accounts receivable are stated at cost, less appropriate bad debt allowances.

Specific provisions are made for accounts receivable balances of which recovery is doubtful. In addition general provisions are recorded for the remaining receivables based on the expected incidence of bad debts, taking into account past experience.

The group entered into a securitization program with an asset-purchasing company for trade receivables. Under this program third party trade receivables are sold on a monthly basis at their nominal value minus a discount in exchange for cash. These receivables are derecognized from the balance sheet.

The discount represents a collateral for the transaction and is included in the amount reported as "Receivables from asset purchasing company" under other current assets (see note 6). Trade receivables sold under the program and collected before the next roll-over date are classified as a payable towards the asset-purchasing company (see note 12).

Derivative financial instruments and hedging activities

The Group uses derivative financial instruments such as foreign currency contracts and interest rate swaps to hedge its risks associated with interest rate and foreign currency fluctuations. Such derivative financial instruments are stated at fair value. These derivatives typically provide economic hedges towards underlying commercial exposures.

The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles. The fair value of interest rate swap contracts is determined by reference to market values for similar instruments.

For the purposes of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecasted transaction.

In relation to cash flow hedges to hedge the exposure to variability in cash flows attributable to a liability or a forecasted

transaction which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in the income statement.

When the hedged forecasted transaction results in the recognition of an asset or a liability, then, at the time the asset or liability is recognized, the associated gains or losses that had previously been recognized in equity are included in the initial measurement of the acquisition cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same period in which the hedged exposure affects the income statement.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for special hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to the income statement.

For derivatives that do not qualify for special hedge accounting, any gains or losses arising from changes in fair value are taken directly to the income statement.

The fair value of derivatives related to physical open commitments of cocoa products is included in the position *Valuation of open commitments and cocoa inventories*. The fair value of all other derivatives is included in *Other current assets* or *Other current liabilities*.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises the costs of materials, direct labor and production overheads and is determined using the average cost or first-in-first-out-method. Net realizable value is the estimated selling price less costs of completion and direct selling and distribution expenses.

Valuation of open commitments and cocoa inventories

This position includes the fair value of open physical purchase and sales commitments of cocoa products, cocoa futures, cocoa inventories and of concurrent foreign currency purchase and sales forward contracts. The mark-to-market valuation principles applied are structured to improve the matching of revenues and expenses as they are incurred.

Physical purchase and sales commitments of cocoa products are marked to market. The valuation is calculated by comparing the current market forward price at the balance sheet date with the prevailing market forward price when the contract was entered into. This valuation approach excludes any trading profits (gains and losses) that are only realized once the contracts are executed.

In order to improve the matching of open physical commitments, cocoa inventories (cocoa beans, cocoa liquor, cocoa cake, cocoa butter, cocoa powder and the portion of cocoa raw materials and semi-finished products included in finished products) related to open sales commitments are also marked to market. The mark-to-market revaluation included in this position is calculated by comparing the current market price at the balance sheet date with the prevailing market forward price when the contracts were entered into.

This position further includes the fair value of foreign currency purchase and sales forward contracts that were entered into to avoid exposure to foreign currency risk from open physical commitments. Gains and losses resulting from the change in fair value are recognized in the income statement. The fair value of all other financial instruments that are not in coverage of physical cocoa inventories or open commitments, are classified in *Other current assets* or *Other current liabilities*.

Investments and financial assets

Investments in associated companies in which the Group holds an interest of between 20 and 50% and has the power to participate in the financial and operating policies of the investee, are accounted for using the equity method. The investment is stated at the value of the Group's share in the Company's equity, and the Group's share of the net income or loss of the associated company is reflected in income. Goodwill in connection with investments in associated companies is accounted for using the same method as for goodwill arising in connection with subsidiaries.

All other financial assets are accounted for in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*. Accordingly, for valuation purposes financial assets are classified into the following categories: held-to-maturity, trading and available-for-sale. Financial assets with fixed or determinable payments and fixed maturity that the company has the positive intent and ability to hold to maturity other than loans and receivables originated by the Company are classified as held-to-maturity investments. Financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as trading. All other financial assets, excluding loans and receivables, are classified as available-for-sale.

All purchases and sales of financial assets are recognized on the trade date. Financial assets are recognized when the Group becomes a party to the contractual provisions and are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Available-for-sale and trading investments are subsequently carried at fair value by

reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that the Company may incur on their sale or other disposal.

Gains or losses on measurement to fair value of available-for-sale investments are included directly in equity until the financial asset is sold or disposed at which time the gains or losses are recognized in net profit or loss for the period.

Held-to-maturity investments are carried at amortized cost using the effective interest rate method.

Financial assets are derecognized, using the weighted average method, when the Group loses control of the contractual rights that comprise the financial asset. Such control is lost, if the rights and benefits specified in the contract are realized, expire, or are surrendered.

Intangible assets

Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Up to August 31, 2004 goodwill was capitalized and amortized over its anticipated useful life but not exceeding 20 years. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable net assets over the cost of acquisition. Negative goodwill relating to acquisitions arising on or after March 31, 2004 is immediately recognized in the income statement. Remaining negative goodwill from earlier periods was reversed into equity as of September 1, 2004.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Other intangible assets

Other acquired intangible assets (e.g. patents, trademarks, licenses) are amortized on a straight-line basis over their anticipated useful life but not exceeding 20 years. Intangible assets are not revalued.

Research and development costs

Research costs and product development costs are expensed as incurred, because it is considered impossible to quantify the existence of a market for the related products or processes with reasonable assurance.

Development costs for projects are capitalized as an intangible asset if it can be demonstrated that the project will probably generate future economic benefits. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized on a straight-line basis over the period of its expected benefits. The amortization periods adopted do not exceed 5 years.

Property, plant and equipment

Property, plant and equipment are valued at the acquisition or construction cost less accumulated depreciation. A straight-line method of depreciation is applied through the estimated useful life. Estimated useful lives of major classes of depreciable assets are:

Buildings	20 to 33 years
Plant and machinery	10 years
Office furniture and equipment	3 to 5 years
Motor vehicles	4 to 5 years

Improvements that extend the useful life or increase the future economic benefits of an asset are capitalized and depreciated over the remaining useful life of the asset. All other maintenance and repair expenditures are charged to the statement of income as incurred.

The carrying amounts of fixed assets are reviewed at each balance sheet date to assess whether they are recoverable in the form of future benefits. If the recoverable amount of an asset has declined below its carrying amount, an impairment loss is recognized to reduce the value of the assets to its recoverable amount. In determining the recoverable amount of the assets, expected cash flows are discounted to their present value.

Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risk and rewards of ownership to the lessee.

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corres-

ponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitment and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable under operating leases are charged to the income statement as incurred.

Share capital

Repurchase of share capital

Where the Company or its subsidiaries repurchase the Company's equity share capital, the consideration paid including any attributable transaction costs net of income taxes is deducted from total shareholders' equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' equity.

Dividends

Dividends on ordinary shares are recognized as a liability in the period in which they are approved by the shareholders.

Employee benefits

Post-employment benefits

The liabilities of the Group arising from defined benefit obligations and the related current service costs are determined on an actuarial basis at least every three years using the projected unit credit method.

Actuarial gains and losses are recognized in the income statement, over the remaining working lives of the employee, only to the extent that their cumulative amount exceeds 10% of the greater of the present value of the obligation or of the fair value of plan assets.

For defined benefit plans the actuarial costs charged to the income statement consists of current service cost, interest cost, expected return on plan assets and past service cost as well as actuarial gains or losses to the extent they are recognized. The past service cost for the enhancement of pension benefits is accounted for when such benefits vest.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the income statement as incurred.

Post-retirement benefits other than pensions

Certain subsidiaries provide healthcare and insurance benefits for a portion of their retired employees and their eligible dependent. The cost of these benefits is actuarially determined and included in the related function expenses over the employees' working lives. The related liability is included in long-term liabilities.

Employee stock option plan

No compensation cost is recognized in these financial statements for options granted to the employees under the employee stock option plan.

Employee stock ownership program

For the employee stock ownership program treasury shares are used. The respective compensation cost is therefore recognized in equity as part of the treasury share movements. Social expenses associated with the granting of the shares are recognized in personnel expenses at the time when the shares are granted.

Other long-term employee benefits

Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations. Benefit cost is recognized on an accrual basis in the income statement. The related liability is included in other long-term liabilities.

Taxes

Taxes are provided based on reported income and include also non-recoverable taxes withheld on dividends, management fees and royalties received or paid. Such taxes are calculated in accordance with the tax regulations in effect in each country.

The Group provides for deferred taxes using the balance sheet liability method. Deferred income tax is provided on all temporary differences arising between the tax values of assets and liabilities and their values in the consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Deferred income tax assets and liabilities are calculated using tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

Non-recoverable withholding taxes are only accrued if distribution by subsidiary companies is foreseen.

Summary of Accounting Policies

Revenue recognition

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer. Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the cost of returns.

Interest income is recognized as it accrues on an effective yield basis, when it is determined that such income will flow to the Group.

Dividends are recognized when the right to receive payment is established.

Government grants

Provided that there is reasonable assurance that they will be irrevocably received, grants relating to capital expenditure are deducted from the cost of the fixed assets, and thus recognized in the income statement on a straight-line basis over the useful life of the asset.

Other grants that compensate the Group for expenses incurred are deferred and recognized in the income statement over the period necessary to match them with the costs they are intended to compensate.

Financial liabilities

Borrowings are initially recognized at the proceeds received, net of transaction costs, when the Group becomes a party to the contractual provisions. They are subsequently carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issuance costs, and any discount or premium on settlement. Gains and losses are recognized in the income statement when the liabilities are derecognized or impaired, as well as through the amortization process. A financial liability is removed from the balance sheet when the obligation is discharged, cancelled, or expires.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made. Provisions are recorded for identifiable penalties, committed costs and restructuring costs. Restructuring provisions mainly comprise employee termination payments. Specific provisions for restructuring costs are recorded at such time as the management approves the decision to restructure and a formal plan for restructuring is communicated.

Borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalized, during the period of time that is required to complete and prepare the asset for its intended use. All other borrowing costs are expensed.

