Barry Callebaut

Annual report 2003/04

BARRY CALLEBAUT

Agenda.

Annual General Meeting 2003/04, Zurich
December 8, 2004

3-month results 2004/05
January 13, 2005

half-year results 2004/05
April 11, 2005

9-month results 2004/05
July 8, 2005

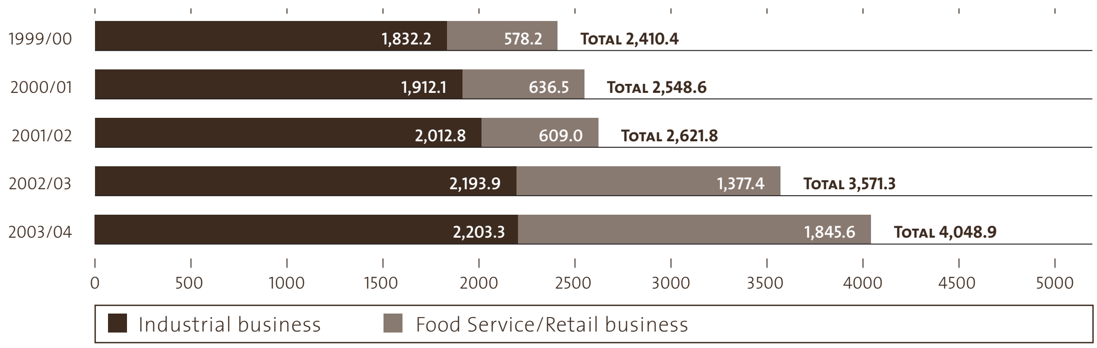
News release, media conference and analysts' conference on 2004/05 annual results, Zurich
November 10, 2005

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

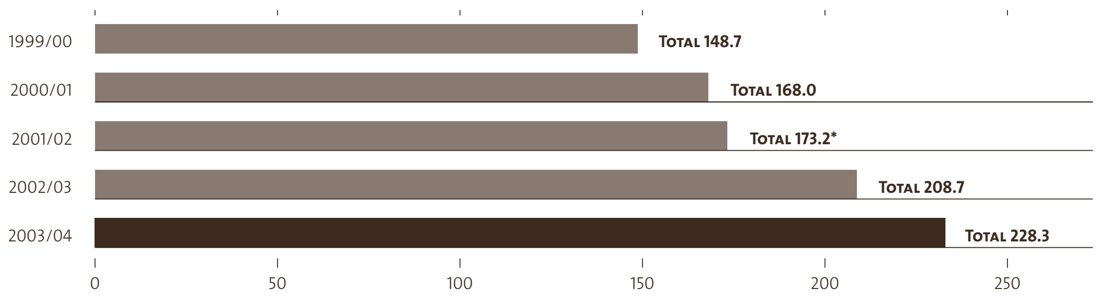
Contents.

Key Figures.

Development of sales revenue
IN CHF MILLION

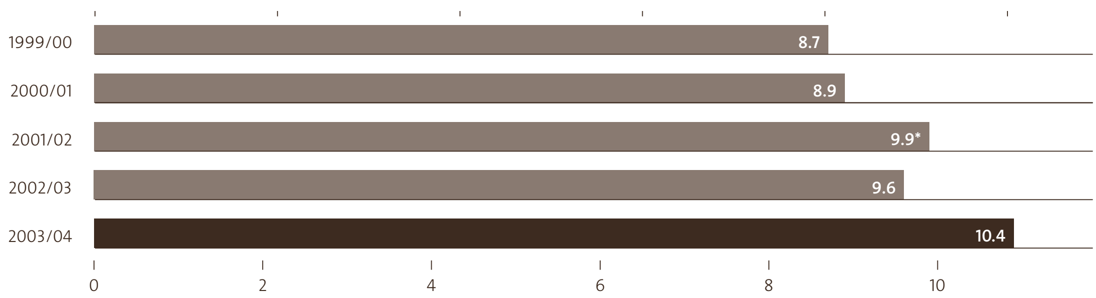


EBIT development
IN CHF MILLION



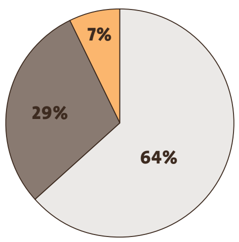
* EBIT for 2001/02 is based on a normalized result excl. restructuring provisions amounting to CHF 80 million

ROIC development
IN %



* Ratio is calculated on a pro-forma basis excl. the impact of the Stollwerck acquisition

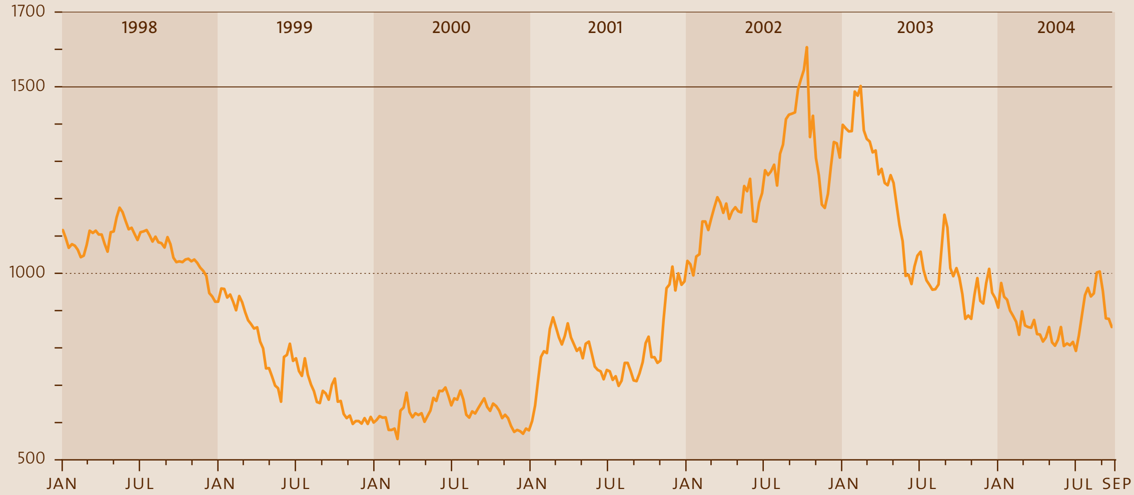
Sales volumes by region, 2003/2004
IN TONNES



EUROPE	641,574
AMERICAS	297,124
ASIA-PACIFIC/AFRICA	72,660
TOTAL	**1,011,358**

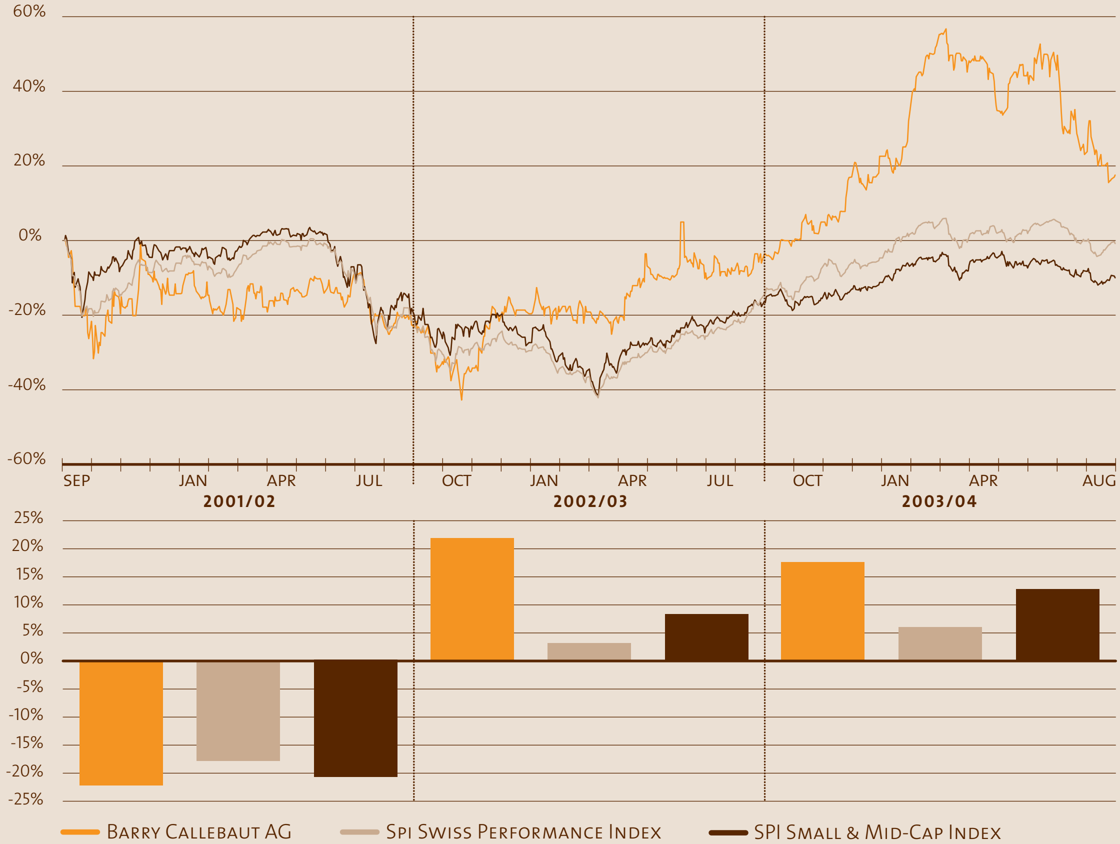
Cocoa price development

IN GBP/TONNE (LONDON TERMINAL MARKET, 6-MONTH FORWARD PRICE)



Share price development Barry Callebaut vs. indices

01.09.01 = 100%



The bar chart compares the performance of Barry Callebaut shares 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 (%)	2003/04	2002/03
Income Statement				
Sales revenue	**CHF m**	13.4%	4,048.9	3,571.3
Sales volumes	**Tonnes**	13.5%	1,011,358	891,048
EBITDA[1]	**CHF m**	9.5%	364.8	333.1
Operating profit (EBIT)	**CHF m**	9.4%	228.3	208.7
Net profit (PAT)	**CHF m**	12.0%	115.6	103.2
Cash flow[2]	**CHF m**	10.8%	252.2	227.7
Balance sheet				
Balance sheet total	**CHF m**	1.8%	2,760.5	2,712.7
Net working capital	**CHF m**	–4.3%	914.1	955.1
Non-current assets	**CHF m**	4.8%	1,099.9	1,049.9
Net debt	**CHF m**	–8.5%	943.0	1,030.1
Shareholders' equity	**CHF m**	5.5%	800.9	759.2
Ratios				
Return on capital employed (ROCE)[3]	**%**	2.7%	15.4%	15.0%
Return on equity (ROE)	**%**	6.1%	14.4%	13.6%
EBIT per tonne	**CHF**	–3.6%	225.7	234.2
Debt-to-equity ratio	**%**	–13.2%	117.7%	135.7%
Shares				
EBIT per share	**CHF**	9.4%	44.2	40.4
Earnings per share	**CHF**	12.0%	22.4	20.0
Cash earnings per share[4]	**CHF**	10.3%	66.3	60.1
Dividend per share (2002/03)/ Capital reduction and repayment (2003/04)	**CHF**	11.4%[5]	7.8	7.0
Other				
Employees	**Number**	14.0%	8,933	7,837

[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
[3] EBITA/Average (Capital employed – Goodwill)
[4] Operating cash flow before working capital changes/diluted shares outstanding
[5] Comparing cash dividend 2002/03 with cash proceed from the proposed capital reduction and repayment for 2003/04

Company Profile.

Our portrait

Barry Callebaut is one of the world's leading manufacturers 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 and hotels
- 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 20 countries, employs close to 9,000 people and generated sales of more than CHF 4 billion in fiscal year 2003/04.