Notes

1. Organization and business activity

Barry Callebaut AG ("The Company") was incorporated on November 24, 1994 under Swiss law, having its head office in Zurich, Pfingstweidstrasse 60, Switzerland.
Barry Callebaut AG is registered in Switzerland and has been listed on the SWX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2005, Barry Callebaut's market capitalization based on outstanding shares was CHF 1,912.9 million.
The Barry Callebaut Group is one of the world's leading cocoa and chocolate companies, serving the food industry, from food manufacturers to professional users of chocolate (such as chocolatiers, pastry chefs or bakers), and to global retailers. The company offers a broad and expanding range of chocolate and other cocoa-based products and has over 1,650 recipes. It also provides a comprehensive range of services in the fields of product development, processing, training and marketing. Barry Callebaut is fully vertically integrated along the entire value chain: from the sourcing of raw materials to the finished product on the shelf.
The principal brands under which the Company operates are Barry Callebaut, Callebaut, Cacao Barry, Van Leer, Carma and Van Houten for chocolate products, Barry Callebaut, Bensdorp, Van Houten and Chadler for cocoa powder, Bensdorp, Van Houten, Caprimo and Ögonblinck for vending mixes, Sarotti, Alpia, Sprengel, Jacques, Callebaut, Alprose and Brach's for consumer products.
The principal countries in which the Group operates include Belgium, Brazil, Cameroon, Canada, France, Germany, Ghana, Italy, Ivory Coast, Netherlands, Poland, Senegal, Singapore, Sweden, Switzerland, the United Kingdom and the USA.
On September 2, 2004, the Group acquired from Arla Foods amba of Denmark the Vending Mix business of Arla's subsidiary AM Foods K/S, Denmark. AM Foods produces and sells chocolate and cappuccino vending mix products primarily to the food service sector in the key markets of Europe as well as Scandinavia and Eastern Europe. The business was integrated into the Group's Gourmet & Specialties business unit, which includes the business with cocoa and chocolate blends for vending machines. The results of this business are consolidated as from September 1, 2004 onwards.
On September 17, 2003 the Group had acquired from its majority shareholder the U.S.-based Brach's Confections Holding, Inc. The acquisition of Brach's gives Barry Callebaut a significant presence in the world's largest confectionery market, the U.S., and access to the world's largest retailers, major supermarkets, and other distribution channels. The total purchase consideration amounted to CHF 22.6 million (USD 16 million), consisting of a purchase price of CHF 1.4 (USD 1) for 100% of the equity of Brach's and CHF 22.6 million (USD 16 million) of assumed debt. The allocation of the purchase price resulted in an excess of the fair values of the net assets acquired over the cost of the acquisition, which has been recognized as negative goodwill in an amount of CHF 50 million. This negative goodwill was presented as a deduction of the carrying amount of intangible assets (see also note 9).
In line with the provisions of IFRS, until August 31, 2004 part of the negative goodwill arising from the Brach's acquisition had been recognized in the income statement to offset the incurred losses and expenses that were identified in the plan of acquisition, to the extent that they have effectively materialized in the relevant period. The remaining negative goodwill in the amount of CHF 17.5 million at August 31, 2004 was credited directly to equity at September 1, 2004 in accordance with IFRS 3 (see also note 9).
On November 3, 2005, Barry Callebaut AG's Board of Directors authorized these financial statements for issuance.

2. Group companies

On April 6, 2005 a squeeze-out resolution of the shareholder assembly of Stollwerck AG of 2003 has been entered into the commercial register and has thereby become effective, leaving Van Houten Beteiligungs AG & Co. KG, a group company of Barry Callebaut AG, as the sole shareholder of Stollwerck AG. The listing of the Stollwerck shares on the Frankfurt and Düsseldorf stock exchanges has been terminated and the company subsequently has been renamed to Stollwerck GmbH.
During the financial year 2004/05 Thuringer Schokoladewerk Beteiligungs GmbH was merged into Stollwerck GmbH and Barry Callebaut Holding B.V., Netherlands was merged into Barry Callebaut Netherlands B.V. In Poland (Barry Callebaut Polska Sp.z.o.o.) and in Japan (Barry Callebaut Japan Ltd.) new sales companies were founded. Additionally a number of smaller companies were merged or liquidated to simplify the legal structures.

Notes

The principal subsidiaries of Barry Callebaut as per August 31, 2005 are the following:

Country	Subsidiary	Percentage of ownership	Currency	Capital
Switzerland	Barry Callebaut Sourcing AG	100.00	CHF	2,000,000
	Barry Callebaut Schweiz AG	100.00	CHF	4,600,000
	Van Houten Service AG	100.00	CHF	100,000
	Chocolat Alprose SA	100.00	CHF	7,000,000
Belgium	Barry Callebaut Services N.V.	100.00	EUR	229,210,000
	Barry Callebaut Belgium N.V.	100.00	EUR	60,000,000
Brazil	Barry Callebaut Brasil SA	100.00	BRL	19,969,447
Cameroon	Société Industrielle Camerounaise des Cacaos SA	99.95	CFA	5,010,000,000
	Chocolaterie Confiserie Camerounaise/Chococam SA	74.39	CFA	4,000,000,000
	SEC Cacaos SA	100.00	CFA	10,000,000
Canada	Barry Callebaut Canada Inc.	100.00	CAD	2,000,000
Denmark	Barry Callebaut Danmark APS	100.00	DKK	125,000
France	Barry Callebaut Manufacturing France SA	100.00	EUR	6,637,540
	Barry Callebaut France SA	100.00	EUR	50,000,000
	Omnigest SA	100.00	EUR	4,419,600
	Stollwerck France s.à.r.l.	100.00	EUR	259,250
Gabon	Chocogab SA	73.50	CFA	10,000,000
Germany	Barry Callebaut Deutschland GmbH	100.00	EUR	52,000
	Van Houten GmbH & Co KG	100.00	EUR	15,338,756
	C.J. van Houten & Zoon Holding GmbH	100.00	EUR	72,092,155
	Van Houten Beteiligungs AG & Co KG	100.00	EUR	10,000
	Stollwerck GmbH	100.00	EUR	20,500,000
	Stollwerck Schokoladenvertriebs GmbH	100.00	EUR	7,184,000
	Hildebrand Kakao- und Schokoladenfabrik GmbH	100.00	EUR	52,000
	Wurzener Dauerbackwaren GmbH	100.00	EUR	5,625,000
	Schloss Marbach GmbH	100.00	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd.	100.00	USD	9,204,219
Great Britain	Barry Callebaut Holding (UK) Ltd.	100.00	GBP	23,300,000
	Barry Callebaut Manufacturing (UK) Ltd.	100.00	GBP	15,467,852
	Barry Callebaut UK Ltd.	100.00	GBP	3,200,000
Hong Kong	Van Houten (Asia Pacific) Ltd.	100.00	HKD	2
Italy	Barry Callebaut Italia S.p.A.	100.00	EUR	104,000
	Barry Callebaut Manufacturing Italy Srl.	100.00	EUR	2,646,841
	Stollwerck Italia S.p.A.	100.00	EUR	260,000
Ivory Coast	Société Africaine de Cacao SACO SA	100.00	CFA	4,007,500,000
	Barry Callebaut Négoce SA	100.00	CFA	700,000,000
	SN Chocodi SA	98.72	CFA	500,000,000
	Alliance Cacao SA	51.50	CFA	340,000,000
Japan	Barry Callebaut Japan Ltd.	100.00	JPY	10,000,000
Mexico	Vernell Holding SA de CV	100.00	MXP	25,000,000
Netherlands	Barry Callebaut Nederland B.V.	100.00	EUR	21,435,000
	Graverboom B.V.	100.00	EUR	18,242
	Dings Décor B.V.	70.00	EUR	22,689
Panama	Adis Holdings Inc.	100.00	CHF	461,910,450
Poland	Barry Callebaut Manufacturing Polska Sp.z.o.o.	100.00	PLN	10,000,000
	Barry Callebaut Polska Sp.z.o.o.	100.00	PLN	50,000
	Barbara Luijckx Sp.z.o.o.	50.00	PLN	1,740,000
Russia	Barry Callebaut Russia LLC	100.00	RUB	1,000,000
Senegal	Chocosen SA	100.00	CFA	500,000,000

Country	Subsidiary	Percentage of ownership	Currency	Capital
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd.	100.00	SGD	33,000,000
	Van Houten (Asia Pacific) Pte. Ltd.	100.00	SGD	500,000
Spain	Barry Callebaut Ibérica SL	100.00	EUR	25,000
Sweden	Barry Callebaut Sweden AB	100.00	SEK	100,000
USA	Barry Callebaut USA Holding, Inc.	100.00	USD	8,312,000
	Barry Callebaut Cocoa USA Inc.	100.00	USD	4,253,000
	Brach's Confections Holding, Inc.	100.00	USD	502,565,905
	Brach's Confections, Inc.	100.00	USD	1,000
	Shuler Chocolates, Inc.	100.00	USD	500
	Barry Callebaut USA LLC	100.00	USD	0

The Group had 8,542 and 8,933 employees at August 31, 2005 and 2004, respectively. The decrease was mainly caused by redundancies in connection with the different ongoing restructuring activities in Europe, America and Africa.

Personnel expenses amount to CHF 482.2 million in fiscal year 2004/05 (2003/04: CHF 492.5 million).

3. Trade accounts receivable

as of August 31,	2005	2004
in thousands of Swiss Francs		
Trade accounts receivable	347,051	411,908
Provision for doubtful debts	(24,315)	(24,549)
	322,736	**387,359**

The Group maintains a securitization program with an asset-purchasing company for trade receivables in which Barry Callebaut Belgium, Barry Callebaut France and Stollwerck GmbH participate. During fiscal year 2004/05, Barry Callebaut Manufacturing (UK) Ltd., formerly named Barry Callebaut UK Ltd., joined the European Supply Company, which manages the invoicing and receivable collection centrally and thus Barry Callebaut Manufacturing (UK) is no longer participating in the securitization program. On the other hand Stollwerck GmbH, Germany joined the program during the fiscal year 2004/05.

Under this securitization program third party trade receivables are sold on a monthly basis at their nominal value minus a discount in exchange for cash. These receivables amounting to CHF 260.5 million (net of collateral) at August 31, 2005 (2004: CHF 182.8 million) are derecognized from the balance sheet.

The trade receivables are contractually due within a period of 1 to 120 days. The credit risk is not transferred. The discount amounting to CHF 42.9 million at August 31, 2005 (2004: CHF 20.3 million) represents a collateral for the transaction and is included in the amount reported as "Receivables from asset-purchasing company" under other current assets (see note 6). Trade receivables sold under the program and collected before the next roll-over date, amounting to CHF 28.6 million at August 31, 2005 (2004: CHF 35.7 million), are classified as a payable towards the asset-purchasing company (see note 12).

Notes

4. Inventories

as of August 31,	2005	2004
in thousands of Swiss Francs		
Cocoa beans stock	290,857	381,959
Semi-finished and finished products	445,838	445,525
Other raw materials and packaging materials	155,468	160,017
	892,163	**987,501**

At August 31, 2005 the Group held cocoa beans stock in an amount of CHF 290.9 million (2004: CHF 382.0 million). In an industrial environment stock policies are mostly aimed at minimizing inventories. The stock policy for cocoa beans however is based on trading criteria. Quality reasons (i.e. buying good quality main crop beans that are only available a few months per year), opportunities (i.e. buying of midcrop beans) and hedging strategies are the main drivers for the volume of cocoa beans stock.

Inventories amounting to CHF 0.3 million (2004: CHF 27.2 million) are pledged as security for financial liabilities (see also note 28).

5. Valuation of open commitments and cocoa inventories

as of August 31,	2005	2004
in thousands of Swiss Francs		
Fair value of physical and terminal market sales commitments of cocoa products	153,903	(302,027)
Fair value of physical and terminal market purchase commitments of cocoa products	(66,764)	315,912
Fair value revaluation on cocoa inventories	(39,581)	11,549
Fair value of related foreign exchange forward purchase contracts	(5,154)	2,873
Fair value of related foreign exchange forward sales contracts	7,646	(169)
	50,050	**28,138**

The majority of sales contracts and corresponding hedging purchase contracts, which were in the contract portfolios as per August 31, 2005, were entered into at relatively higher values of the cocoa market. A significant year on year decrease of the cocoa market level between August 31, 2004 and August 31, 2005 has resulted in substantial, to an important extent compensating, movements in the fair values of sales contracts of cocoa procucts and the corresponding hedging purchase commitments and inventories of same cocoa products.

6. Other current assets

as of August 31,	2005	2004
in thousands of Swiss Francs		
Prepaid expenses	24,577	17,421
Accrued income	3,374	5,504
Prepaid taxes	28,945	24,927
Receivables from governments	35,072	28,515
Margin calls paid	2,542	58,578
Current account Jacobs Holding AG[1]	112	20,112
Advances to cocoa suppliers	4,980	4,239
Receivables from asset-purchasing company	47,697	23,873
Unrealized profits on financial foreign exchange contracts	30,675	16,086
Unrealized profits on other financial instruments	–	1,825
Prepaid contribution to pension funds/Insurance	4,202	2,937
Other	22,311	15,018
	204,487	**219,035**

[1] see Note 27

Notes

7. Property, plant and equipment

	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	Total	Total
in thousands of Swiss Francs					**2004/05**	2003/04
Cost						
Beginning of the period	574,625	1,249,884	218,278	28,968	2,071,755	1,818,308
Change in Group structure	3,389	2,771	167	–	6,327	273,998
Additions	4,684	46,339	17,551	26,507	95,081	86,515
Disposals	(4,121)	(45,670)	(13,285)	(632)	(63,708)	(70,396)
Currency translation adjustments	1,058	5,267	1,296	224	7,845	(41,969)
Reclassifications[1]	17,509	29,827	75	(18,815)	28,596	5,299
as of August 31,	**597,144**	**1,288,418**	**224,082**	**36,252**	**2,145,896**	**2,071,755**
Accumulated depreciation						
Beginning of the period	268,812	880,125	176,723	–	1,325,660	1,154,561
Change in Group structure	–	–	–	–	–	154,763
Depreciation charge	15,625	66,920	18,365	–	100,910	103,304
Impairment losses (reversals)	12,106	10	875	–	12,991	(2,114)
Disposals	(2,667)	(38,359)	(12,318)	–	(53,344)	(65,638)
Currency translation adjustments	833	3,143	1,207	–	5,183	(22,117)
Reclassifications[1]	16,211	14,396	(2,020)	–	28,587	2,901
as of August 31,	**310,920**	**926,235**	**182,832**	**–**	**1,419,987**	**1,325,660**
Net as of September 1, 2004	305,813	369,759	41,555	28,968	–	746,095
Net as of August 31, 2005	**286,224**	**362,183**	**41,250**	**36,252**	**725,909**	

[1] Reclassification increased for both at cost and accumulated depreciation due to establishing a more detailed fixed asset register at one of the subsidiaries.

Impairment losses in an amount of CHF 14.8 million charged to the income statement 2004/05 are fully reported under the Food Service & Retail Business and are mainly related to the impairment for the closure of the Cologne site and other items, which were part of the restructuring program announced in July 2005. The amount is included in the position restructuring expenses, write-downs and impairments on assets.

The reversal of impairment losses with regards to plant and machinery (CHF 1.8 million) relates to machinery previously impaired in the Cologne factory, which now is in operational use again in the factory in Norderstedt, Germany (Food Service & Retail Business). The amount is included in other operating income (see note 18).

Impairment losses in an amount of CHF 0.7 million charged to the income statement 2003/04 pertain to obsolete computer software and hardware in Brach's (Food Service/Retail Business). The amount is included in other expense.

The reversal of impairment losses in fiscal year 2003/04 with regards to plant and machinery (CHF 1.2 million) relates to the roasting facilities in Banbury, U.K. (Industrial Business), that had been closed down in 2001/02 and which had been brought back into operational use in July 2004 at a value equivalent to the carrying value as if the asset had not been impaired. Further, impairment losses relating to the office building in Norderstedt had been reversed in an amount of CHF 1.5 million as a result of the decision to transfer the production from Cologne to Norderstedt (Food Service & Retail Business) and the corresponding need for this building. These amounts were included in other operating income (see note 18).

Repair and maintenance expenses for the business year 2004/05 amounted to CHF 49.9 million (2003/04: CHF 58.2 million). The fire insurance value of property, plant and equipment amounted to CHF 2,809.7 million and CHF 2,716.1 million at August 31, 2005 and 2004, respectively.

At August 31, 2005 tangible assets held under financial leases amount to CHF 6.8 million (2004: CHF 7.7 million), see note 14.

Financial liabilities are secured by mortgages on properties for a value of CHF 11.6 million (2004: CHF 63.9 million), see note 28.

8. Investments

as of August 31,		**2005**	2004
in thousands of Swiss Francs	Participation		
Jacquot, France	25%	6,651	4,587
Other		262	413
Total Investments		**6,913**	**5,000**

The investment in Jacquot is not accounted for as an investment in associated companies as financial information in accordance with IFRS is not available.

9. Intangible assets

	Goodwill	**Negative goodwill**	**Brand names**	**Development costs**	**Other**	**Total**	Total
in thousands of Swiss Francs						**2004/05**	2003/04
Cost							
Beginning of the period	453,006	(50,276)	26,001	36,244	13,641	478,616	522,033
Additions	46,001	–	3,987	7,078	2,938	60,004	(43,268)
Disposals	(581)	–	–	–	–	(581)	(83)
Currency translation adjustments	(900)	–	60	126	325	(389)	(1,517)
Adjustment of goodwill	–	–	–	–	–	–	1,451
Reclassifications	–	50,276	–	–	–	50,276	–
as of August 31,	**497,526**	**–**	**30,048**	**43,448**	**16,904**	**587,926**	**478,616**
Accumulated amortization							
Beginning of the period	156,996	(32,741)	11 551	17,992	8,015	161,813	160,678
Additions	–	–	2,816	8,563	1,592	12,971	33,265
Used	–	–	–	–	–	–	(31,526)
Disposals	–	–	–	–	–	–	(77)
Currency translation adjustments	–	–	(1)	70	395	464	(527)
Reclassifications	–	32,741	–	–	–	32,741	–
as of August 31,	**156,996**	**–**	**14,366**	**26,625**	**10,002**	**207,989**	**161,813**
Net as of September 1, 2004	296,010	(17,535)	14,450	18,252	5,626	–	316,803
Net as of August 31, 2005	**340,530**	**–**	**15,682**	**16,823**	**6,902**	**379,937**	**–**

Starting as of September 1, 2004, goodwill is no longer amortized but tested for impairment on an annual basis.

Goodwill amounting to a total of CHF 340.5 million has been allocated to the business units, identified as the relevant Cash Generating Units. Based on the mid-term plan, a valuation for each of these units has been performed using the discounted cash flow method with a weighted average capital cost (WACC) of 8%. As the recoverable amount exceeded the carrying amounts for all relevant units, no impairment was recorded.

The additions of goodwill mainly relate to the acquisition of the Vending Mix business of AM Foods and the squeeze-out transaction regarding the previous Stollwerck minority shareholders.

Negative goodwill in the amount of CHF 17.5 million at August 31, 2004 relating to the acquisition of Brach's was credited to equity at September 1, 2004 in accordance with IFRS 3.

Additions to development costs amounting to CHF 7.1 million mainly include costs relating to the Thalys project and internally generated capitalized software development costs. The Thalys project is aimed at bringing the companies of the Consumer Products Europe business unit onto a central SAP platform and integrating them into the European Supply Company (ESC). The amortization period is 5 years.

Research and development costs in the amount of CHF 12.8 million (2003/04: CHF 9.7 million) are related to product development. These costs are directly charged to the income statement and are included in the position Marketing & Sales.

The remaing amortization period of intangible assets varies between 0 and 15 years. The amortization expense is included in the position operating expense, see Note 18.

Notes

10. Bank overdrafts and short-term debt

	Carrying amounts		Fair values
as of August 31,	**2005**	2004	***2005***
in thousands of Swiss Francs			
Bank overdrafts	**28,070**	***39,225***	***28,070***
Commercial paper	108,357	69,158	*108,158*
Amounts due to banks	81,551	122,365	*81,551*
Current portion of long-term bank borrowings	13,948	92,489	*13,948*
Interest-bearing loans from employees	–	269	*–*
Finance lease obligation	1,757	1,969	*1,757*
Short-term debt	***205,613***	***286,250***	***205,414***
Bank overdrafts and short-term debt	**233,683**	**325,475**	***233,484***

The carrying value of short-term debt approximates the estimated fair value due to the short-term nature of these instruments.

Short-term financial liabilities are mainly denominated in EUR, in USD and in CFA (Communauté Financière Africaine), as shown in the table below:

as of August 31,		**2005**			2004	
Split per currency	**Amount**	**Interest range**		Amount	Interest range	
		from	**to**		from	to
EUR	182,759	2.15%	6.00%	163,265	3.00%	8.82%
GBP	1,906	3.00%	5.26%	20,846	3.83%	5.26%
USD	30,857	2.00%	4.50%	74,540	1.75%	2.45%
CAD	–	3.00%	4.00%	29,633	2.10%	2.81%
CFA	17,607	9.00%	12.00%	34,386	10.00%	11.25%
Other	554	1.80%	6.50%	2,805	3.00%	10.50%
	233,683	**1.80%**	**12.00%**	**325,475**	**1.75%**	**11.25%**

as of August 31,	**2005**	2004
in thousands of Swiss Francs		
Split fixed/floating interest rate:		
Fixed	41,007	65,133
Floating	192,676	260,342
	233,683	**325,475**

11. Provisions

	Provision for restructuring costs	**Provision for repurchase obligations**	**Provision for litigation & claims**	**Other provisions**	**Total**
in thousands of Swiss Francs					
as of September 1, 2004	62,697	1,183	3,897	7,307	75,084
Additional provisions	49,276	1,237	2,298	1,753	54,564
Usage	(75,783)	(1,187)	(3,125)	(2,349)	(82,444)
Reversal	(685)	–	(272)	(56)	(1,013)
Reclassification	–	–	423	(423)	–
Currency translation adjustments	(2,144)	4	(197)	181	(2,156)
as of August 31, 2005	**33,361**	**1,237**	**3,024**	**6,413**	**44,035**
of which:					
Current	33,172	1,237	2,273	2,991	39,673
Non-current	189	–	751	3,422	4,362

Notes

Restructuring

During the fiscal year 2004/05, restructuring provisions increased in the amount of CHF 49.3 million mainly related to the restructuring program announced in July 2005. The usage of restructuring provisions of CHF 75.8 million during the fiscal year includes costs for items provided for in previous periods such as the payment for the Central States pension fund in Brach's, severance payments for the sales force restructuring in Germany, costs for the closure of the Cologne site as well as payments in relation with the restructuring program announced in July 2005. The remaining provision will cover the part of severance payments related costs and other cash relevant costs not yet effected at August 31, 2005. Remaining restructuring provisions are expected to result in future cash outflows mainly in fiscal year 2005/06.