Our vision

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

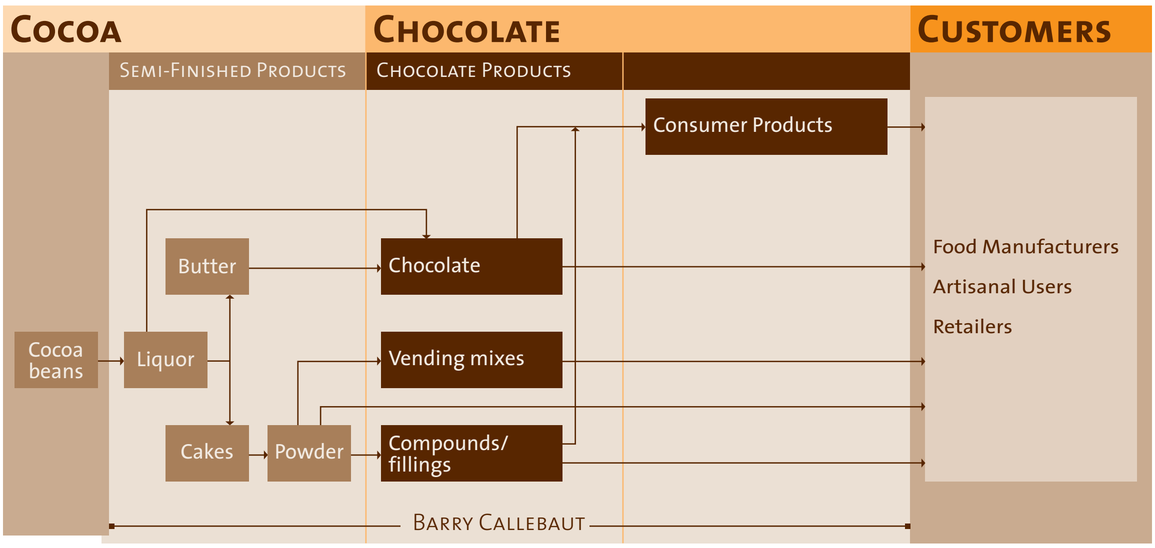
Our heritage, our knowledge of the chocolate business – from the cocoa bean to the finest product on the shelf – and our innovative power in confections overall make us the business partner of choice for the entire food industry. We seek to apply our constantly evolving expertise to helping our customers 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.

Our structure

We are a fully-integrated chocolate manufacturing company. This means we are involved in all stages of the cocoa and chocolate value chain – from the sourcing of raw materials to the delivery of finished products for store shelves.



Letter to Shareholders.

Dear Shareholders

Consolidated sales revenue in fiscal 2003/04 surpassed the four billion Swiss franc threshold for the first time (up 13.4%). Sales volumes rose by 13.5%. Operating profit EBIT (+9.4%) and net profit (+12.0%) showed solid growth rates too. We are pleased that we were able to achieve this growth despite an unsatisfactory third quarter in the Consumer Products Europe unit. The fiscal year ended with a strong fourth quarter in all business units, driven by good sales thanks to favorable weather conditions and the initial success of the corrective action taken in the consumer business in Germany. Detailed information about our business in fiscal 2003/04 is provided in the "Business Performance" and "Consolidated Financial Statements" sections.

The strategic highlights of the last year were:

- The acquisition of Brach's Confections Holding, Inc. in the U.S. in September 2003. Brach's serves as the platform for expanding into the attractive consumer confectionery business in the U.S., the world's largest consumer confectionery market, and complements Barry Callebaut's presence in the European consumer market.
- The opening of sales offices in Moscow and Tokyo to better cover these important markets.
- The strengthening of our position in Europe's rapidly growing out-of-home consumption market through the acquisition of AM Foods, a supplier of high-quality chocolate and cappuccino blends for vending machines, in September 2004.
- The development of a variety of innovative, "better for you" products in response to the growing consumer demand for low-carb and low-sugar alternatives to chocolate and confectionery.

The food industry is undergoing rapid change, and competition is very intense. The past fiscal year was marked by strong growth in the Far East and North America, and sluggish growth as a result of low consumer sentiment in large parts of Europe. Mastering these challenges determines the sustainability of a company's strategy. Our strategy is to be the preferred supplier of chocolate solutions from the bean to the shelf to the entire food industry. This strategy has proven successful with our industrial and artisanal customers, and it has reinforced our position as the leader in these two segments. The implementation of the same strategy is now being accelerated in our consumer business with the objective of positioning Barry Callebaut as the service partner of choice for food retailers on the basis of our cost leadership and innovation capability.

Cost leadership and innovation ensure future growth

We want to continue growing twice as fast as the market. This is contingent on two factors: cost leadership and innovation.

As a result of the international expansion of large retailing chains and ever-increasing consumer demand for good quality at low prices, the current retail situation in Germany – marked by the strong growth of private label products and growing price pressure on suppliers – is likely to spread to other countries. Cost leadership is imperative in order to benefit from the growth of the private label segment. Key to cost leadership is the concept of dedicated factories or "Centers of Excellence." This concept has already been successfully implemented in our Industrial Business Segment. As announced on September 10, 2004 after the close of fiscal 2003/04, it is now being expanded to encompass our entire production network. The more than 30 production sites worldwide – previously managed by the respective business unit – were completely integrated into a centrally managed "Operations" unit at the beginning of the current fiscal year. The "Operations" unit will supply all of Barry Callebaut's business units. Product manufacturing is being centralized, and each factory will serve as a "Center of Excellence," focusing on making the products for which it is best suited. The advantages of this approach for each factory are highly developed specialist skills, longer production runs, optimized stock management as well as capacity management. In addition, the separation of production from sales and marketing enables each business unit to focus its resources on serving its specific customer segments.

In terms of innovation in the broadest sense of the word, we are concentrating on three areas that offer good opportunities for above-average growth: new geographic markets and increased market penetration, new products, and new buyer groups.

- **New geographic markets and increased market penetration.** To better cover important markets in Eastern Europe and the Far East, we opened sales offices in Moscow and Tokyo last year. Chocolate consumption per capita in Russia and Japan is far below the levels seen in Western European countries, and consumer tastes and preferences are becoming increasingly sophisticated. The Gourmet & Specialties unit is pursuing a direct selling model in several countries by establishing its own sales teams as a complement to third-party distributors, with the aim of enhancing its direct contact with customers. The distribution activities of the Gourmet & Specialties and Consumer Products North America business units were merged to take advantage of the resulting synergies. Brach's Direct Store Delivery system (DSD), which gives us direct access to thousands of stores in the most heavily populated states in the U.S., will be substantially expanded. The Consumer Africa division opened a sales office in Nigeria, a country with roughly 150 million inhabitants, to introduce to this market our consumer products specifically tailored to local eating habits. We also see new opportunities in the moves by large consumer goods companies to outsource the entire manufacturing process so they can fully concentrate on sales and marketing. Thanks to our know-how from the bean to the shelf, we have already signed several important contracts.

- **New products.** Millions of consumers today are choosing to eat food products that are wholesome and at the same time taste good. As part of our efforts to combine good taste and good health, we have introduced a range of enhanced cocoa and chocolate products, such as chocolate with added fiber and organic chocolate. Our lactose-free coating based on rice powder but tasting like milk chocolate was developed to allow consumers suffering from lactose-intolerance to indulge. We are conducting research and development activities and testing new products to give consumers more choices while taking into account their concerns about health and obesity issues. New low-carb and/or sugar-reduced products as well as smaller packaging sizes represent true alternatives.

- **New buyer groups.** Snacks, impulse purchases and out-of-home consumption are three areas that offer new opportunities for all of our business units. For example, we developed the chocolate used in the new kinds of fitness bars introduced by several large branded consumer goods manufacturers. Our acquisition of AM Foods has strengthened our position in the vending mix business. AM Foods, now known as Barry Callebaut Sweden, specializes in manufacturing top-quality chocolate and cappuccino blends for beverage vending machines. Such machines are still considerably underrepresented in Europe compared with North America or Japan. In view of the increasingly mobile lifestyle of Europeans, we anticipate strong growth opportunities.

Listening, learning and building lasting relationships

A special section in the center of this year's annual report is devoted to listening, learning and building lasting relationships. We believe listening and learning are the cornerstones of successful and productive relationships with our customers, employees and the communities in which we operate.

Enlargement of the Board of Directors

Two proven experts with a successful track record as executives – Dr. Urs Widmer, former Chairman and CEO of Ernst & Young Holding and active today as a lawyer and Mr. Markus Fiechter, CEO of KJ Jacobs AG – are the new Board members proposed for election. Dr. Johann Christian Jacobs has expressed his desire to focus on the chairmanship of the Jacobs Foundation; he will not stand for re-election at the coming Annual General Meeting. The members of the Board, the Senior Management Team and the employees of Barry Callebaut would like to thank Dr. Jacobs for his most active involvement and the valuable expertise he placed at the service of our company.

A word of thanks

We would like to thank our customers and shareholders for their loyalty and trust, and we extend our special thanks to our close to 9,000 employees throughout the world for their untiring efforts and dedication on behalf of Barry Callebaut.

Schmid

Andreas Schmid
Chairman of the Board

Patrick De Maeseneire

Patrick G. De Maeseneire
Chief Executive Officer

Board of Directors and Management.

Board of Directors

Andreas Schmid
Chairman

Andreas Jacobs
Vice Chairman

Rolando Benedick

Johann Christian Jacobs

Andreas W. Keller

The Board of Directors proposes to the Annual General Meeting of the Shareholders that **Dr. Urs Widmer** and **Mr. Markus Fiechter** be elected as new members of the Board of Directors.

Corporate Secretary

Ute Zeller

as of November 2004

Senior Management Team

Patrick G. De Maeseneire
Chief Executive Officer

Onno J. Bleeker
Chief Operations Officer

Dieter A. Enkelmann
Chief Financial Officer

Massimo Garavaglia
Food Manufacturers

Terence O'Brien
Consumer Products
North America

Steven Retzlaff
Sourcing & Cocoa

Benoît Villers
Gourmet & Specialties

Stefan von Klebelsberg
Consumer Products
Europe

Overview of Business Performance.

Income Statement

Sales revenue increased again strongly by 13.4% to CHF 4,048.9 million, compared to CHF 3,571.3 million in the previous year. The acquisition and first-time consolidation of Brach's (full year) and Luijckx (six months) contributed a net amount of CHF 402.7 million to this growth, with the remainder coming from organic volume growth as well as from positive exchange rate movements – in particular the appreciation of the Euro against the Swiss Franc, which outweighed the negative effect of a weaker US dollar. These positive factors were partially offset by a decrease in cocoa bean prices and the partial discontinuation of the low-margin industrial business from Stollwerck.

Total **sales volumes** of products sold to third-party customers increased by 120,310 tonnes or 13.5% to 1,011,358 tonnes. Eliminating the effects of the acquisition of Brach's and Luijckx as well as the discontinued Stollwerck industrial business, sales volumes strongly increased by 4.4%. The main contributor to this organic volume growth was the Gourmet Business as well as the Industrial Business Segment with the business units Cocoa and Food Manufacturers. Organic growth was 13% in Asia, 5% in Europe and 1% in the Americas.

Other operating income decreased to CHF 24.2 million, down from CHF 25.7 million in the past fiscal year. In both years, this amount consists of several non-sales related income items recorded in our different businesses. In the current year we also had non-recurring expense items, which – from a commercial perspective – would fall into the same category. The larger items include amounts for the restructuring of our Cocoa operations in France and in Cameroon and the impact of the sharply increased prices for hazelnuts used in Consumer Products Europe.

Gross profit, defined as revenue from sales and services less material consumed, increased by 29.9% or CHF 341.1 million to CHF 1,481.4 million, up from CHF 1,140.3 million in the previous year. On a per tonne basis, gross profit jumped 14.5% to CHF 1,464.8, compared to CHF 1,279.8 per tonne recorded in fiscal year 2002/03. This massive increase in gross profit per tonne reflects the changes in the product mix primarily due to the addition of consumer products with typically higher gross profit margins (i.e. higher value-added products) and to the further strategic reduction of sales of low-margin products to third parties, as well as a positive exchange rate effect.

Total **operating expenses** (excluding material consumed) increased by 33.4% or CHF 320.0 million to CHF 1,277.3 million, up from CHF 957.3 million in the previous year. This increase was mainly the result of the strategic expansion of our Food Service/Retail Business Segment because the newly acquired consumer companies Brach's and Luijckx carry higher marketing and sales expenses than Barry Callebaut's industrial business. Eliminating the effects of these acquisitions, operating expenses increased by 5.7% to CHF 1,012.0 million. For the same reasons as mentioned above, operating expenses as a percentage of gross profit increased to 86.2%, compared to 84.0% in the previous year. On a per tonne basis, operating expenses increased to CHF 1,263.0, up from CHF 1,074.4 in fiscal year 2002/03.

EBIT (earnings before interest and taxes) increased by 9.4% to CHF 228.3 million, up from CHF 208.7 million in the previous year. On a per tonne basis, EBIT slightly decreased to CHF 225.7, compared to CHF 234.2 in the previous year. Analyzing this ratio per business unit, our Cocoa, Food Manufacturers and Gourmet & Specialties business units showed substantial increases in EBIT per tonne, offset by unsatisfactory EBIT per tonne developments at Consumer Products Europe as well as a moderate positive contribution from Brach's.

As of fiscal year 2004/05, goodwill will no longer be amortized on a straight-line basis due to a change in International Financial Reporting Standards (IFRS). Instead, annual impairment tests will be conducted and impairment charges will be recognized in the income statement whenever necessary. As a consequence, the key performance indicator for operational performance in the future will be **EBITA (earnings before interest, taxes and amortization)**, which stood at CHF 261.5 million in the fiscal year under review, up 6.5% from the CHF 245.5 million in the previous year.

Net financial cost increased by 15.2% to CHF 92.4 million, up from CHF 80.2 million in the previous year.

This increase was attributable to increased interest costs following the refinancing transaction of March 2003[1] and the net interest cost impact of the acquisition financing (including assumed debt), somewhat compensated by tighter working capital levels (partly as a consequence of lower cocoa bean prices).

Taxes amounted to CHF 19.4 million, compared to CHF 25.0 million in the previous year. The effective tax rate decreased to 14.3%, down from 19.4% in fiscal 2002/03. The decrease in the effective tax rate was partly attributable to the usage and capitalization of tax losses carried forward.

Net profit for the period under review showed an increase of 12.0% to CHF 115.6 million, compared to CHF 103.2 million in the previous year. **Earnings per share** were CHF 22.4, up 12.0% as well from the previous year. **Cash earnings per share** increased to CHF 66.3, compared to CHF 60.1 in the previous year. The return on invested capital increased to 10.4% up from 9.6% in the previous year.

Cash flow statement

Net cash flow from operating activities before working capital changes stands at CHF 342.5 million, compared to CHF 310.6 million in the previous year. The increase is mainly the result of EBIT growth and higher depreciation charges in fiscal year 2003/2004. Net cash flow from operating activities including working capital changes was CHF 237.4 million, compared to CHF 95.4 million in fiscal 2002/03, mainly due to tighter net working capital (partly as a consequence of decreasing cocoa prices).

Net cash flow from investing activities was CHF -73.4 million, compared to CHF -98.1 million in the previous year. The principal components of our investing activities in the last two fiscal years were capital expenditures related to continuous investments in our ongoing operations. Furthermore, the comparable prior-year figures included cash outflows of close to CHF 40 million in connection with the squeeze-out of an additional 2.56% of minority shareholders of Stollwerck as well as in respect to the Luijckx acquisition.

Net cash flow from financing activities was CHF -167.4 million, compared to CHF -6.4 million in the previous year. In the last two fiscal years we managed to reduce our overall financing position as a result of improved balance sheet management (including decreasing cocoa bean prices.)

Balance sheet and financing structure

The **balance sheet total** as of the end of August 2004 rose only slightly by 1.8% or CHF 47.8 million to CHF 2,760.5 million, up from CHF 2,712.7 million, in spite of the acquisition of Brach's (with an opening balance of CHF 344.6 million) and the adverse currency translation effect resulting mainly from the appreciation of the Euro against the Swiss Franc, partly offset by tighter net working capital.

Net working capital (including provisions) was reduced by 4.3% or CHF 41.0 million, from CHF 955.1 million as of the end of August 2003 to CHF 914.1 million as of the end of August 2004. Net working capital was negatively impacted as a result of the first-time consolidation of Brach's as well as adverse currency effects, more than offset by improved balance sheet management (including lower cocoa bean prices).

Restructuring provisions (mainly for Stollwerck and Brach's) stood at CHF 62.7 million at the end of August 2004, compared to CHF 48.3 million as of the end of August 2003. In the period under review, restructuring provisions increased in the amount of CHF 65.7 million as a result of the Brach's acquisition and were impacted by additions in the amount of CHF 8 million, usages in the amount of CHF 48.8 million (mainly in Stollwerck, Brach's, SIC Cacaos, BC France) as well as reversals and minor currency translation adjustments.

[1] In March 2003 the Group entered into a refinancing transaction, whereby it improved its debt profile by converting short-term into long-term debt (thereof Euro 165 million senior subordinated note) entailing higher interest rates.

Net debt decreased by CHF 87.1 million or 8.5% to CHF 943.0 million as of the end of August 2004, compared to CHF 1,030.1 million as of the end of August 2003. This variance is mainly attributable to the EBIT increase as well as the aforementioned better balance sheet management, negatively affected by the assumed debt in respect of the Brach's acquisition, by restructuring charges and by adverse currency effects. At the end of the fiscal year, the Group's long-term debt portfolio had a duration of 2.5 years. Interest rates for 85% of debt outstanding were fixed/capped for at least 12 months.

Shareholders' equity increased by 5.5% or CHF 41.7 million to CHF 800.9 million as of the end of August 2004, compared to CHF 759.2 million as of the end of August 2003. As a result, the debt-to-equity ratio improved to 117.7% (previous year: 135.7%), and the solvency ratio went up to 29.0% (previous year: 28.0%).

Industrial Business.

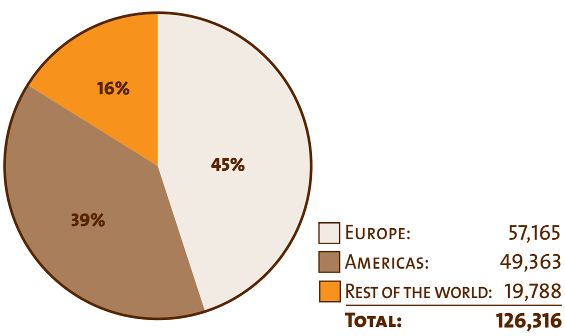
The Industrial Business Segment includes the asset- and capital-intensive activities of the Group that are needed to procure all raw materials, to process cocoa and to produce semi-finished and chocolate products that are sold to industrial food processors and consumer goods manufacturers, along with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

Industrial Business Segment

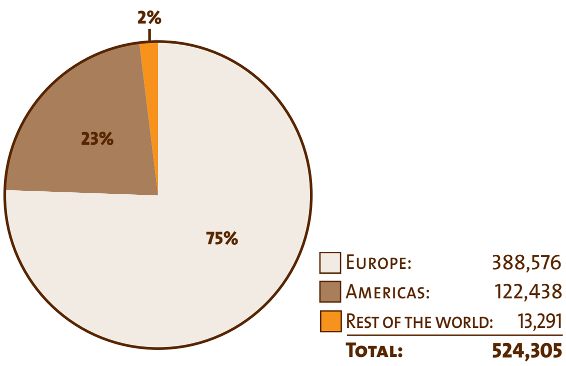
		Change in %	2003/04	2002/03
Sales revenue	**CHF m**	0.4%	2,203.3	2,193.9
Cocoa	**CHF m**	–8.2%	564.0	614.2
Food Manufacturers	**CHF m**	3.8%	1,639.3	1,579.7
Sales volume	**Tonnes**	3.1%	650,621	631,146
Cocoa	**Tonnes**	4.5%	126,316	120,827
Food Manufacturers	**Tonnes**	2.7%	524,305	510,319
Operating profit (EBIT)	**CHF m**	22.7%	175.2	142.8
EBITDA	**CHF m**	15.4%	248.3	215.2
Segment assets	**CHF m**	–8.7%	1,658.2	1,815.4
EBIT/Segment assets	**%**	34.5%	10.6%	7.9%

Sales revenue in the Industrial Business Segment rose 0.4% to CHF 2,203.3 million in fiscal 2003/04. This was the result of volume growth and margin improvements, despite lower underlying cocoa bean prices, helped slightly by currency developments with the impact from a stronger Euro, almost offset by the weakening of the US-dollar. Excluding the negative impact on sales revenue from the reclassification of former deliveries to Brach's (full year) and Luijckx (six months) as intercompany sales and the discontinuation of low margin industrial chocolate sales at Stollwerck, sales revenue growth amounted to 2.6%. Sales volumes came in at 650,621 tonnes, up 3.1%. Excluding

Cocoa
SALES VOLUMES BY REGION, 2003/04
IN TONNES



Food Manufacturers
SALES VOLUMES BY REGION, 2003/04
IN TONNES



the aforementioned impacts on sales volume, segment growth amounted to 5.4%, i.e. on a like-for-like basis sales volume growth exceeded the target of 4–5%. Operating profit after depreciation and amortization (EBIT) jumped 22.7% to CHF 175.2 million, with a sizeable contribution coming from Cocoa due to a high combined ratio margin on pressed products, along with improved cost control, and from chocolate and specialty products sold to food manufacturers. Total segment assets including current assets amounted to CHF 1,658.2 million, down CHF 157.2 million (or 8.7%) from the previous year, which were influenced by the lower underlying price of cocoa during the past fiscal year. EBIT over total segment assets reached a satisfactory 10.6%, up from 7.9% in the previous year.

Sourcing

This business unit procures and manages all in-house requirements for top-quality raw materials like cocoa, dairy products, sugars, fats, nuts, dried fruits and other ingredients, as well as packaging materials. Combining all sourcing activities at one centralized unit increases the Group's purchasing power and allows the application of best practices to minimize risks related to raw materials.

The past fiscal year saw a gradual decrease in cocoa bean prices leading to a 32-month low in early July 2004. The decline of GBP 400 or almost 35% was considerable, though not exceptional. Towards the end of the year under review cocoa bean prices went up again to finally close just below GBP 990 at the end of August 2004 (see also graph on page 6).

According to market experts key reasons for this price volatility were the much better than forecasted crops in West Africa, especially in Ghana, where an all-time record volume was harvested, as well as the fact that worldwide cocoa bean grindings were in line with expectations. Furthermore short positions held for most of the year by large speculators and investment funds contributed to a significant price distortion. The low cocoa bean prices have negatively affected farmers' income. Today's real farm gate prices are at a low from a historical perspective. This could discourage farmers and lead to less commercial discipline, possibly resulting in a deterioration of yields and quality.

In order to cope with the highly seasonal 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.

During the past twelve months prices for hazelnuts – an important ingredient primarily in European consumer products – have more than doubled, reaching levels not seen for the past ten years due to concerted speculation and a price premium, subsequent to a frost that hit the growing regions in the eastern part of Turkey in February 2004 and caused severe damage to the crops. Managing the physical hazelnut supply chain was equally challenging as low-price contracts were often not honored by the supplier and had to be repurchased in the market at much higher prices.

Cocoa

Barry Callebaut processes about 15% of the global cocoa harvest into cocoa liquor, cocoa butter and cocoa powder. These products are referred to as semi-finished or cocoa products. Barry Callebaut's other business units use about 3/4 of these products for further processing. The rest – primarily high-quality cocoa liquors and branded cocoa powder – is sold to the food industry for chocolate products, dairy applications, beverage applications and for baked goods.

With the restructuring of the semi-finished operations coming to an end in the third quarter of fiscal 2003/04, volumes of cocoa products sold to third-party customers for the entire year were increased slightly more than the targeted 4% in an effort to optimize the fixed cost structure. Primarily the sales of cocoa liquor and cocoa butter were higher. Volumes reached 126,316 tonnes. The fastest growth was recorded in Asia-Pacific. However, volumes were up in all regions with the exception of North America, where growth did not pick up until the second half of the fiscal year.

Sales revenue declined by 8.2% to CHF 564 million. This decrease was driven by the decline in underlying cocoa bean prices and changes in the product mix, yet was partially offset by a significant improvement in margins in pressed products, cocoa butter and cocoa powder.

Despite the still difficult political situation in Ivory Coast, the world's most important supplier of cocoa beans, Barry Callebaut's cocoa processing operations were able to maintain quality standards and meet production requirements throughout the year. The Ghana factory – which received ISO 9001 certification in August 2004 – provided additional security of supply. Costs were further lowered through a combination of tight cost control and operational restructuring in Cameroon and France.

The historically high level of the combined ratio, along with improved cost control, led to a substantial EBIT contribution from the sale of cocoa products.

Despite the more than satisfactory result in the year under review, the Cocoa business unit is undertaking further efforts to improve production efficiency, to make better use of its factory network in Brazil, Africa, Europe and North America as well as to expand its product offering to even better meet the demands of its customers.

Significant investments were made in the Swedesboro cocoa processing operation in order to strengthen the market position in North America and to support the move to higher-margin powders. These investments consisted of a new powder line for the production of tempered powders and a super sack bagging facility allowing a larger packaging size for industrial customers.

Revitalizing Bensdorp, one of the Group's cocoa powder brands, was an important strategic initiative started during the fiscal year under review, the objective being a clearer differentiation from the Barry Callebaut cocoa powder brand and the positioning of Bensdorp in the premium segment. Substantial R&D investments will support the repositioning of the Bensdorp brand as well as help to meet the increasing demand for products that are all natural and that can be associated with a healthier lifestyle.