Repurchase obligations

The provision for repurchase obligations relates to provisions for goods that are sold with the right of return. Past experience is used to estimate and provide for such returns at the time of the sale. The balance at August 31, 2005 is expected to be utilized during the first half of 2005/06.

Litigation & Claims

The amount includes provisions for certain litigations and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. The cash outflows in respect of litigation provisions at August 31, 2005 are expected to occur to a large extent in the first half of 2005/06. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided at August 31, 2005.

Other provisions

Other provisions relate mainly to provisions that have been set up to cover the negative outcome of onerous contracts.

12. Other current liabilities

as of August 31,	**2005**	2004
in thousands of Swiss Francs		
Accrued wages and social charges	74,060	73,623
Advertising and promotion	8,999	12,448
Pension liabilities	1,735	6,721
Interests accrued	12,073	13,580
Year-end rebates and commissions	24,346	20,008
Other taxes	7,091	8,197
Margin calls received	15,999	35,917
Payable to Jacobs Holding AG	–	578
Payable to asset-purchasing company	28,645	35,745
Unrealized losses on financial foreign exchange contracts	27,201	23,098
Unrealized losses on interest-rate swaps	9,722	469
Payable to government	10,520	2,833
Silent partners – Thuringer Schokoladewerk Beteiligungs GmbH	13,185	81,065
Other	53,218	54,895
	286,794	**369,177**

13. Long-term debt

	Carrying amounts		Fair values
as of August 31,	**2005**	2004	***2005***
in thousands of Swiss Francs			
Subordinated notes	248,909	247,054	*291,784*
Bank borrowings	519,225	497,892	*513,681*
Less current portion (note 10)	(13,948)	(92,489)	*(13,948)*
Interest-bearing loans from employees	663	1,173	*663*
Long-term other loans	60	75	*60*
Finance lease obligation	4,069	5,776	*4,069*
	758,978	**659,481**	***753,434***

As of August 31, 2005, the Group still is a debtor of EUR 165 million, 9¼% Senior Subordinated Notes, maturing in March 2010. Prior to March 15, 2007, early redemption of the Notes is subject to a surcharge premium, whilst at any time on or after this date, the embedded call options can be exercised at a fixed redemption price of 104,625% for 2007, 102,313% for 2008 and 100% for 2009/2010.

As of August 29, 2005, the Group restructured the portfolio of the long-term debt bank borrowings by stepping into a syndicated EUR 850 million Revolving Credit Facility agreement, substantially improving its liquidity profile and extending the consolidated average duration of the Group debt portfolio. This facility has been structured as follows:

Tranche A: EUR 435 million Revolving Credit Facility with a minimal tenor of 5 and a maximal tenor of 7 years
Tranche B: EUR 250 million Revolving Credit Facility with a minimal tenor of 3 and a maximal tenor of 5 years, backing up for the Group's Commercial Paper program amounting to EUR 250 million as well
Tranche C: EUR 165 million Revolving Credit Facility with a minimal tenor of 5 and a maximal tenor of 7 years, structured for the sole purpose to redeem the Senior Subordinated Notes on or after March 2007.

The Revolving Credit Facility borrowed by the Group's treasury center, Barry Callebaut Services N.V., is supported by the parent company Barry Callebaut AG, as well as a number of other material subsidiaries within the Group, acting as co-obligors.

As a consequence of centralizing as much as possible the Group's long-term debt facilities into Barry Callebaut Services N.V., several local sources of long-term debt have been paid back in the course of the fiscal year 2004/05 or are intended to be paid back in fiscal year 2005/06.

The EUR 850 million Revolving Credit Facility also contains certain financial covenants, including amongst others a maximum senior leverage ratio, a minimum interest cover ratio and a minimum solvency ratio, next to a number of potentially restrictive untertakings limiting or preventing specific business transactions.

The maturity of Tranche A of the Revolving Credit Facility, being August 29, 2010, does not consider the embedded two extension options, as approval is at the discretion of the banks. In this respect, the maturity thereof has been shown in book-year 2009/10 leading to the following Group's maturity ladder:

as of August 31,	**2005**	2004
in thousands of Swiss Francs		
2005/06	–	62,793
2006/07	3,481	63,186
2007/08	1,953	271,094
2008/09	1,149	379
2009/10 (and thereafter for 2004)	750,717	262,029
2010/11 and thereafter (for 2005)	1,678	–
	758,978	**659,481**

Long-term financial liabilities are mainly denominated in EUR (92.6%) and at fixed interest rates (99.8%) as shown in table below:

as of August 31,	2005			2004		
Split per currency	**Amount**	**Interest range**		Amount	Interest range	
		from	**to**		from	to
EUR	702,824	2.51%	9.25%	598,315	3.00%	9.25%
GBP	54,779	5.25%	6.25%	55,686	6.00%	6.00%
USD	1,152	5.59%	7.75%	4,590	5.80%	5.80%
Other	223	4.71%	6.00%	890	4.71%	11.25%
	758,978	**2.51%**	**9.25%**	**659,481**	**3.00%**	**11.25%**

as of August 31,	**2005**	2004
in thousands of Swiss Francs		
Split fixed/floating interest rate:		
Fixed rate	757,299	462,420
Floating rate	1,679	197,061
	758,978	**659,481**

14. Obligations under finance leases

	Minimum lease payments		**Present value of minimum lease payments**	
as of August 31,	**2005**	2004	**2005**	2004
in thousands of Swiss Francs				
Amounts payable under finance leases				
Within one year	1,970	2,265	1,757	1,969
In the second to the fifth year inclusive	4,273	6,193	4,069	5,776
	6,243	**8,458**	**5,826**	**7,745**
less future finance charges	(417)	(713)	N/A	N/A
Present value of lease obligations	**5,826**	**7,745**	**5,826**	**7,745**
less amount due for settlement within 12 months			(1,757)	(1,969)
Amount due for settlement after 12 months			4,069	5,776

	Net carrying amount of fixed assets under finance lease
as of August 31,	**2005**
Land & building	214
Plant & machinery	6,367
Furniture, equipment and vehicles	248
	6,829

The Group entered into finance leasing arrangements for machinery. The weighted average term of finance leases entered into is 5 years. The average effective borrowing rate was 4.9% (2003/04: 4.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payment.

The fair value of the Group's obligations approximates their carrying amount.

15. Cash flow hedges and hedging reserves

Derivatives with positive (negative) fair values designated as hedges are classified under Other current assets (liabilities). At balance sheet date, the fair value of derivative financial instruments designated as cash flow hedges were as follows:

as of August 31,	2005	2004
in thousands of Swiss Francs		
Contracts with negative fair values		
Interest-rate swaps	5,475	469

The interest-rate swaps are hedging the Group's interest-rate exposures resulting from variable interest payments both in current and forecasted short- and long-term funding. In order to qualify for cash flow hedging, hedge effectiveness is tested on a quarterly basis and designated to a particular group of financial liabilities.

The table below shows the movement in the hedging reserves in equity in respect to gains and losses on derivative and non-derivative financial assets and liabilities designated as cash flow hedges during the period:

	Interest-rate swaps	Total hedging
Balance at September 1, 2004	(469)	(469)
Movements in the period:		
Losses from changes in fair value, net of taxes	(4,998)	(4,998)
Cumulative translation adjustment	(8)	(8)
Balance at August 31, 2005	**(5,475)**	**(5,475)**

16. Minority interests

These consist of third-party shareholders' interests in the equity and net income of:

as of August 31,	2005	2004
in %		
Alliance Cacao S.A.	48.5	48.5
Chocogab S.A.	26.5	25.6
Chocolaterie Confiserie Camerounaise-Chococam S.A.	25.6	25.6
SN Chocodi S.A.	1.3	1.4
Société Industrielle Camerounaise des Cacaos S.A.	0.1	0.1
Stollwerck GmbH	–	1.3
Stollwerck Schokoladenvertriebs GmbH	–	1.3
Thuringer Schokoladewerk Beteiligungs GmbH	–	1.3
Hildebrand Kakao- und Schokoladenfabrik GmbH	–	1.3
Wurzener Dauerbackwaren GmbH	–	1.3
Chocolat Alprose S.A.	–	1.3
Stollwerck Italia S.p.A.	–	1.3
Stollwerck France S.à.r.l.	–	1.3
Dings Décor BV	30.0	30.0
Barbara Luijckx Sp.z.o.o.	50.0	50.0
Txokolatl Gourmet S.L.	N/A	50.0

NOTES

Movements in minority interests

in thousands of Swiss Francs	**2004/05**	2003/04
as of September 1,	6,891	6,727
Minority share of profits/(losses)	(585)	724
Purchase of minority shares	(964)	(561)
Dividends paid to minority shareholders	–	(121)
Currency translation adjustment	60	122
as of August 31,	**5,402**	**6,891**

On April 6, 2005 a squeeze-out resolution of the shareholder assembly of Stollwerck AG of 2003 has been entered into the commercial register and has thereby become effective, leaving Van Houten Beteiligungs AG & Co. KG, a group company of Barry Callebaut AG, as the sole shareholder of Stollwerck AG. The listing of the Stollwerck shares on the Frankfurt and Düsseldorf stock exchanges has been terminated and the company subsequently has been renamed to Stollwerck GmbH.

Furthermore the participation in Txokolatl Gourmet S.L. has been sold during fiscal year 2004/05.