Certified organic cocoa beans of high quality and consistent volume are being harvested for the first time in the Brazilian state of Bahia. This initiative was launched by Barry Callebaut and an independent advisory company in collaboration with local farmers back in November 2001. Brazilian organic cocoa beans expand Barry Callebaut's offering of certified organic cocoa products in response to growing consumer demand.

Food Manufacturers

Food Manufacturers is Barry Callebaut's largest business unit. It focuses on customer solutions for the entire food manufacturing industry, particularly for world-famous branded consumer goods companies. The unit offers custom-tailored services and a broad range of products – from chocolate products to ready-to-use fillings and coatings. Using these ingredients, customers manufacture chocolate, sugar confectionery, dairy products, ice cream, biscuits, breakfast cereals and snacks. There is a tendency, driven by consumer demand, towards all-natural and authentic products with higher cocoa content. Barry Callebaut is the global market and cost leader in this business.

The Food Manufacturers business unit had another very successful year. Sales volumes grew nominally 2.7% to 524,305 tonnes. Excluding the partial discontinuation of low or negative margin industrial sales taken over from Stollwerck as well as the reclassification of former deliveries to Brach's and Luijckx as intercompany sales, volume growth was 5.7%. This compares with the overall growth of the world chocolate market of about 1%. The loss of nearly 10,000 tonnes in the U.K. due to the suffering biscuits market makes the growth even more impressive. It is the result of the continued outsourcing trend in the food industry and of product innovation. In terms of geography, the most important contributors to growth were France, the Mediterranean countries, Eastern Europe, North America and, above all, Asia-Pacific (+34%).

Sales revenue rose nominally by 3.8% to CHF 1,639.3 million as a result of volume growth, margin improvements and a slightly positive currency impact, partly offset by lower underlying cocoa bean prices. Considering the above mentioned impacts from the Brach's and the Luijckx acquisitions as well as from the Stollwerck business, organic sales revenue growth was 7%. The ice cream industry did not reach the record levels of 2003 as a result of lower temperatures compared to the previous summer. Whereas the strong Euro had a positive impact on European sales, the weak US-dollar slowed down sales revenue growth in the Americas. In North America chocolate confectionery consumption increased slightly yet did not match the strong growth seen in 2002.

Volume growth, continued production optimization, strict cost control and the steady expansion of the margin per tonne led to a very substantial EBIT increase.

Investments in the Food Manufacturers business unit are well balanced between mature and emerging markets. In the past fiscal year capital expenditure was focused on capacity upgrades and cost-saving projects in Europe, North America and Singapore on the one hand, and on developing new markets on the other. Barry Callebaut is proud to supply most of the well-known private label and premium branded consumer goods companies in the world. This proves the company's cost leadership and its high levels in terms of quality, innovation and services.

Despite the economic recovery in several Western European countries and a good economic situation in North America, less money was spent on food in the year under review, and food markets suffered from price pressure on standard products. Eating habits are changing towards more convenient, more sensory and health-enhancing products, the latter influenced by the WHO global food strategy in response to the worldwide obesity issue. Several food market segments in the U.S. and to some extent in the U.K. were under serious pressure from low-carb diets. Industrial customers active in bread, pastry, cake, biscuit, breakfast cereals and meal substitutes had to redirect their product innovations towards low-carb alternatives, for which Barry Callebaut supplied the corresponding chocolates. This happened quickly in the U.S. while the reaction of the local food manufacturers in the U.K. was slower.

Barry Callebaut's new custom-tailored products were mainly in response to growing consumer demand for all-natural products without lecithin, chocolate without added sugar and fair trade chocolate. Furthermore, a lot of convenience ready-to-use fillings were made at customer request, and several origin chocolates as well as dark chocolates with higher cocoa content (77/85%) for use mainly in confectionery applications were developed.

The trend to outsource chocolate production all the way to the molding and packaging of the finished product was confirmed in the past fiscal year. Barry Callebaut, with its comprehensive solutions from the bean to the shelf, has already signed a number of important contracts with large branded consumer goods companies in this area. With regard to smaller and mid-sized companies, fillings and other convenience products will offer additional outsourcing potential. For larger, multinational confectioners outsourcing is a strategic decision due to the capital-intensive assets they own and the labor-force involved. Therefore the outsourcing of their chocolate production happens in stages and over a number of years. In many cases Barry Callebaut first captures specialties since the handling of such niche products, for which there is growing consumer demand, is very complex. Cost leadership remains crucial in order to further open up the captive market of the large chocolate confectioners.

Looking ahead, the Food Manufacturers business unit intends to grow through innovation, geographical expansion as well as by broadening its customer base. In the year under review, sales offices were opened in Moscow and Tokyo and reported initial successes. Russia will serve as the gateway to other Eastern European countries. The opening of a new distribution center on the U.S. West Coast has brought this business unit to be closer to its customers and expanded its customer base in the U.S.

Food Service/
Retail Business.

The Food Service/Retail Business 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. This segment consists of the two business units Gourmet & Specialties and Consumer Products (Europe and North America), which cater to the needs of chocolate craftsmen and global retailers.

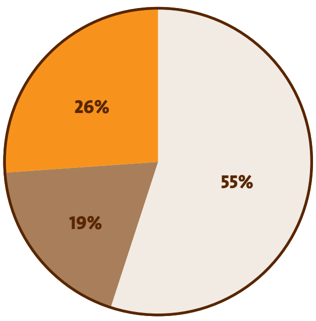
Food Service/Retail Business Segment

		Change in %	2003/04	2002/03
Sales revenue	**CHF m**	34.0%	1,845.6	1,377.4
Gourmet & Specialties	**CHF m**	7.9%	514.0	476.4
Consumer Products	**CHF m**	47.8%	1,331.6	901.0
Operating profit (EBIT)	**CHF m**	–2.6%	99.3	102.0
EBITDA	**CHF m**	6.0%	159.5	150.5
Segment assets	**CHF m**	22.8%	953.4	776.5
EBIT/Segment assets	**%**	–20.6%	10.4%	13.1%

Sales revenue in the Food Service/Retail Business Segment jumped CHF 468.2 million or 34% to CHF 1,845.6 million, with CHF 402.7 million or 29.2% resulting from the first-time consolidation of Brach's for the full year and of Luijckx for six months. Brach's, one of the leading manufacturers of loose confectionery products in the U.S., was acquired in September 2003. The restructuring and integration of the company is completed, and it already made a small positive contribution to segment EBIT.

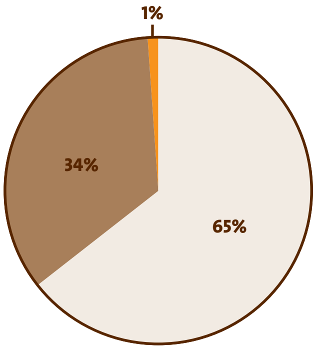
Operating profit after depreciation and amortization (EBIT) for the segment was CHF 99.3 million or a minus of 2.6%. Both businesses, Gourmet & Specialties as well as Consumer Products, made a positive contribution to segment profit, which could almost be maintained. EBIT development overall is the result of the following factors: Gourmet & Specialties again recording a strong organic EBIT growth due to higher volumes and higher margins; the first-time consolidation of the first six months of the business year of Luijckx, the addition of Brach's moderate EBIT contribution as well as the maintained high profitability of the former BC North America consumer business; this growth was offset by the unsatisfactory business

Gourmet & Specialties
SALES REVENUE BY REGION, 2003/04
IN CHF MILLION



Europe:	281.8
Americas:	99.9
Rest of the world:	132.3
Total:	**514.0**

Consumer Products
SALES REVENUE BY REGION, 2003/04
IN CHF MILLION



Europe:	858.2
Americas:	455.8
Rest of the world:	17.6
Total:	**1,331.6**

development in Consumer Products Europe especially in the third quarter and the beginning of the fourth quarter, topped by suddenly much higher prices for hazelnuts. Total assets went up by 22.8% to CHF 953.4 million due to the acquisition of Brach's. The relatively low amount of assets compared to the Industrial Business Segment is typical for the less capital-intensive molding and packaging activities of this business segment. EBIT over total segment assets was down at 10.4%, negatively influenced by the factors described above.

Gourmet & Specialties

The Gourmet & Specialties business unit comprises three distinct divisions: Gourmet, Vending Mix and Consumer Africa. The Gourmet division sells innovative premium chocolate products as well as convenient, ready-to-use and ready-to-sell products to craftsmen and professional users, such as chocolatiers, pastry chefs, bakeries, hotels, restaurants and caterers. Besides supplying products, the focus is on training the craftsmen, creating recipes and offering tailor-made solutions to professionals who make confectionery products. The Vending Mix division sells enhanced cocoa and chocolate blends for vending machines. The Consumer Africa division produces sugar and chocolate products tailored to local needs and also sells third-party products.

Sales revenue in fiscal 2003/04 was CHF 514.0 million, up 7.9% from the previous year. For the first six months of the fiscal year, Luijckx, acquired in March 2003, was included for the first time, with a contribution of CHF 25.8 million to unit sales revenue. Organic growth was therefore 4%. Whereas Gourmet achieved a sizeable organic growth, the two other divisions of that unit, Vending Mix and Consumer Africa, had flat sales development. Sales revenue growth was achieved across all geographies. Nominally, sales in Europe grew 7.6%. Sales revenue increased by 9.0% in the Americas, and market share was gained; the sales team will be further reinforced and the logistics and supply chain network optimized. In the U.S. consumers are looking for new taste experiences and freshness, which is an opportunity for products made in Europe that enjoy a high-quality image; furthermore business was expanded in the fields of confectionery and "white table". In Asia-Pacific, the hotel/restaurant business is back to normal after the SARS crisis a year ago.

EBIT grew substantially again as a result of volume growth, material margin improvements due to an increased focus on higher-margin product segments, such as ready-to-use and ready-to-sell products, and a solid EBIT contribution by Luijckx.

Development of gourmet markets in Europe was flat and competition from private label products is increasing. The traditional craftsmen are facing competition from the rapidly growing in-store bakeries in hypermarkets and the semi-industrial food service chains.

With its scale and scope, the Gourmet & Specialties unit is able to serve both market segments. Long-term contracts have been signed with several large food retailing chains to supply their in-store bakeries, create special recipes and train their employees. The product offering has been further expanded in two directions: first, improved and updated premium ingredients, such as a caramel chocolate line, from which top artisans create their top recipes; second, more ready-to-use, ready-to-serve and frozen products to enable the traditional craftsmen to maintain their competitiveness in an increasingly price-driven environment.

The successful integration of the Dutch-Belgian chocolate company Luijckx, specialized in manufacturing high-quality chocolate products and decorations and in marketing savory as well as ready-to-use and ready-to-sell products, into the Gourmet & Specialties unit enables commercial and sales synergies to now be reaped. For example, the new sales teams in Poland and the Netherlands were patterned after the well-established Luijckx sales force. In other countries, there has been an intense exchange of product know-how in order to optimize the offerings for customers, and the Luijckx product range will be launched in additional countries, for example in France. Furthermore, the Luijckx factories add more flexibility and speed up the launch of new products that would have taken more time if outsourced.

The Vending Mix division (blends for beverage machines) had another satisfactory year even though the European part of the business was still difficult. The vending mix market is characterized by a wave of consolidation among machine operators. In terms of product there is a split between cheap whey powder products versus more expensive and tastier milk-based recipes.

The Vending Mix division actively pursued its strategy of moving beyond the pure vending powder business. This included the development of a chocolate beverage in a tetra pack and a new chocolate drink vending machine for the HORECA channel. Barry Callebaut has launched highly innovative concepts and products in both product segments, reinforcing its image as a leader across the entire chocolate category.

In order to strengthen the European vending mix business, Barry Callebaut signed an agreement with Arla Foods amba of Denmark in July 2004 to acquire the business of Arla's subsidiary AM Foods K/S. AM Foods is a leader in cappuccino mixes, Barry Callebaut has a leading position in the chocolate business. The combined businesses will become a leading supplier in the European chocolate and cappuccino vending mix business with focused R&D capabilities, a dedicated production facility and a large, successful sales force. The objective is to take advantage of the rapidly growing out-of-home consumption trend in Europe, a region which is still under-equipped with vending machines in comparison to North America or Japan. The transaction was closed on September 2, 2004 and AM Foods was renamed Barry Callebaut Sweden. Results will be consolidated as of September 1, 2004.

The business development of the Consumer Africa division was flat as a result of the difficult political situation in Ivory Coast and the unfavorable exchange rate of the Euro versus the US-dollar, which serves as a proxy currency in countries such as Nigeria and is benefiting competitors from these countries. EBIT growth, however, was strong.

The strength of this division is its ability to combine local production of chocolate, candy and breakfast products tailored to local needs with a very strong and well-established direct sales network, allowing it to efficiently manage the distribution chain for the company's own and for third-party products throughout more than 20 countries in sub-Saharan Africa. A new product range has been launched in order to complete the product line-up.

In order to address the increased price pressure in US-dollar based countries, the three local legal entities in Ivory Coast, Cameroon and Senegal have initiated programs to drive synergies in the areas of purchasing, production, marketing and brand harmonization. There are also plans to cross-leverage Brach's products.

AM Foods

AM Foods is specialized in the production and sale of chocolate and cappuccino vending mix products. These products are made in the state-of-the-art production site in Kågeröd, Sweden, about 100 kilometers from Copenhagen, Denmark, where the company is also domiciled. AM Foods offers a complete product range of more than 100 high-quality instant beverages, both branded and private label, dedicated to vending, catering and retail channels. The branded assortment is marketed under the brand names Caprimo® and Ögonblink®.

The focus of AM Foods' sales activities is on the key markets of Europe as well as Scandinavia and Eastern Europe. Customers are multinationals/coffee companies, wholesalers of vending mixes, vending operators and retailers.

The company has produced instant milk-based beverages for more than 30 years. It became a wholly-owned subsidiary of Arla Foods in 2000 through the merger between MD Foods and Arla. AM Foods employs about 75 people. In fiscal year 2002/03 (as of September 30, 2003), the company reported sales of DKK 256 million (CHF 52.2 million / EUR 34.5 million).

Consumer Products

Unique customer label concepts on the one hand, select successful branded chocolate and candy products on the other are Barry Callebaut's two value propositions to global retailers. The acquisition of Brach's in September 2003 has created a platform for building an attractive consumer confectionery business in the U.S., the world's single largest confectionery market, complementing the company's presence in the European consumer marketplace on the basis of German Stollwerck, acquired in 2002. Barry Callebaut's push into the area of consumer products also strengthens its ability to provide broader outsourcing options to its global industrial customers, from the bean all the way to the molding and packaging of the finished consumer product.

Sales revenue generated by the two Consumer Products units Europe and North America rose nominally by 47.8% or CHF 431 million to CHF 1,331.6 million, which corresponds to 32.9% of total Group sales revenue. CHF 399.3 million of this growth is attributable to the first-time full-year consolidation of American Brach's Confections Holding, Inc., acquired in September 2003. The increase in sales revenue was further impacted by positive currency effects.

While volume growth was strong and even above the market average, the financial performance of Consumer Products Europe was unsatisfactory because of margin pressure, especially in the third quarter up to the beginning of the fourth quarter, and the impact of a sharp price rise for hazelnuts. The still weak domestic German economy led to overproportionate, double-digit growth in low-margin private label products still sold to some customers and a slow development of branded products, leading to lower sales revenue per tonne and an unfavorable margin mix.

On the other hand, as a result of an aggressive operations restructuring program combined with increased selling prices and a more than 20% decrease in fixed costs, Brach's made a moderate positive contribution to the Group's operating profit in its first year of consolidation, as expected. The former BC North America Consumer business maintained its profitability at a high level.

Fast corrective action was taken to achieve cost leadership and to shape the Consumer Products Europe unit into a preeminent and innovative customer solutions provider for global retailers in response to their rapid international expansion and to consumers' growing interest for quality at the lowest price. In order to strengthen profitability, prices of low-margin or unprofitable contracts/products will be increased or, if not possible, unprofitable volumes and products will be discontinued.

In order to achieve cost leadership, Barry Callebaut will concentrate the manufacturing of its products at fewer locations, and each factory will focus on the products it is best suited for. As a result of this approach, the production of pralines in Germany will be concentrated in the modern Norderstedt facility near Hamburg, Germany, and the Stollwerck factory in Cologne will be closed as of the end of March 2005. The production transfer and the closure of the Cologne factory are covered by the CHF 80 million restructuring provision set aside at the time of the Stollwerck acquisition. During the year under review, the restructuring continued and CHF 25.8 million in related expenses were covered by the restructuring provisions; a small amount was released as the planned actions were no longer necessary.

In the branded business the brand portfolio was streamlined and the focus put on Sarotti, which will serve as an umbrella brand. The Sarotti brand underwent a complete relaunch, from the makeover of the logo and the product packaging to the optimization of the product offering, including the launch of innovative new seasonal, praline and origin products. In the tablet business, the largest segment of the German chocolate market, Sarotti improved its competitive position from number 5 to number 3. Successful products that had been marketed under the Stollwerck and Sprengel brands were placed under the Sarotti brand.

Another challenge for Consumer Products Europe will be to grow the export business in order to become less dependent on Germany. The export business focuses on customer solutions for key international retailers primarily in three geographical areas, which are France, the Benelux countries and the U.K. The offering is moving away from single products to complete product ranges covering the entire chocolate category. First business results of this new focused strategy look promising.

The main motivation for consumers to buy chocolate is indulgence and taste. Health enhancing products are still a niche in Continental Europe, but growing, last but not least as a consequence of the current debate on health and obesity in Europe. The U.K. and the U.S. are among the leading markets for healthy and "better for you" products.

Especially in the U.S. consumers are increasingly concerned about excess weight and the severe health issues it is causing in the population while driving up the cost of health care. Therefore the sugar segment is declining while the chocolate segment is growing. Consumers are now aiming to balance their dietary habits with products that deliver great taste but minimize those aspects which contribute to poor health. Thus, products with reduced calories and fat are becoming increasingly popular. Demand for low-carbohydrate products has remained strong but is believed to have reached its peak.

In this market environment, Consumer Products North America focused on cost optimizations and on speeding up product innovation.

Brach's Chicago facility was closed at the end of 2003; the building and land were sold. Production was transferred to other facilities such as the Chattanooga plant and the new, more cost-efficient Vernell plant in Linares, Mexico, and partly outsourced. Restructuring provisions utilized amounted to approx. CHF 20.0 million. The Vernell factory is still in the start-up phase and will only reach its full capacity over the next coming years. Brach's now has a much more competitive cost structure. In an effort to consolidate its senior management team as well as key sales and marketing associates, Brach's relocated its corporate office to Dallas, Texas in January 2004. Some of the integration costs and start-up losses in the new Vernell plant were covered by the use of acquisition badwill in the amount of CHF 31.2 million.

Brach's Confections

Brach's Confections is one of America's leading manufacturers of confections. Founded in 1904 by Emil J. Brach, Brach's produces nearly 200 varieties of confections including hard candies, chocolates and fruit snacks. The company is best known for its StarBrites Mints®, Milk Maid Caramels® and Maple Nut Goodies® and its loose confections sales programs: Fresh Candy Shoppe and Pick-A-Mix. Brach's products are produced in three production facilities in the U.S., in a factory in Northern Mexico and by some outsourcing partners.

Brach's is a household name for confections among American consumers; the brand name has an aided awareness of 93%. Approximately 60% of total sales are sugar candy products, with approx. 20% each in chocolate products and fruit snacks products.

Brach's distributes its products through all major retail channels including grocery stores, drugstores, mass-merchandisers (such as Wal-Mart or Kmart) and club chains (such as Sam's) and is thus well established in the American market.

www.brachs.com

To drive revenue growth and to reinvigorate the product line, Consumer Products North America quickly ramped up product innovation. Over 75 new healthy and seasonal products developed in the fiscal year under review will hit the shelves before year end 2004. In addition, product upgrades were introduced. The unit is refocusing efforts on new chocolate item introductions to capture share in what is a large and growing segment of the confections market. Product innovations included the expansion of Brach's most popular offerings in a "better for you" version under the "SweetRight" umbrella, including reduced sugar, low-carb and sugar-free items, which offer both excellent taste and nutritional benefits; the launch of origin chocolate bars and chocolate-covered fruit; and product quality and packaging upgrades of select loose candy.

Private label chocolate confections are underdeveloped in the U.S. relative to other private label food segments and considered to offer good potential for growth. Sales of private label baking chips grew at a double-digit pace. To further drive sales, a private label line of the most popular branded chocolate confection items will be launched. Expanded R&D capabilities will offer the flexibility to customize the chocolate flavor profiles and to create unique products tailored to the needs of retailers.

The DSD program, which focuses on delivering fresh bulk candy directly to the point of purchase, is being expanded. Expectations are for continued growth of the DSD business through additional account sales and increased sales per store via new fast moving product offerings, improved quality and newly designed display units. The DSD program allowed the unit to reduce the number of routes by 10% while providing direct and regular service to retail customers.

As from September 2004, Brach's will offer retailers new merchandising vehicles to capture incremental volume behind the "Fresh Candy Shoppe" line of loose confections as well as new origin chocolate racks. Existing merchandising platforms will be modernized and upgraded to better match the produce area where they are located. These new racks, as well as retrofit kits for existing racks, will emphasize the new "better for you" portfolio of healthier chocolate and candies.

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Listening, learning and building lasting relationships

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Introduction.

Every week, Barry Callebaut trains about 500 chefs, pastry chefs and confectioners worldwide. In our Chocolate Academies in seven countries, experienced artisans as well as aspiring food professionals learn how to work with chocolate, how to use our range of chocolate products for making confections and desserts, and how to apply the findings from market research on culinary trends to create exciting new specialties for their customers.

In our research and development activities this year, we successfully completed more than 250 projects. One-third of our sales in the past three years came from new products. These were products that we developed based on findings about the changing eating habits and food preferences among consumers, and products that we developed jointly with our customers from the food processing industry.

In fiscal year 2003/04, we redesigned our corporate training and development strategy to provide a clear direction for Barry Callebaut employees worldwide. One of the building blocks is a graduate program for outstanding graduates from prominent business schools and universities in our target markets. The program gives the graduates an opportunity to start their careers by tackling challenging assignments in an international company. The program will enable us to attract the talented professionals we will need in our management team of the future. We are currently training 500 of our managers in our new global Performance Management Process. This process is closely linked to our core values and strategic objectives. In addition, we are committed to offering education and development opportunities to our employees in the countries in Africa and in Latin America where cocoa is grown, and to supporting educational programs for children and teens in local communities.

As individuals and as a Group, we are active listeners in our interactions with customers, consumers, team members, shareholders and other stakeholders. This gives us valuable insights and a deeper understanding of the issues our customers, and other stakeholders, face. We are committed to innovation and to lifelong learning. Listening and learning – being open to and seeking opportunities, being inquisitive and eager to learn – are essential for building lasting business relationships. Strong relationships with our customers, employees and other stakeholders will help us achieve our growth objectives and sustain **a leadership position in today's competitive chocolate and confectionery industry.**

Thinking about the future. Working on it now

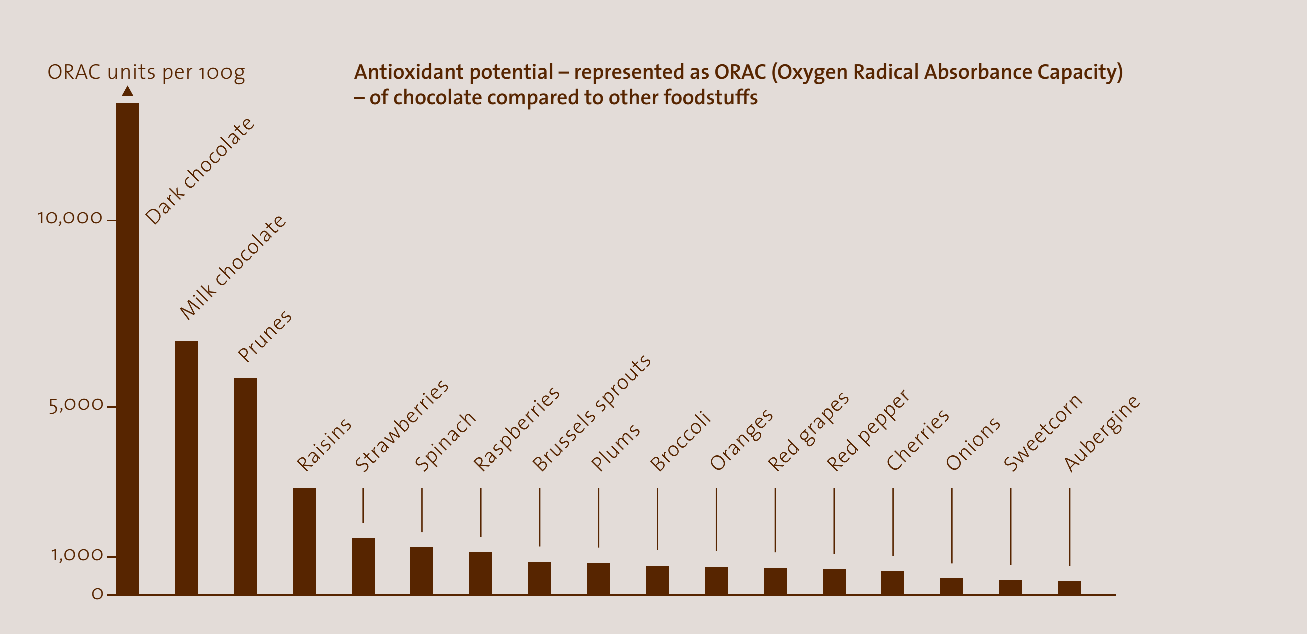
Chocolate and good health

Research shows there are good reasons to believe that chocolate can have positive influences on overall health. The role of polyphenols found in cocoa and chocolate is becoming clearer, opening the door to the development of innovative new products. Ongoing research suggests that the chocolate we indulge in occasionally because it tastes good, may be good for us, too.