17. Share capital

as of August 31,	**2005**	2004	2003
in thousands of Swiss Francs			
Share capital is represented by 5,170,000 (2004: 5,170,000, 2003: 5,170,000) authorized and issued shares of CHF 92.20 nominal value each (in 2004: CHF 100; 2003: CHF 100) each, fully paid	**476,674**	**517,000**	**517,000**

The issued share capital amounts to CHF 476.7 million (previous year CHF 517.0 million), divided into 5,170,000 registered shares with a nominal value of CHF 92.20 each (CHF 100 as of August 31, 2004). All of the outstanding shares are fully paid and validly issued, and are not subject to calls for additional payments of any kind.

Instead of a dividend, the annual shareholders' meeting held on December 8, 2004 decided on a share capital reduction and repayment of CHF 7.80 per share (total share capital reduction of CHF 40.3 million).

The Company has one class of shares, which carry no right to a fixed dividend.

18. Other income/other expense/restructuring expense, write-downs and impairments of assets

The presentation of the income statement has been changed to the function of expense method from the previously applied nature of expense method. For reasons of comparison the figures of the previous year have been restated accordingly.

Other income

in thousands of Swiss Francs	**2004/05**	2003/04
Release of unused restructuring provisions	685	4,316
Release of unused other provisions	328	2,483
Reversal of impairment losses	1,773	2,783
Gain on disposal of property, plant and equipment	2,509	5,633
Financial settlement of litigation	–	3,252
Amortization of badwill	–	1,215
Reversal of provision for advances to suppliers	–	5,329
Reversal of payables and loans	–	3,742
Contract cancellations	–	1,650
Sale of shells of cocoa beans	804	740
Tax credits for material purchases	–	5,780
Gain on employee benefit curtailment	24,140	–
Other	16,787	11,623
Total other income	**47,026**	**48,546**

"Other" in an amount of CHF 16.8 million include the sale of shares in an environmental institution, the third party income generated by our seminar hotel Schloss Marbach as well as various other minor items.

Other expense

in thousands of Swiss Francs	**2004/05**	2003/04
Loss on sale of fixed assets	(2,207)	(1,519)
Write-down on inventories	(638)	(1,361)
Bad debt provision	(6,671)	(2,677)
Customer credit insurance	(606)	(45)
Prior period related items	(4,493)	(1,280)
Amortization of intangibles	(12,971)	(33,265)
Impairment on fixed assets	(180)	(669)
Other	(4,611)	(8,802)
Total other expense	**(32,377)**	**(49,618)**

Amortization of intangibles has decreased to CHF 13.0 million compared to CHF 33.3 million in the previous fiscal year due to the discontinuance of goodwill amortization in accordance with IFRS 3.

Restructuring expense, write-downs and impairments of assets

Restructuring expenses and impairment charges of CHF 94 million are in connection with the restructuring program announced on July 8, 2005. The position consists of CHF 45 million for non-cash items and CHF 49 million cash items. The non-cash items mainly relate to impairment losses on fixed assets, write-down of inventories and onerous contracts, whereas the cash relevant items mainly include severance costs for employee termination and costs for contract cancellations.

Notes

19. Financial costs, net

in thousands of Swiss Francs	**2004/05**	2003/04
Financial income		
Interest income	2,924	1,994
Income from investments	–	6
Positive exchange differences	329,652	210,269
Fair value gains on financial instruments	1,641	–
Financial expense		
Interest expense	(83,353)	(86,063)
Bank charges	(9,013)	(6,480)
Negative exchange differences	(325,009)	(210,845)
Fair value losses on financial instruments	–	(1,301)
	(83,158)	**(92,420)**

Interest expense includes the net cost of the interest-rate swaps, being the result of paying fixed interest rates in exchange for receiving floating interest rates. For comparability reasons, in fiscal year 2003/04, the net financial result has been reported by restating from interest income to interest expense an amount of CHF 11.5 million.

Interest expense for 2004/05 also includes interest paid under a securitization program of trade receivables for an amount of CHF 6.6 million (2003/04: CHF 4.7 million).

20. Non-operating expense, net

in thousands of Swiss Francs	**2004/05**	2003/04
Non-operating income		
Other non-operating income	–	83
	–	**83**

in thousands of Swiss Francs	**2004/05**	2003/04
Non-operating expense		
Other non-operating expense	–	(256)
	–	**(256)**
Non-operating expense, net	**–**	**(173)**

21. Taxes

Tax losses carried forward utilized during the year 2004/05 were CHF 105.1 million (2003/04: CHF 136.5 million). The tax relief hereon amounted to CHF 5.2 million of which CHF 4.0 million was already recognized as deferred tax asset in prior year (2003/04: CHF 19.6 million of which CHF 8.0 million already recognized as deferred tax asset).

As of August 31, 2005 the Group had unutilized tax losses carried forward of approximately CHF 738.2 million (August 31, 2004: CHF 706.3 million) that are available for offset against future taxable income.

Tax losses carried forward

Year of expiration	in million CHF
2006	22.1
2007	44.0
2008	8.6
2009–2015	24.8
After 2015	204.7
Unlimited	434.0
	738.2

Notes

Tax expenses

in thousands of Swiss Francs	**2004/05**	2003/04
Current taxes	39,641	31,459
Deferred taxes	(19,219)	(12,097)
	20,422	**19,362**

Reconciliation of tax expenses

in thousands of Swiss Francs	**2004/05**	2003/04
Income before taxes and minority interest	88,102	135,688
Expected taxes at the domestic rates applicable to profit/loss in the countries concerned	4,809	32,186
Weighted average applicable tax rate	5.46%	23.72%
Tax relief on losses carried forward previously not yet recognized	(9,883)	(11,582)
Tax effect of non-deductible expenses	10,064	6,695
Tax effect of non-effective tax losses	28,581	21,517
Tax increase on revenues only for fiscal purposes	5,105	3,813
Tax increase on expenses only for fiscal purposes	(388)	–
Tax effect of income not subject to tax	(10,250)	(34,327)
Adjustments related to prior years	(7,616)	1,060
	20,422	**19,362**

The weighted average applicable tax rate is based on the applicable tax rate per company and the company mix of the profit before taxes.

The applicable tax rate per company is the domestic income tax applicable to the profits of the company concerned for the fiscal period 2004/05.

Deferred tax assets and liabilities

	Balance at September 1, 2003	**Deferred tax (income)/ expense**	**Currency translation adjustments**	**Balance at August 31, 2004**	**Deferred tax (income)/ expense**	**Currency translation adjustments**	**Balance at August 31, 2005**
in thousands of Swiss Francs		2003/04			**2004/2005**		
Deferred tax assets							
Deferred tax depreciation fixed assets	(1,934)	18,788	(258)	16,596	(7,348)	52	9,300
Deferred tax inventories	(391)	393	(1)	1	(1,471)	7	(1,463)
Deferred tax provisions	(3,215)	27	1	(3,187)	(1,862)	(68)	(5,117)
Deferred tax other assets	792	(13,342)	61	(12,489)	7,947	158	(4,384)
Deferred tax other liabilities	1,695	(3,290)	(200)	(1,795)	(1,883)	(17)	(3,695)
Capitalization of tax loss carry-forwards	(8,399)	(10,257)	599	(18,057)	(12,976)	(241)	(31,274)
	(11,452)	**(7,681)**	**202**	**(18,931)**	**(17,593)**	**(109)**	**(36,633)**
Deferred tax liabilities							
Deferred tax depreciation fixed assets	54,424	(27,933)	(883)	25,608	(3,467)	64	22,205
Deferred tax inventories	7,809	(110)	(4)	7,695	(1,558)	21	6,158
Deferred tax provisions	9,034	(152)	9	8,891	(2,852)	(44)	5,995
Deferred tax other assets	10,895	3,680	27	14,602	(3,066)	122	11,658
Deferred tax other liabilities	(11,055)	6,308	118	(4,629)	(475)	(39)	(5,143)
Capitalization of tax loss carry-forwards	(23,968)	13,791	(106)	(10,283)	9,792	293	(198)
	47,139	**(4,416)**	**(839)**	**41,884**	**(1,626)**	**417**	**40,675**
Net deferred tax liabilities	**35,687**	**(12,097)**	**(637)**	**22,953**	**(19,219)**	**308**	**4,042**

Notes

22. Earnings per share

	2004/05	2003/04
Basic earnings per share (CHF/share)	13.20	22.36
Diluted earnings per share (CHF/share)	13.20	22.36

The following amounts of earnings have been used as the numerator in the calculation of basic and diluted earnings per share:

in thousands of Swiss Francs	**2004/05**	2003/04
Net result attributable to ordinary shareholders, used as numerator for basic earnings per share	68,265	115,602
After-tax effect of income and expense on dilutive potential ordinary shares	–	–
Adjusted net result used as numerator for diluted earnings per share	68,265	115,602

The following numbers of shares have been used as the denominator in the calculation of basic and diluted earnings per share:

in thousands of Swiss Francs	**2004/05**	2003/04
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,170,000	5,170,000
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	5,170,000	5,170,000

As the outstanding treasury shares do not have dilutive potential, these are no longer taken into account for the calculation of the denominator for basic earnings per share.

23. Cash flow from acquisitions

in thousands of Swiss Francs	**2004/05**	2003/04
Current assets	(11,358)	(173,956)
Non-current assets	(11,045)	(121,175)
Negative goodwill/(goodwill) from acquisitions	(46,001)	50,276
Short-term liabilities	1,356	113,483
Long-term liabilities	–	127,276
Minority interests	(532)	–
Total purchase price	**(67,580)**	**(4,096)**
Less cash and bank overdrafts acquired	–	(2,258)
Cash flow from acquisition, net of cash and bank overdrafts acquired	**(67,580)**	**(6,354)**

Cash flow from acquisition consists of the acquisition of the Vending Mix business of AM Foods as of September 2, 2004, the Stollwerck squeeze-out of the previous minority shareholders with resolution dated from April 6, 2005 and the purchase of intangible assets in order to build up a sales office in Turkey on January 1, 2005.

24. Employee benefits

A. Post-employment and long-term benefit plans

The group has, apart from the legally required social security schemes, numerous independent pension plans. The assets are principally held externally. For certain Group companies, however, no independent assets exist for the pension and other long-term employee benefit obligations. In these cases the related liability is included in the balance sheet.

Liabilities recognized in the balance sheet

as of August 31,	2005	2004
in thousands of Swiss Francs		
Pension funds		
defined benefit plans	117,616	126,817
defined contribution plans	981	405
Other post-retirement benefit plans	13,263	33,725
Other long-term employee benefits	10,859	10,697
	142,719	**171,644**

Assets recognized in the balance sheet

as of August 31,	2005	2004
in thousands of Swiss Francs		
Pension funds		
defined benefit plans	3,182	2,842
	3,182	**2,842**

Reconciliation of assets and liabilities recognized in the balance sheet

	Defined benefit retirement plans	Other non-current employee benefits	Total	Total
as of August 31,			2005	2004
in thousands of Swiss Francs				
Present value of funded obligations	216,620	–	216,620	210,508
Fair value of plan assets	(166,717)	–	(166,717)	(151,385)
Excess of liabilities/(assets) of funded obligations	49,903	–	49, 903	59,123
Present value of unfunded obligations	84,744	27,151	111,895	115,773
Unrecognized past services cost of non-vested benefits	–	–	–	(249)
Net unrecognized actuarial gains/(losses)	(20,213)	(2,048)	(22,261)	(5,845)
Net accrued liabilities	**114,434**	**25,103**	**139,537**	**168,802**

The plan assets do not include ordinary shares issued by the company or any property occupied by the company or one of its affiliates.

Expenses recognized in the income statement

	Defined benefit retirement plans	Other non-current employee benefits	Total	Total
for the year ended August 31, 2005			**2004/05**	2003/04
in thousands of Swiss Francs				
Current service cost	4,706	5,755	10,461	6,644
Interest cost	15,115	1,050	16,165	16,669
Expected return on plan assets	(10,613)	–	(10,613)	(9,709)
Net actuarial (gain)/loss recognized in the year	683	(842)	(159)	(525)
Loss/(gain) in early retirement, curtailments, settlements	(4,068)	(20,072)	(24,140)	(5,108)
Past service cost	–	(81)	(81)	115
Employees' contributions	(1,175)	(1,072)	(2,247)	(1,156)
Total defined benefit expenses/(income)	**4,648**	**(15,262)**	**(10,614)**	**6,930**
Total defined contribution expenses			**3,190**	**2,616**

The actual return on plan assets in 2004/05 was positive for an amount of CHF 19.9 million (2003/04 positive return of CHF 8.3 million).

Movement of defined benefits net liabilities

	Defined benefit retirement plans	Other non-current employee benefits	Total	Total
for the year ended August 31, 2005			**2004/05**	2003/04
in thousands of Swiss Francs				
as of September 1,	123,975	44,827	168,802	125,971
Reclassifications	(3,422)	5,023	1,601	1
Changes in Group structure	–	–	–	65,834
Currency translation adjustments	(71)	(1,332)	(1,403)	(5,904)
Total defined benefit expenses/(income)	4,648	(15,262)	(10,614)	6,930
Contributions	(3,291)	(6,784)	(10,075)	(16,353)
Benefits paid	(7,405)	(1,369)	(8,774)	(7,677)
as of August 31,	**114,434**	**25,103**	**139,537**	**168,802**

Principal actuarial assumptions used (weighted averages)

	2004/05	2003/04
Discount rates	4.8%	5.2%
Expected rate of salary increase	1.7%	2.4%
Expected return on plan assets	7.2%	7.5%
Medical cost trend rates	9.0%	5.5%

The decrease of the discount rates is due to a lower yield on long-term corporate bonds reflecting market changes compared to prior year. The yield on long-term corporate bonds is taken as a reference for the calculation of the discount rate applied to actuarial valuations.

B. Equity compensation benefits
Stock option plan

The Group operates a stock option plan. Under this plan, a specific limited group of executives and some of the members of the Board of Directors are granted options to acquire registered shares of Barry Callebaut AG at a predetermined strike price. The options will vest on the basis of 20% per year over five years. Once vested, the options can be exercised over a period of five years.

The number of options granted depends on the performance of the individuals. No expenses related to the stock option plan were recorded in the income statement.

Stock option plan

	Number of options	**Weighted average exercise price (CHF/share)**	Number of options	Weighted average exercise price (CHF/share)
	2004/05		2003/04	
Outstanding at September 1	8,600	–	93,800	
Granted during the year	–		–	
Exercised during the year	(4,600)	235	(43,200)	285
Forfeited during the year	(2,000)	–	(30,000)	
Expired during the year	–	–	(12,000)	
Outstanding as of August 31,	**2,000**	**–**	**8,600**	
Exercisable as of August 31,	**2,000**	**235**	**8,600**	**235**

The rights are exercised through the year in accordance with the rules of the plan.

All the options outstanding as of August 31, 2005 had an exercise price of CHF 234.5 (2004: CHF 234.5).

	Number of options	Number of options
	2005	2004
Expiry Date – August		
2005	–	2,000
2006	1,000	3,300
2007	1,000	3,300
	2,000	**8,600**

Employee stock ownership program

Since 2001, the Group operates an employee stock ownership program. Under this plan members of the Board of Directors and certain executives are granted shares. The Board of Directors determines the participants in this plan, the number of shares to be granted to each employee or director and the grant price. This grant price has been zero in the past.
Total shares to be granted to a respective participant are granted in annual portions from 2001 to 2005, normally in equal portions over the years. In case of resignation or dismissal, the initially granted but not yet issued shares become forfeited.

Principally, shares granted are subject to a lock-up period of between 2 and 5 years. The participant can announce his preference with respect to the lock-up period within this timeframe. The shares granted are entitled to full shareholders' rights. The Group currently uses treasury shares for this program.

NOTES

	Number of shares	**Fair value of shares (CHF 000)**	Number of shares	Fair value of shares (CHF 000)
	2004/05		2003/04	
Outstanding as of September 1,	41,576	–	67,310	–
Granted during the year	(37,694)	10,995	(25,734)	4,838
Forfeited during the year	(4,500)	1,313	–	–
Additions during the year	618	180	–	–
Outstanding as of August 31,	**–**	**–**	**41,576**	**–**

Costs of CHF 0.025 million (2003/04: CHF 0.012 million) in connection with the grant of these shares, such as acquisition costs, stamp duties, transfer taxes and other related costs, are recognized in income statement. Social expenses of CHF 0.670 million (2003/04: CHF 0.239 million) were recorded in personnel expenses.

The existing employee stock ownership plan was discontinued at the end of fiscal year 2004/05, and a new plan is currently under development.

25. Information by segment and geographical area

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise primarily interest-earning assets and related interest income, interest-bearing loans, borrowings and related interest expenses, and corporate assets and expenses.

The pricing of inter-segment sales is based on market ratios for semi-finished products and on a cost plus mechanism for processed products.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period. It comprises the purchase of property, plant and equipment and the acquisition of intangible assets.

Business Segments

The first business segment – **Industrial Business** – groups the business units Cocoa, Sourcing & Risk Management and Food Manufacturers, thus unites all asset/working capital-intensive activities.

The second business segment – **Food Service/Retail Business** – combines today's business units Gourmet & Specialties and Consumer Products, grouping the more value-added products.

Geographical Segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

Europe consists of the following countries: the British Isles, France, Belgium, the Netherlands, Luxemburg, Germany, Italy, Spain, Portugal, all Eastern Europe countries including Russia, all Scandinavian countries, Switzerland, Austria, Greece, Turkey.

Americas consists of all countries of North America and South America.

Asia-Pacific/Africa consists of all other countries.

Notes

I – Primary segment information: business segments

	Industrial Business		Food Service & Retail Business		Corporate/ Unallocated		Eliminations		Consolidated	
in thousands of Swiss Francs	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04
Revenue from sales and services										
External sales	2,251,057	2,203,255	1,810,073	1,845,632	–	–	–	–	4,061,130	4,048,887
Inter-segment sales	819,322	587,007	18,624	35,901	–	–	(837,946)	(622,908)	–	–
Income from sales and services	**3,070,379**	**2,790,262**	**1,828,697**	**1,881,533**	**–**	**–**	**(837,946)**	**(622,908)**	**4,061,130**	**4,048,887**
Segment result before restructuring and impairments	209,146	175,196	105,451	99,345	(49,337)	(46,260)	–	–	265,260	228,281
Restructuring expenses and impairment charges	(1,204)		(92,796)				–		(94,000)	
Segment result	207,942	175,196	12,655	99,345	(49,337)	(46,260)	–	–	171,260	228,281
Operating profit	**207,942**	**175,196**	**12,655**	**99,345**	**(49,337)**	**(46,260)**	**–**	**–**	**171,260**	**228,281**
Financial cost, net									**(83,158)**	**(92,420)**
Non-operating expense, net									**–**	**(173)**
Total taxes									**(20,422)**	**(19,362)**
Minority interest									**585**	**(724)**
Net profit for the year									**68,265**	**115,602**

I – Primary segment information: business segments – continued

	Industrial Business		Food Service & Retail Business		Corporate/ Unallocated		Eliminations		Consolidated	
in thousands of Swiss Francs	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04
Other information										
Segment assets	1,708,290	1,658,226	856,171	953,440			–	–	2,564,461	2,611,666
Corporate/Unallocated assets					100,301	148,796	–	–	100,301	148,796
Consolidated total assets	**1,708,290**	**1,658,226**	**856,171**	**953,440**	**100,301**	**148,796**		**–**	**2,664,762**	**2,760,462**
Segment liabilities	301,160	332,704	286,357	327,496			–	–	587,517	660,200
Corporate/Unallocated liabilities					1,235,109	1,292,445	–	–	1,235,109	1,292,445
Consolidated total liabilities	**301,160**	**332,704**	**286,357**	**327,496**	**1,235,109**	**1,292,445**	**–**	**–**	**1,822,626**	**1,952,645**
Capital expenditure	61,551	56,706	44,560	24,095	8,321	14,173	–	–	114,432	94,974
Depreciation and amortization	(59,174)	(73,114)	(50,876)	(60,145)	(3,797)	(3,310)	–	–	(113,847)	(136,569)
Non-cash expenses other than depreciation, amortization and impairment	–	(416)	(30,370)	(8,487)	–	(238)	–	–	(30,370)	(9,141)
Impairment losses	–	–	(14,584)	(669)	(180)	–	–	–	(14,764)	(669)
Reversal of impairment losses	–	1,242	1,773	1,541	–	–	–	–	1,773	2,783

II – Secondary segment information: by geographical area

	Europe		Americas		Asia-Pacific/Africa		Eliminations		Consolidated	
in thousands of Swiss Francs	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04	**2004/05**	2003/04
External sales revenue	2,789,682	2,718,988	1,015,160	1,063,134	256,288	266,765	–	–	4,061,130	4,048,887
Carrying amount of segment assets	1,808,281	1,932,171	614,073	575,927	242,408	252,364	–	–	2,664,762	2,760,462
Capital expenditure	72,435	52,838	29,256	31,196	12,741	10,940	–	–	114,432	94,974

26. Financial risk management

The nature of its business exposes the Group to a variety of market risks, including the effects of changes in commodity prices, foreign currency exchange rates, interest rates and credit risk. The Group's overall risk management program acknowledges volatility of commodity and financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group.

Commodity price risk management for the forward contracting business is managed by a Central Purchasing Company. For the other financial market risks a Corporate Treasury function carries out risk management activities. The Central Purchasing Company and Corporate Treasury both identify, evaluate and hedge risks in close co-operation with the operating companies.