Chocolate's hidden secret?

Polyphenols are natural components found in healthy plants such as fruit and vegetables, and also in the cocoa plant. It is thought that they evolved in order to protect plants from pests and disease. Different components with different chemical structures fall under the definition of polyphenols. Many of them have an antioxidant effect that helps the body's cells counteract harmful free radicals. Polyphenols have been under the scientists' microscope for years. They were first studied in cocoa and chocolate 50 years ago. Early research mainly looked at their role in flavor and aroma. More recently, however, their potential health benefits have come under study.

The polyphenols found in cocoa and chocolate belong to a class called flavonoids. More than 4,000 flavonoids are found in the human diet, coming from a variety of food



sources such as fruit, vegetables and red wine. Flavonoids can be broken down into sub-groups, one of which – the flavanols – are particularly abundant in cocoa beans. Chocolate contains four times the amount of flavanols as tea.

What's more, cocoa and chocolate also contain unusually large amounts of more complex flavanols called procyanidins. Research indicates that these complex flavanols can act as powerful antioxidants. They appear to have other properties that promise added health benefits, including positive effects on blood platelets, the blood vessel walls and the immune system.

Research suggests that cocoa and chocolate flavonoids may have a positive influence on cardiovascular events such as heart attack and thrombosis. This could be because they protect against oxidative damage to the arteries. The flavonoids also seem to reduce the cause of blood clots.

The benefits of chocolate

What happens when we eat chocolate? Studies have shown that chocolate produces several chemical reactions in the body. One of the most significant of these is the secretion of endorphins, which produces a pleasurable sensation. Chocolate also contains serotonin, a neurotransmitter that acts as an anti-depressant. Some of the other substances in chocolate, such as theobromine and phenylethylamine, also have a stimulating effect on the body. Chocolate contains other nutrients, such as potassium and magnesium. Magnesium deficiency is linked with hypertension, heart disease, diabetes, joint problems and pre-menstrual tension. Chocolate also provides several vitamins, including B1, B2, D and E. Chocolate does contain fat, and should be consumed in moderation. However, studies have not found a causal link between chocolate consumption and obesity. In fact, chocolate may satisfy a craving from time to time and can help prevent bingeing.

Myths that die with research

Some common myths about chocolate have been refuted due to ongoing research. For example, it is not true that eating chocolate can cause acne or make it worse. Nor is chocolate a threat to healthy teeth. Cocoa polyphenols appear to play a role in inhibiting plaque formation by oral bacteria. Unlike other foods that can cause dental decay – including raisins and even apples – chocolate never stays long in the mouth.

Finally, studies suggest that eating chocolate does not contribute to the risk of increased blood cholesterol levels, particularly when included in a healthy, varied diet.

Healthy indulgence!

Awareness about food has shot up exponentially over the past few years. Many consumers are paying close attention to what they are eating, and they know what they want from their food: a healthier experience. Healthy indulgence is possible, as Barry Callebaut has demonstrated with several innovative new products.

Eliminating lactose and reducing sugar

The idea that we can care for our body by enjoying healthy food is appealing to many consumers. Millions of people across the world are carefully choosing food products that offer a good combination of taste, nutrition and healthy attributes. The popularity of organic food is an example of this trend.

No milk plus the natural nutritional value of rice

Barry Callebaut's lactose-free milk chocolate flavored coating is made of classic Kosher Pareve-certified ingredients for dark chocolate: cocoa mass, cocoa butter, sugar, vanilla and soy lecithin as well as roughly 14.5% rice powder. The coating is therefore 100% vegetable in origin, and guaranteed free of dairy products.

By adding rice powder to dark chocolate, we have created a delicious product that is difficult to distinguish from classic milk chocolate either through taste or appearance. The added value comes from the nutritional power of rice, which has been well documented over the centuries. Rice is available worldwide and guaranteed GMO-free. It is easy to both grow and process. Unlike other cereals or dairy substitutes, rice has a neutral taste. It is cholesterol-free, highly nutritious, easily digestible and has a pure, natural image.

The potential target consumers for lactose-free chocolate coating include people who prefer vegan, vegetarian or Kosher foods;

people interested in boosting the nutritional value of the foods they enjoy; and people who choose to eliminate dairy products due to intolerances or allergies.

Lactose intolerance is caused by a lack of the human enzyme lactase, needed for the digestion of milk products. It affects some 20% of the population in Europe at some stage in life (reaching considerably higher proportions in Asia and Africa). Children often show symptoms that later disappear.

By replacing milk with rice, rather than other substitutes, Barry Callebaut also made its product gluten-free.

Smooth production

Barry Callebaut develops product solutions to meet the needs of chocolate artisans and multinational food manufacturers. Lactose-free coating, for example, "works" well in various products because it has the same mouthfeel and technical properties as classic coatings. Whether they buy from an artisan or choose a branded product from their local retailer, people can enjoy their favorite chocolate in the same way – simply without the lactose!

Reducing sugar

Traditional chocolate contains around 30–55% sugar, which is added during production or preparation. The sugar is principally sucrose, obtained from sugar beet and sugar cane. The sugars are added for taste and as "bulking" agents, to give a pleasant mouthfeel. Another sugar, lactose, is naturally present in milk powder and therefore also in milk and white chocolate. Roasted nuts contain around 4% sugar.

Many people are trying to cut down on the sugar in their diet for health or lifestyle reasons. For these consumers, Barry Callebaut has successfully introduced a range of chocolates and fillings without added sugar. The sweetening ingredient is the sugar substitute maltitol. A range of chocolate products is available, including dark, milk and white varieties. The new products meet the needs of chocolate processors, both artisans and manufacturers. A range of fillings and nut pralines is also available, enabling the most diverse applications and virtually unlimited creativity.

In August 2004, Brach's unveiled its Fresh Candy Shoppe II. Its display features a fresh new look and a shopper friendly four-sided design. Freshness improvements also include wrapping many of the candies and chocolates traditionally sold loose and unwrapped, thereby increasing quality and appearance.

The candy offerings feature new healthier alternatives, including the new lines of "better for you" candies and chocolates such as sugar-free and low-carb products. The SweetRight® healthier line-up is merchandised on the top shelf of Fresh Candy Shoppe II. New marketing campaigns have also been launched.

Focused research

Barry Callebaut continues to conduct research on the properties and use of chocolate. Our commitment to R&D and innovation enables us to work together successfully with our customers to develop and produce the products and solutions they need.

Discovering new opportunities through R&D

Barry Callebaut conducts fundamental research on cocoa and chocolate. These efforts are supported by two Centers of Excellence: one in Louviers, France, which focuses on cocoa, and another in Wieze, Belgium, which focuses on chocolate and compounds. Ongoing research by Barry Callebaut and Belgium's Vrije Universiteit Brussels (VUB University) focuses on the fermentation process of cocoa beans and the potential opportunities for improving chocolate flavor as well as production processes.

The fermentation process for the beans used in chocolate production has not changed in centuries. Although several other industries use controlled "starter cultures," chocolate production still relies on naturally occurring fermentation. Working together with Professor Luc De Vuyst, Head of Research Group IMDO (Research Group of Industrial Microbiology, Fermentation Technology and Downstream Processing) at the Vrije Universiteit Brussels, Barry Callebaut is taking a closer look at precisely what happens during cocoa bean fermentation.

The goal is to pinpoint and select specific starter cultures. This ability would enable Barry Callebaut to better direct the subsequent production, and, for example, improve the flavor of chocolate or create special ranges with distinct flavors or characteristics. Using starter cultures could also simplify or speed up post-fermentation processing since some of the roasting or conching steps could possibly be reduced or eliminated. A more reliable fermentation process could also mean better yields for cocoa farmers and quality consistency.

Preserving precious polyphenols

Another area of focus of the research concerns polyphenols and how to preserve them. Polyphenols contain components that have an antioxidant effect that helps cells counteract harmful free radicals. During fermentation, a large number of polyphenols is usually lost. Chocolate products with higher levels of naturally occurring polyphenols could be highly appealing to food manufacturers and health-conscious consumers. The fermentation research project started in September 2003 and will run four years. The first starter cultures could be available by late 2005.

Avoiding fat bloom

Consumers want products to taste good, and look good, too. When chocolate looks a bit discolored, with white traces on the surface, products seem less appealing. This is fat bloom – the result of cocoa butter separating from the chocolate and settling on the chocolate surface. It usually appears due to suboptimal processing or on products that have been stored at overly-warm temperatures or subjected to quick temperature changes. Although fat bloom does not affect the taste of chocolate, it is a serious concern for biscuit and confectionery manufacturers.

Barry Callebaut has been working with Prof. Dr. Ir. Koen Dewettinck and his team at the University of Ghent in Belgium on how to predict the risk of fat bloom on finished consumer goods.

A method to predict fat bloom risk would help reduce costs and save time for our industrial customers, but also for the consumer business. Our customers would no longer have to go through a long waiting period before they know whether they are using the right application parameters. This would not only save them time, but would also highly reduce risks of having stocks for several months with a high risk towards fat bloom.

By the end of 2005, we expect to have a predicting model ready on lab scale, which we will further develop in the following years towards industrial applicability.

Capturing the information out there

What we can learn from the market

Barry Callebaut conducts market research to systematically detect new consumer trends at an early stage. This data ultimately leads to the cocoa and chocolate products of the future. Dr. Klaus L. Wübbenhorst, the Chief Executive Officer of GfK Group, talks about the latest developments in consumer behavior in the following interview. GfK Group is active in 57 countries around the world and surveys the behavior of some 100,000 consumers every month.

With all these interviews you must know consumer behavior inside and out!

Yes and no. Market research does not make consumers totally transparent. Instead it provides general information about certain sections of the population and certain income brackets which can then be used in product development and in marketing campaigns.

Are we heading towards a uniform modern lifestyle?

No, thank goodness! People are different and will remain so. True, there are a large number of products that are global brands; they look the same everywhere and are even advertised using similar strategies. Here there is a tendency towards standardization with regard to consumer behavior.

On the other hand, precisely in the area of consumer goods, we have also observed a tendency towards regionalization. Products like fats and oils, for instance, are consumed in greater quantities in southern countries whereas in northern countries butter-based products are preferred. To further complicate matters, consumption patterns are also changing. For example, a consumer can choose a global brand to quench his or her thirst while eating a specific regional product.

Have there been any significant changes in consumer behavior during the past 10 years?

If we go back 10 or 20 years, we can say that we were dealing with "your average consumers" who were very predictable in their behavior and habits. Nowadays, in contrast, we are dealing with multi-optional consumers who like variety and choice. They may eat a wholesome, all-natural breakfast, grab some fast food for lunch for lack of time and then go to the best restaurant in town for dinner. In other words, today's consumers can adapt their needs and wants at the drop of a hat.

What do today's consumers think about nutrition?

One aspect of nutrition is, of course, that is must have a satiating effect. Besides this, though, it can be said that consumers are more aware of the health and wellness aspects of nutrition.

Dr. Klaus Wübbenhorst, CEO of GfK Group, is in daily contact with consumers

How does chocolate fit in with this picture?

Chocolate will never be a staple food. Instead, it is something extra that is consumed. Everything that makes you feel good, that makes you feel happy, is conducive to your body's wellness. Chocolate can also be an expression of certain situations – for example, a little bit of chocolate can take the edge off hunger – or it can be an expression of how we feel.

How has the image of chocolate changed?