Under a general umbrella of selective hedging the Board provides principles for overall risk management, such as commodity price risk, foreign exchange risk, interest rate risk and credit risk.

Commodity price risk

The manufacturing of the Group's products requires raw materials such as cocoa beans. The value of the Group's open sales and purchase commitments and inventory of raw materials changes continuously in line with price movements in the respective commodity markets. The Group uses commodity futures and commodity forward contracts to manage price risks associated with this inventory and with open commitments. Open commitments and cocoa inventories are marked-to-market and recognized in the balance sheet of the consolidated financial statements.

Foreign currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures. Subsidiaries use forward contracts, primarily transacted with Corporate Treasury, to hedge the foreign currency risk exposures of currency denominated assets and liabilities and certain off-balance sheet items such as firm commitments and highly probable forecasted purchases and sales. Corporate Treasury in turn hedges the net consolidated exposures to an acceptable level at an acceptable all-in cost, mainly by means of forward contracts entered into with high credit quality financial institutions. Oustanding foreign exchange forward contracts are fair valued and recognized in the balance sheet of the consolidated financial statements with unrealized gains and losses immediately recognized in the income statement.

Interest rate risk

The Group is exposed to market risk for changes in interest rates through its short and long-term debt obligations. The group's policy is to manage its interest cost using a mix of fixed and variable rate debt, however aiming at a fixed interest-rate coverage in the range of 50% to 75% of the Group's total debt portfolio.

To manage this mix in the most efficient manner, the Group entered into:

1) Bullet interest-rate swaps with an average tenor of 4 years, in which the Group pays fixed interest rates in exchange for floating interest rates. The fair values of the interest rate derivatives qualify for cash flow hedging and are fully recognized into equity as equity reserve.
2) Forward bullet interest rate swaps commencing in March 2007 and terminating in August 2010. This interest rate hedge is designated to a forecasted transaction being triggered by the expected redemption of the Senior Subordinated notes with drawing on Facility C of the EUR 850 million Revolving Credit Facility. The fair values of the interest rate derivatives qualify for cash flow hedging and are fully recognized into equity as equity reserve.

Credit risk and concentration of credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The extent of the Group's credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements, if any, with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 862.5 million as of August 31, 2005 (2004: CHF 851.6 million). A significant portion of the credit exposure on accounts receivable has been covered by entering into a credit insurance policy with a highly rated credit insurance company. This credit insurance policy relates to a selected number of customers with important outstanding amounts.

Concentration of credit risk with respect to trade receivables is deemed limited due to the Group's large number of customers, who are internationally dispersed. Based on the group's historical experience in collection of accounts receivable, the recorded allowances have proved to be adequate. Hence management believes that no additional credit risk beyond amounts already provided for collection losses is inherent to the Group's trade receivables.

27. Related parties

In accordance with Art. 20 of the Swiss Stock Exchange regulations Barry Callebaut AG discloses the following shareholders holding a participation of more than 5% of the issued share capital of the Company:

– Jacobs Holding AG, Zurich, Switzerland	50.50%
– Renata Jacobs	8.48%

Significant transactions and balances between the Group and related parties are as follows (amounts with respect to Schloss Marbach in fiscal year 2003/04 relate to transactions before acquisition):

in thousands of Swiss Francs	**2004/05**	2003/04
Sales to related parties	**33,135**	**36,689**
Jacquot SA	33,135	36,689
Operating expenses charged by related parties	**5,123**	**6,012**
Schloss Marbach GmbH	–	1,057
Jacobs Holding AG	1,553	1,568
Adecco Group	3,561	3,387
Other	9	–
Operating income received from related parties	**337**	**0**
Other	337	–
Acquisition of Brach's Confections Holding, Inc. and Schloss Marbach GmbH from Jacobs Holding AG	**–**	**24,058**
Accounts receivable related parties	**6,425**	**26,518**
Jacquot SA	6,313	6,406
Jacobs Holding AG	112	20,112
Accounts payable related parties	**1,267**	**1,371**
Jacobs Holding AG	140	578
Adecco Group	558	569
Other	569	224

Transactions with related parties were carried out on commercial terms and conditions and at market prices.

All receivables from related parties are non-interest bearing and expected to be collected within the next twelve months.

28. Commitments, contingencies and financial instruments with off-balance sheet risk

Fair value of financial instruments
The following methods and assumptions were used to estimate the fair value of financial instruments:

Cash and cash equivalents
The carrying value approximates fair value because of the short-term maturity of these instruments.

Trade accounts receivable
Fair value approximates cost less provision for doubtful debts.

Other financial assets and financial liabilities
Other financial assets and financial liabilities include short-term deposits with third parties, deposits with related parties, short-term and long-term debts and loans from related parties as well as other assets and liabilities. The carrying amount of these financial instruments does not differ significantly from their fair value, except for the subordinated notes, which had a fair value of CHF 291.8 million at August 31, 2005 (CHF 278.8 million at August 31, 2004, see notes 10 and 13). The fair values of these items were based on expected cash flows or available market prices.

Derivative financial instruments
The Group uses derivative financial instruments to hedge underlying transactional currency exposure and to hedge the contract prices of the cocoa components of future sales deliveries. All derivative financial instruments are valued at mark-to-market.

as of August 31,	2005	2004
in thousands of Swiss Francs		
Contingent liabilities		
Guarantees to third parties	179,828	71,273
Assets pledged as security for liabilities		
Mortgages	11,582	63,872
Shares pledged	–	127,761
Inventories pledged	277	27,224
Tangible assets pledged	–	3,918
Other assets pledged	–	2,799
Other contingent liabilities	–	2,583
Commitments		
Future capital expenditures	4,560	–
Foreign exchange sales obligations	2,569,894	1,638,130
Foreign exchange purchase obligations	2,399,482	1,577,325
Physical sales obligations	1,338,832	878,546
Physical purchase (including repurchase) obligations	916,463	1,301,513
Cocoa terminal market sales	430,467	578,428
Cocoa terminal market purchases	448,278	636,258

At August 31, 2005 the Group had contingent liabilities in respect of bank (see also note 12) and other guarantees arising in the ordinary course of business from which it is anticipated that the probability of any significant outflow in settlement is remote. In the ordinary course of business the Group has given guarantees amounting to CHF 179.8 million (2004: CHF 71.3 million) to third parties.

Assets pledged as security for liabilities amount in total to CHF 11.9 million (2004; CHF 225.6 million) and relate to mortgages on land and property and pledged inventories.

Operating lease arrangements

in thousands of Swiss Francs	**2004/05**	2003/04
Lease paid under operating leases	5,705	2,926
Future operating lease commitments	40,966	14,059

At the balance sheet date, the Group had outstanding commitments under operating leases, which fall due as follows:

in thousands of Swiss Francs	**2004/05**	2003/04
Within one year	7,982	4,981
In the second to the fifth year inclusive	22,595	5,728
After five years	10,389	3,350

Operating lease payments represent rentals payable by the group for certain vehicles and machinery. Leases are negotiated for an average term of three years.

Others

The operations and earnings of the Group continue, from time to time, and in varying degrees, to be affected by legislative, fiscal and regulatory developments in the countries in which it operates. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are not predictable.

Group companies are involved in various legal actions and claims. Provisions have been made where quantifiable for probable outflows. In the opinion of the Board of Directors, after taking appropriate legal advice, the future settlements of such actions and claims will not have a material effect on the Group's financial position.

29. Subsequent events

There are no events after the balance sheet date to be disclosed.

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To the general meeting of
Barry Callebaut AG, Zurich

Zurich, November 3, 2005

Report of the Group Auditors

As auditors of the group, we have audited the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of cash flows, consolidated statement of changes in shareholders' equity and notes/pages 76 to 110) of Barry Callebaut AG for the year ended August 31, 2005.

These consolidated financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession and with the International Standards on Auditing (ISA), which require that an audit be planned and performed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the consolidated financial statements. We have also assessed the accounting principles used, significant estimates made and the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the consolidated financial statements submitted to you be approved.

Ernst & Young AG

Pascal Petruccelli
Swiss Certified Accountant
(in charge of the audit)

Stefan Weuste
Swiss Certified Accountant

Offices in Aarau, Baden, Basel, Berne, Geneva, Lausanne, Lucerne, Lugano, St.Gallen, Zug, Zurich.
Member of the Swiss Chamber of Auditors

Financial Statements of Barry Callebaut AG.

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Balance Sheet

Assets

as of August 31,	2005	2004
in Swiss Francs		
Current assets		
Cash and cash equivalents	55,897	36,746
Treasury shares	2,919,752	9,210,680
Accounts receivable from Group companies	24,429,898	23,570,775
Short-term loans granted to Group companies	136,134,580	131,379,591
Other receivables and prepayments	5,156,100	1,382,553
Total current assets	**168,696,227**	**165,580,345**
Non-current assets		
Fixed assets	1,209,184	422,295
Financial assets		
Investments	713,119,524	706,609,824
Intangible assets		
Trademarks	81,843,849	45,177,039
Patents	1,305,338	790,779
Others	1,557,798	1,242,355
Total non-current assets	**799,035,693**	**754,242,292**
Total assets	**967,731,920**	**919,822,637**

Liabilities and shareholders' equity

as of August 31,	2005	2004
in Swiss Francs		
Current liabilities		
Accounts payable to third parties	1,511,634	552,890
Accounts payable to Group companies	4,178,571	4,268,069
Accounts payable to shareholder	233,632	5,721
Short-term loans from Group companies	109,017,713	110,361,497
Accrued liabilities	10,399,200	11,233,344
Accrued taxes	517,171	464,485
Total liabilities	**125,857,921**	**126,886,006**
Shareholders' equity		
Share capital [1]	476,674,000	517,000,000
Legal reserve	157,019,393	157,019,393
Reserve for treasury shares	2,537,560	9,774,393
Retained earnings	205,643,046	109,142,845
Total shareholders' equity	**841,873,999**	**792,936,631**
Total liabilities and shareholders' equity	**967,731,920**	**919,822,637**

[1] The share capital as of August 31, 2005 consists of 5,170,000 fully paid in shares at a nominal value of CHF 92.20 each (August 31, 2004: CHF 100.00).

Statement of Income and Retained Earnings

for the year ended August 31, 2005		
in Swiss Francs	**2004/05**	2003/04
Income		
Dividend income	104,352,284	35,000,000
Financial income	4,116,291	2,212,241
License income	29,846,705	24,032,551
Management fees	14,020,011	15,275,361
Realized and unrealized profit on treasury shares	3,122,750	886,230
Other income	931,033	745,766
Total income	**156,389,074**	**78,152,149**
Expenses		
Personnel	23,887,836	17,898,715
Financial expenses	2,195,161	2,116,449
Depreciation of fixed assets	383,134	979,377
Amortization of intangible assets	21,010,709	790,053
License expenses	2,506,770	2,847,928
Realized loss on treasury shares	3,886,178	2,030,649
Other expenses	13,098,268	9,194,799
Total expenses	**66,968,056**	**35,857,970**
Profit before taxes	**89,421,018**	**42,294,179**
Taxes	(289,884)	(507,900)
Net profit	**89,131,134**	**41,786,279**
Retained earnings		
Balance, beginning of financial year	109,142,845	113,224,171
Dividend	–	(36,148,000)
Decrease/(Increase) of reserve for treasury shares	7,236,833	(9,719,605)
Capital reduction on treasury shares	132,234	–
Net profit	89,131,134	41,786,279
Balance, end of financial year	**205,643,046**	**109,142,845**

Notes to the Financial Statements

as of August 31,	2005	2004
in Swiss Francs		
1. Liens, guarantees and pledges in favour of third parties: The Company is a co-debtor for bank loans of max. EUR 685 million (CHF 1,059.1 million; August 31, 2004: EUR 545 million or CHF 840.1 million) obtained by Barry Callebaut Services N.V., Belgium, whereby the maximal liability is limited to the freely distributable retained earnings (CHF 205.6 million less 35% withholding tax). Further, the company is also a co-debtor for the subordinated bond of EUR 165.0 million (CHF 255.1 million; August 31, 2004: EUR 165.0 million or CHF 254.3 million) issued by Barry Callebaut Services N.V., Belgium. The company has further issued a guarantee of USD 50 million (CHF 62.6 million) in favour of FIMAT International Banque SA (UK Branch) London.		
Since September 1, 2003 joint liability in VAT subgroup for the Swiss Barry Callebaut entities.		
2. Fire insurance value of tangible fixed assets	CHF 2,410,000	CHF 1,037,000
3. Investments		

Name and domicile	Percentage of investment	
as of August 31,	2005	2004
ADIS Holdings Inc., Panama	100%	100%
Barry Callebaut Holding B.V., The Netherlands	–	100%
Barry Callebaut Nederland B.V., The Netherlands	100%	–
Barry Callebaut Schweiz AG, Switzerland	100%	100%
Barry Callebaut Sourcing AG, Switzerland	100%	100%
Chocodif SA, France	–	100%
Chocosen SA, Senegal	100%	100%
Chocolat Alprose SA, Switzerland	100%	–
C. J. Van Houten & Zoon Holding GmbH, Germany	100%	100%
Van Houten Service AG, Switzerland	100%	100%

Investments are stated at cost less necessary amortization.

4. Treasury shares

The Company holds 8,223 (August 31, 2004: 37,761) treasury shares as of August 31, 2005. In 2004/05 the Company bought 59,281 shares at an average price of CHF 297.67 per share (2003/04: 130,680 shares at an average price of CHF 250.37) and sold 88,819 shares at an average price of CHF 280.15 per share (2003/04: 93,219 shares at an average price of CHF 246.72). As of August 31, 2005 the treasury shares have been revalued to the average closing price of August 2005 of CHF 308.59 per share (2003/04: to the average closing price of August 2004 of CHF 243.92 per share).

5. Significant shareholders	2005	2004
Jacobs Holding AG, Zurich, Switzerland	50.50%	50.50%
Renata Jacobs	8.48%	8.48%

Appropriation of Available Earnings

The Board of Directors proposes to carry forward the balance of retained earnings of CHF 205,643,046.

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To the general meeting of
Barry Callebaut AG, Zurich

Zurich, November 3, 2005

Report of the Statutory Auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and retained earnings and notes/pages 114 to 116) of Barry Callebaut AG for the year ended August 31, 2005.

These financial statements are the responsibility of the board of directors. Our responsibility is to express an opinion on these financial statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with auditing standards promulgated by the Swiss profession, which require that an audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the financial statements. We have also assessed the accounting principles used, significant estimates made and the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the accounting records and financial statements and the proposed appropriation of available earnings comply with Swiss law and the company's articles of incorporation.

We recommend that the financial statements submitted to you be approved.

Ernst & Young AG

Pascal Petruccelli
Swiss Certified Accountant
(in charge of the audit)

Stefan Weuste
Swiss Certified Accountant

■ Offices in Aarau, Baden, Basel, Berne, Geneva, Lausanne, Lucerne, Lugano, St.Gallen, Zug, Zurich.
Member of the Swiss Chamber of Auditors

7-year overview

Key Figures Barry Callebaut		CAGR (%)[1]	2004/05	2004/05	2003/04	2002/03	2001/02[2]	2000/01	1999/00	1998/99
		before restructuring and impairments[14]	before restructuring and impairments[14]	after restructuring and impairments						
Income Statement										
Sales revenue	CHF m	10.2%	4,061.1	4,061.1	4,048.9	3,571.3	2,621.8	2,548.6	2,410.4	2,262.3
EBITDA[3]	CHF m	10.6%	379.1	285.1	364.8	333.1	187.8	266.2	240.3	207.2
Operating profit (EBIT)	CHF m	12.6%	265.3	171.3	228.3	208.7	93.2	168.0	148.7	130.2
Operating profit (EBITA)	CHF m	11.2%	278.2	184.2	261.5	245.5	123.1	194.1	170.2	147.2
Net profit (PAT)	CHF m	8.4%	162.3	68.3	115.6	103.2	21.1	97.1	90.0	100.2
Cash flow[4]	CHF m	7.7%	276.1	227.1	252.2	227.7	115.7	195.3	181.6	177.2
EBIT per tonne	CHF/tonne	3.7%	252.0	162.7	225.7	234.2	122.5	213.4	197.8	202.4
Balance Sheet										
Balance sheet total	CHF m	8.6%		2,664.8	2,760.5	2,712.7	2,651.6	2,049.2	2,218.9	1,620.0
Net working capital	CHF m	6.0%		830.8	914.1	955.1	828.7	765.9	894.3	585.9
Non-current assets	CHF m	8.0%		1,168.2	1,099.9	1,049.9	1,070.6	823.1	894.0	734.2
Net debt[5]	CHF m	6.4%		953.5	943.0	1,030.1	960.1	786.2	1,029.2	656.8
Shareholders' equity	CHF m	5.1%		836.7	800.9	759.2	693.5	697.4	648.8	619.7
Capital expenditure[6]	CHF m	8.2%		102.2	90.0	69.1	73.8	80.1	80.5	63.5
Ratios										
Return on capital employed (ROCE)[7]	%	0.6%	16.5%	10.9%	15.4%	15.0%	15.3%[13]	14.0%	13.5%	15.9%
Return on invested capital (ROIC)[8]	%	–1.1%	9.9%	6.5%	10.4%	9.6%	9.9%[13]	8.9%	8.7%	10.6%
Return on equity (ROE)	%	3.0%	19.4%	8.2%	14.4%	13.6%	13.8%[13]	13.9%	13.9%	16.2%
Debt-to-equity ratio	%	1.2%		114.0%	117.7%	135.7%	138.4%	112.7%	158.6%	106.0%
Solvency ratio[9]	%	–3.2%		31.4%	29.0%	28.0%	26.2%	34.0%	29.2%	38.3%
Interest cover ratio[10]		–5.7%	4.6	3.4	3.9	4.2	3.5	4.3	4.5	6.6
Net debt/EBITDA		–3.8%	2.5	3.3	2.6	3.1	5.1	3.0	4.3	3.2
EBIT/Sales revenue	%	2.1%	6.5%	4.2%	5.6%	5.8%	3.6%	6.6%	6.2%	5.8%
CAPEX/Sales revenue	%	–1.8%	2.5%	2.5%	2.2%	1.9%	2.8%	3.1%	3.3%	2.8%
Shares										
Share price at year end	CHF	6.1%	370	370	235	188	155	220	264	260
EBIT per share	CHF	12.6%	51.3	33.1	44.2	40.4	18.0	32.5	28.8	25.2
Earnings per share	CHF	8.3%	31.4	13.2	22.4	20.0	4.1	18.8	17.4	19.4
Cash earnings per share[11]	CHF	10.6%	71.3	61.9	66.3	60.1	37.7	52.1	48.0	39.0
Pay-out per share[12]	CHF	3.5%	8.0	8.0	7.8	7.0	6.9	6.7	6.5	6.5
Pay-out ratio	%	4.5%	25%	61%	35%	35%	169%	36%	37%	34%
Price-earnings ratio at year end		–2.1%	11.8	28.0	10.5	9.4	37.9	11.7	15.2	13.4
Market capitalization	CHF m	6.1%	1,912.9	1,912.9	1,215.0	972.0	801.4	1,137.4	1,364.9	1,344.2
Number of shares outstanding			5,170,000	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total capital reduction/ dividend amount paid[12]	CHF m	4.6%	40.3	40.3	36.2	35.7	34.6	33.6	33.6	30.9
Other										
Sales volumes	tonnes	8.5%	1,052,467	1,052,467	1,011,358	891,048	760,680	787,302	752,040	643,376
Employees		17.7%	8,542	8,542	8,933	7,837	7,583	4,911	5,158	3,219
Beans processed	tonnes	10.2%	416,659	416,659	393,500	378,714	378,986	396,916	405,286	233,145
Chocolate & compound production	tonnes	8.2%	788,582	788,582	669,930	633,564	606,864	581,560	555,657	491,427

[1] Compound annual growth rate

[2] Key figures for 2001/02 are affected by restructuring provision amounting to CHF 80 million in connection with the Stollwerck acquisition

[3] EBIT + depreciation of tangible assets + amortization of goodwill and other intangibles

[4] Net profit + depreciation of tangible assets + amortization of goodwill and other intangibles + impairments and write-downs in relation to the restructuring program announced in July 2005

[5] Includes subordinated debt

[6] Capital expenditure in tangible assets & development costs (excl. acquisitions)

[7] EBITA/Average (Capital employed – Goodwill)

[8] EBITA x (1 – normalized tax rate)/average (capital employed + amortized goodwill)

[9] Solvency ratio = shareholders' equity/total assets

[10] Interest cover ratio = EBITDA/Total financial items

[11] Operating cash flow before working capital changes/diluted shares outstanding

[12] In 2004/05 proposed and in 2003/04 effected par value reduction. In prior years a dividend was paid

[13] Ratio is calculated on a pro forma basis excluding the impact of the Stollwerck acquisition

[14] Since the Board of Directors decided to intensify the current restructuring program primarily focusing on the Consumer Products business unit, a provision of CHF 49 million and impairments and write-downs of CHF 45 million have been charged to the accounts of fiscal year 2004/05. For reasons of comparison, the key figures as per August 31, 2005 have been prepared on a normalized result before restructuring and impairment charges

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Ivory Coast

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Forward-looking statements

Certain statements in this Annual Report 2004/05 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 this Annual Report. 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, November 10, 2005. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.