I think it has changed in a positive sense. Chocolate has been successfully associated with sports. It takes away pangs of hunger, enhances enjoyment and is a pleasure that can also be readily shared. The problematic issues facing a chocolate manufacturer have to do with cholesterol and calorie intake.

Is chocolate also in tune with today's lifestyle, which is characterized by people who are always on the go and eating more and more away from home?

On the one hand we have impulse purchases – you are driving from point A to point B, you need to buy some gas and are a little bit hungry. Chocolate is one of the products that you might buy. On the other hand, chocolate is often bought in food stores because it has been successfully positioned as part of a life philosophy. In other words, pleasure and enjoyment are simply needed every now and then. Indulgence – hedonism, if you will – has become part of normal life.

Do different people buy different products?

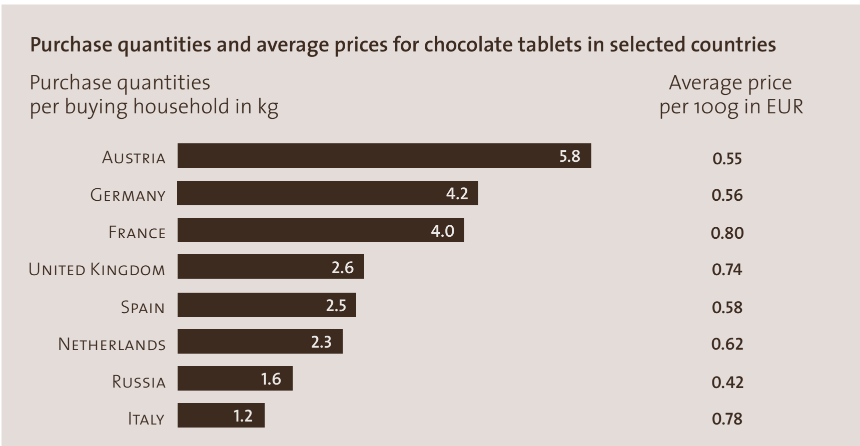
There are obviously some differences here. Purchase quantities are highest in multiple-person households with small children; pralines are generally bought by people over 50 and retirees.

There are also significant differences between the various European countries. For instance, the average purchasing household in Austria buys 5.8 kg of chocolate tablets a year, far more than in the U.K. or Italy, for example. This is partly because of differences in average selling prices: a 100-gram chocolate tablet costs only 0.55 EUR in Austria but 0.78 EUR in Italy. Although chocolate tablets cost the least in Russia, where the average selling price is 0.42 EUR per 100 g, chocolate apparently still qualifies as a luxury product there.

Everything that makes you feel good, that makes you feel happy, is conducive to your body's wellness

What does the market teach us as a chocolate manufacturer about the future needs of consumers?

Findings from our consumer panels indicate that changes in social structures change purchasing behavior. However, we have to take other information, such as demographic trends, into consideration as well. Life expectancy is rising by about three months every year, which means the population is aging rather quickly. What's more, the number of small households – single- and two-person households – is growing. Package sizes are likely to become accordingly smaller. As I mentioned, since chocolate is not a staple food but something that is often bought on impulse, chocolate products have to be well positioned and attractively presented. Lastly, the product must be available in the right channels.



How do changes in product distribution affect purchasing behavior?

Half of all the discount stores in Europe are located in Germany. You can reach a discounter from almost any town in Germany within 15 minutes. That's why competition there is so intense. Hard discounters have expanded tremendously in recent years, and not only in Germany. The question is how many stores is a consumer willing to go to in order to meet his or her daily needs. Branded manufacturers have to decide whether they can afford to neglect this channel and limit their presence to specialty retail outlets. Our research shows that certain products are definitely in a win-win situation. A good discounter might not be able to afford to keep a certain brand off its shelves and, conversely, a strong brand can have enough confidence to venture into discount channels. However, once premier brands enter the discount channel, it is important to retain the same price strategy and to try to establish a price premium based on the image associated with the product.

Does this growth in the discount segment also translate into corresponding growth opportunities for private labels?

There's no doubt about it. One could even say that the discounters have, to some extent, already developed into brands of their own. The big discounters have invested tremendous amounts of money in advertising. This has given them a branded status and, in the eyes of many consumers, a clear-cut position that can be described as "good quality at low prices." What's more, discounters have put certain private brands on their shelves that are likewise perceived by consumers as normal branded products. What's important for classic branded manufacturers is that both kinds of products – branded and private label – are well established with consumers.

Does your market research also include the segment of private labels?

It does, but only indirectly through our consumer panels. This means we have detailed information on how discounters are faring in comparison with specialty retailers, even though discounters themselves are somewhat reluctant to disclose any data on their operations.

Does this mean you can figure out how a discounter's store brands are performing compared to manufacturer brands?

Consumer behavior here is to a certain extent very rational. Consumers are very price-conscious when it comes to the standard products for everyday needs. On the other hand, they are willing to spend more money for something that is associated with luxury or enjoyment, and to buy a branded product for this purpose. This behavior explains why, according to our data, 17 of the just over 20 brands that were market leaders 30 years ago are still the leading brands in their particular segment today. Chocolate is no exception. That is why ongoing branding and innovation – be it a new package size or a different package design – is so important. First, this creates some scope for a small price premium and, second, the image that has been projected into the minds of consumers prompts the buying act. However, here, too, the middle of the field is getting squeezed out. A chocolate tablet or a praline that does not stand out from all the others with regard to price or quality or presentation is in a tough spot. Suppliers of these products are being hemmed in by the classic branded manufacturers who are marketing an image on the one hand and the good-tasting, low-cost chocolate of discounters on the other. Our data indicates good growth prospects for the top one or two products in any particular category and for products that are clearly positioned in a market niche. We have also discovered a renewed trend towards branded products among certain consumers over the past one and a half years.

About GfK

Established 70 years ago as Germany's first market research company, with more than 120 subsidiaries, offices and participations in over 50 countries on five continents, the GfK Group is one of the leading market research organizations. Ranked No 1 in Germany and No 5 in the world, the Group provides business information services to clients in industry, retail, the service sector and the media, which they use for their marketing and positioning purposes.

Tailor-made customer solutions for retailers

Discounters worldwide have grown at an above-average rate in the past few years. This has led to an increase in the demand for customer label products as well as comprehensive customer-exclusive solutions concepts, encompassing a full range of activities from product development to promotion at the point of sale.

The acquisition of Stollwerck in 2002 made Barry Callebaut the leading supplier of customer labels in Germany with a market share of about 33%. Our objective is to become the service provider of choice for retailers by providing a full range of services – from the production of high-quality customer label products to marketing and promotion concepts. Retailers want to build customer loyalty, and successful customer labels can help them achieve this aim.

"Customer Solutions" kit

Customer label products must be marketed as skillfully as traditional branded products from manufacturers. Any company that wants to successfully introduce new products and ideas to the marketplace must first understand consumers: what they want, what they don't want, what they're missing. Market observation, market research and product development therefore go hand in hand.

Stollwerck's Customer Solutions Team in Germany has recently begun using the "Catman Browser" developed by the research institute GfK. This tool is used to conduct in-depth analyses of particular product categories, points of sale and consumers. This information enables us to develop custom-tailored products or brand concepts for our customers.

Initial meetings with purchasing agents have shown that there is considerable interest in such customer-specific analyses. Several new customer solutions for national and international retailing partners are under development.

Barry Callebaut named "Best Private Label Supplier of 2004"

The success of our customer solutions initiatives was demonstrated in May 2004 when Stollwerck won the coveted retailing award "Best Private Label Supplier of 2004" from the drugstore chain Schlecker. Schlecker operates more than 10,500 stores in Germany, plus another 2,800 stores in the rest of Europe.

Kurt Wurster, Schlecker representative, said during the award giving ceremony: "We felt that Stollwerck clearly deserved recognition for its accomplishments this year, and with the award we also recognize the high quality of its products and the comprehensive related special services it offers."

The key word for us is quality. Price is not the only critical factor. Our customers expect high quality standards to be applied to their store brands, so that consumers will be enticed to purchase them repeatedly. Schlecker's policy is to sell only products that consumers trust.

Aligning the product range with consumer trends

The bottom line is how to make the chocolate aisle more attractive for our various retail customers. This includes ensuring that the range of chocolate products on offer is aligned with the latest consumer trends.

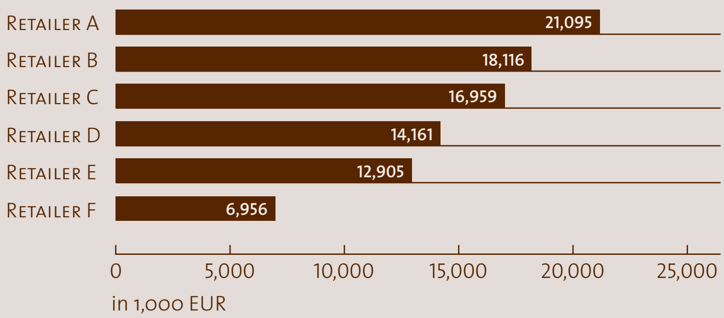
In response to consumers' rising health consciousness and drawing on the success of aloe vera in the yoghurt section, we have, for example, developed exclusively for Rewe a chocolate product enriched with aloe vera that contains orange-flavored biscuit crumbs. We also produce exclusively for Rewe multi-colored chocolate drops for children. In the last fiscal year, we also signed an agreement to create exclusive seasonal products in the mid-priced range with one of Europe's largest discount chains.

Working with Marks & Spencer, one of Britain's leading retailers, we developed a store brand concept in the premium segment. We are especially proud that our products scored higher in terms of quality and taste than the comparable brand name products in tests conducted with Marks & Spencer's in-house product specialists.

These latest successes strengthen our conviction that we are addressing a quickly growing market need with our comprehensive customer solutions concepts.

Example of an analysis with the Catman Browser

Unexploited sales potential in premium private label chocolate tablets, 2003



Transformation of the Sarotti brand

The decision to expand Sarotti into an umbrella brand in the European consumer business entailed an extensive relaunch of the brand. The goal of the rebranding campaign is to position Sarotti products in a manner that conveys indulgence and that appeals to consumers' preferences for variety and choice.

With a brand recognition of 99% in Germany (NFO-Infratest 2003), the 111-year-old brand name Sarotti and its signature trademark, the traditional Moor figure, offer a solid basis from which to expand the brand. This potential is now being selectively exploited as the brand undergoes an extensive re-positioning involving product, price, promotional and placement aspects. The re-launch will make Sarotti a more independent brand with a higher profile. At the same time, a number of successful products that were previously stocked on retailers' shelves under various other brand names have been placed under the Sarotti banner. Fewer brand names will improve our marketing efficiency and will help increase "share of mind" among consumers for Sarotti products.

Inviting consumers to indulge

The existing range of Sarotti products is being enlarged with innovative new products, seasonal products and traditional product line extensions. New products include for example Sarotti Caffè Italiano pralines. These Italian-style coffee pralines reflect consumer preferences for a Mediterranean ambience and small package sizes. The targeted customer for this product is the sophisticated, well-educated female consumer.

The most conspicuous change in the Sarotti brand transformation is the new packaging. The contemporary design ensures that the broad range of products has a consistent appearance in the marketplace. First introduced in 1922, the Sarotti figure is and remains the central element; it symbolizes the brand and its quality. The standard bearer of good taste has become an alluring "magician of the senses." The Sarotti Moor is balanced on a crescent moon and is juggling stars in an allusion to a dreamlike and delectable chocolate experience. Basic Sarotti products are presented in packaging featuring light chocolate-brown tones while elegant darker tones are used for premium product packaging. Premium products include the recently introduced Sarotti No. 1 "Origin Chocolate," which is made from cocoa beans sourced from specific cocoa-growing regions and produced according to traditional recipes. Four varieties containing up to 76% cocoa content have been launched.

In addition to the enhancements in the product line-up and packaging, the Sarotti brand repositioning also included pricing adjustments to position the brand higher in the category. New product concepts and merchandising strategies were developed, some of which were tailored to the needs of individual retailers.

Successful start

The repositioning of Sarotti has already yielded tangible results. Since the new products and packaging were unveiled at the International Sweet and Biscuits Fair (ISM) in February 2004, the number of stores stocking the brand in Germany has increased by more than 2,000. Sales revenues for certain Sarotti products have risen significantly, driven by substantial volume growth and, to some extent, by higher prices.

Innovative products invite consumers to indulge

Sarotti Nostalgia Edition No. 6

Barry Callebaut offered retailers three new 100-gram chocolate tablets with fruit from the Sarotti Nostalgia Edition No. 6 in a successful seasonal promotional campaign that ran from April to September 2004. The products included dark chocolate with a panna cotta and raspberry filling, dark chocolate with a kefir and blood orange filling and milk chocolate with a mascarpone and strawberry filling.

The domestic red fruit varieties with their intensive berry flavors combined with popular Italian dessert creams proved to be especially popular with consumers and strengthened Sarotti's offering of seasonal products.

Our passion for know-how goes both ways

Our Chocolate Ambassadors

The Barry Callebaut Chocolate Ambassadors Club is a network of 60 highly accomplished and respected food professionals, including well-known chefs and restaurant owners, pastry chefs and chocolate artisans. We have Ambassadors in 20 countries throughout the world, each representing a single Barry Callebaut brand – Cacao Barry, Callebaut or Carma.

Meet our Ambassadors

One of the qualities all of our Ambassadors share is a passion for chocolate. To be an Ambassador, you have to fall in love with your brand and be proud to work with it.

At trade fairs and other prominent events of the Gourmet industry, the Barry Callebaut Ambassadors showcase the features and benefits of our products, and demonstrate how to use them in creative and innovative ways. In addition to demonstrating our products and teaching other food professionals about what Barry Callebaut offers, the Ambassadors work with our research and development organization to develop and test new products. They also provide valuable insights into the needs of chocolate artisans and gourmet food professionals, market trends and consumer preferences in different target regions of the world as well as in emerging markets. To ensure our members of the Chocolate Ambassadors Club are always up to date, they regularly receive a newsletter with all information about product developments, events and training courses.

The World Chocolate Masters

The World Chocolate Masters, initiated and sponsored by Barry Callebaut, recognizes and celebrates innovation, artistry and technical skills. Building on the tradition of excellence cultivated in the competitions previously conducted separately for our Callebaut and Cacao Barry brands, the World Chocolate Masters is positioned as the premier international event for top chocolate professionals.

In 2004, pre-selection events were held in Italy, Canada, Germany, Netherlands, Poland, U.K., Brazil, France and Switzerland. More pre-selections will be held in 2005 in Spain/Portugal, Scandinavia, Australia, the USA, Benelux and Japan.

Contestants were chosen for their flair and competence – talents that are put to the test in front of an international panel of food experts. One of the most challenging aspects of the competition is the "mystery box" segment. At the competition, contestants are given a set of mystery ingredients, which they must use to create a praline.

The World Chocolate Masters final will be held in Paris at the Salon du Chocolat in 2005. The winners of the pre-selection events conducted in ultimately 16 countries will compete for the top honor and the price package of 75,000 EUR.

Martin Berasategui originally learned cooking from his mother and aunt who ran a restaurant for fishermen in the old town of San Sebastián. He went on to cook in restaurants throughout Spain. After eight years working to perfect his knowledge of pastry and then running the kitchen at Alain Ducasse's Louis XV restaurant in Monaco, he returned to the Basque countryside to open his own restaurant.

Now working from an elegantly restored villa in Lasarte-Oria, just outside San Sebastián, Martin Berasategui combines typical Basque cuisine with regional and traditional products. "I grew up watching the farmers bring their carts to the market, and I still buy from them," he says. His novel, creative approach to preparing dishes based on fresh regional products attracts lovers of fine food from across Europe. "In our culture, we learn about gastronomy before we learn to walk. We live the cuisine as other cultures live rugby or football," says Martin Berasategui. His cooking is noted for its pure style, and for original combinations of flavors and aromas.

In addition to his reputation for being a master with fresh food, Martin Berasategui is known for his attention to detail and his quest for perfection. He is widely recognized as the Basque region's finest pastry and dessert maker. This gives him ample opportunity to feature Barry Callebaut's Gourmet products in his creations.

Martin Berasategui: a chocolate master

Cacao Barry Ambassador Martin Berasategui is recognized as one of Europe's most exciting chefs. His restaurant in his hometown of San Sebastián, Spain, boasts three Michelin stars. Martin Berasategui insists that each product that enters his kitchen – from the savory to the sweet – be of impeccable quality. In this interview, Martin Berasategui explains the role of chocolate in his cooking.

The quality of the products you use in your cooking is very important to you. What criteria do you apply to chocolate?

The same as for all the ingredients I use when I cook. I demand the very best quality in every product that enters my kitchen. Flavor, subtlety, aroma, personality... there can be no questioning these criteria. From chocolate, I require flavor, texture, subtlety and that it can be tamed by fire!

Why do you choose to work with products from Barry Callebaut?

To put it simply, Cacao Barry is a quality brand. I am always on the lookout for great products, so without a doubt one of the greatest moments for me as a chef was when we got in contact. And, above all, the Barry Callebaut people we work with are professionals who listen to our recommendations and meet even our smallest requirements.

What does your role as an Ambassador involve?

It involves studying all the improvements you can achieve by using these marvelous products, and conducting demonstrations so that people can see my philosophy behind using them.

Which chocolate products do you use the most?

Pure origin couverture Cuba and Tanzania. After trying many others, these are the chocolates that I featured in my last two dessert creations.

Which aspect of chocolate do you like to highlight in your creations?

More than anything else, I'm obsessed with the flavor and texture of good chocolate. I try to emphasize these aspects in my work.

How has the use of chocolate changed over the years?

There has been an evolution in the use of chocolate and we now see many new possibilities for including chocolate in our cooking applications. It's an advantage for me as a chef to be able to partner with Barry Callebaut and to work together on discovering new opportunities for chocolate.

What changes in taste have you observed among your customers and consumers in general?

I've noticed several changes. The number of chocolate lovers is growing. I can see that every day in the restaurant. The customer's preference is moving towards purer and less sweet tastes, which we can cater to by using special products such as origin chocolate – chocolate made from beans originating from one country or region.

What is your dream combination of chocolate and other food?

My dream is to be able to let people see that in my cooking, chocolate can be used as a starter with meat, fish and a salad, or as a dessert. It all depends on the balance, on what I'm trying to achieve, and the recipe I'm trying to create.

Teaching the chocolate experts of tomorrow

The Barry Callebaut Chocolate Academies in Wieze (Belgium), Meulan (France), Dübendorf (Switzerland), Singapore, St. Hyacinthe (Canada), Lódz (Poland) and Banbury (United Kingdom) are dedicated to meeting the needs of our artisanal customers. Our in-house technical advisors at the Academies bridge two cultures – the artisan world of confectioners and pastry chefs and the corporate world of brands and balance sheets – to promote Barry Callebaut and our products throughout the world.

Demonstrating the art and business of chocolate

Each year the technical advisors or "demonstrators" teach thousands of experienced and aspiring artisans about tempering, molding hollow figures and chocolate couvertures. They conduct courses and workshops in multiple languages, including English, French, German, Dutch, Spanish, and Italian. They answer customers' questions and give advice on how to use our products. They develop and test dozens of recipes to ensure they meet the quality, ease-of-use and shelf-life requirements of our customers. And they travel thousands of miles to demonstrate Barry Callebaut products at international exhibitions, industry trade events and customer and distributor facilities.

Industry honors and accolades

All Barry Callebaut demonstrators have trained and worked in the world of chocolate and pastry creation. Collectively they have won numerous national and international awards, prizes and accolades in the culinary field.

Because of their international fame, Barry Callebaut demonstrators are often invited to conduct workshops at industry trade events and to serve on the juries of the leading chocolate, bakery and dessert competitions around the world – another measure of their strong reputation in the culinary world.

Chocolate insiders

Coming from the artisan side of the business, Barry Callebaut demonstrators have experienced the melting, mixing, whipping, and assembling that takes place in the busy kitchens at pastry shops, confectioneries and restaurants. They know and understand the kinds of problems and issues our customers face; they "speak the same language."

Our demonstrators have been with the company from two to 32 years, and they all share a commitment to customer service.

Our French demonstrators: Philippe Marand and Philippe Bertrand

They work closely with the sales and marketing departments of our Group, providing a valuable perspective that complements the business side of the customer relationship.

A flair for teaching, a love of learning

Teaching is an important part of the job and Barry Callebaut demonstrators have perfected the art of communicating information in such a lively and interactive way that workshop participants are often eager to return.

"Knowledge of chocolate is important for this job, but how you deliver that knowledge is equally important. Are you good at teaching, communicating, motivating?" said Patrick Mertens, Barry Callebaut Belgium. "We tell people at our seminars and workshops, 'We have no secrets. We're here for you, use us.'"

Focus on customer support

The demonstrators mostly provide technical assistance and support to gourmet customers, however as needs arise throughout the world they are available to assist industrial customers as well.

Listening to the needs of the customer is, of course, paramount. François Stahl, Barry Callebaut Switzerland, said: "It's important that we listen to what our customers say they want and understand what they mean. What we like to do is not important, but rather can the customer use what we develop? Our job is to continuously keep customers informed about our products, their versatility and potential applications," he continued. "We work to expand our customers' knowledge and, at the same time, open the door to possibilities."

The Barry Callebaut Institutes, with their Chocolate Academies, application laboratories and research and development facilities, are considered "pools of innovation" by culinary professionals.

Mutual inspiration creates mutual successes

Magnum: partnership on a stick

Barry Callebaut and Unilever ice cream have been working together to create delicious, appealing products for almost 80 years. Innovations under Unilever's famous Heart logo build on a history of bringing out the fun in ice cream.

In the fast-paced business of ice cream, the Magnum brand has been a star year after year. Launched in Europe some 15 years ago as the first real adult ice cream that provides consumers the opportunity of ultimate indulgence, Magnum has grown to be a worldwide phenomenon. Ongoing product innovation such as Magnum Intense and the "7 Sins" limited edition series with exciting new coating combinations have contributed to this success. Barry Callebaut has been an active partner in these innovation successes, providing new ideas, a testing platform, and technical expertise at the local and global levels.

A star is born

"The idea at the beginning was very simple," remembers Lieven De Visscher, a member of the Barry Callebaut R&D team that worked with Unilever on the original Magnum. "Unilever wanted a chocolate coating to keep the ice cream from sticking to the wrapping. So we suggested, 'Why not use a real chocolate coating and create a product with added value?'" Until then, ice cream makers had used low-grade milk chocolate for coatings, as the focus was very much on the ice cream. "By using two grades of dark chocolate and milk chocolate, we helped develop a product with broad appeal," Lieven De Visscher said.

The launch of Magnum opened up new consumer markets for Unilever. "Focusing on good chocolate extended the market from kids to adults," said Paul Van Vooren, Corporate Account Manager at Barry Callebaut.

Going from a local hit to a global brand, however, required another set of production skills. Barry Callebaut provided assistance in several ways.

Courtesy Unilever

"One of the main concerns a company in food manufacturing has is getting the same product quality everywhere the company is operating. The close cooperation among our plants is one of Barry Callebaut's strengths. We can deliver the right chocolate locally,

Courtesy Unilever

Unilever ice cream

Unilever is the global market leader in ice cream, with a 17% market share. Its global ice cream business is worth EUR 5 billion. Unilever sells ice cream in 40 countries worldwide. Its ice cream is known by different brand names in different countries including Wall's in the UK and South East Asia, Streets in Australia, Kibon in Brazil, Algida in Italy, Langnese in Germany and Ola in the Netherlands. Together they produce brands including Magnum, Cornetto, Solero and Carte d'Or, united by the Heart logo.

which offers savings to the customer and speeds up production. And, we can rely on all our plants to deliver the same quality," explained Alex Landuyt, Manager R&D Europe & Asia for Barry Callebaut.

Innovation think tank

"Barry Callebaut's chocolate know-how, its focus on quality and its technical expertise to resolve problems and deliver solutions have made it a valued partner for us over the years," said Don F. Darling, Vice President Ice Cream Development at Unilever.

Barry Callebaut's chocolate know-how, its focus on quality and its technical expertise to resolve problems and deliver solutions have made it a valued partner for us over the years

When the chocolate coating was cracking on some Magnum bars because of local conditions, the Barry Callebaut team quickly diagnosed the problem and helped to provide the solution. While working to ensure the same level of quality, Barry Callebaut also advises customers on opportunities to reduce costs.

Consumer preferences are constantly changing. And, applications for chocolate are changing steadily, too. Barry Callebaut invites Unilever brand managers and department heads to special "innovation meetings" where Technical Advisors demonstrate the latest techniques for working with chocolate and show new ideas for future applications. Barry Callebaut's Chocolate Ambassadors around the globe are another source of creative ideas and inspiration.

Underscoring all these activities is the shared commitment to meeting Unilever's goal to continue to grow its ice cream business by allowing consumers to taste the fun side of life with ice cream experiences that offer a break from the hectic pace of modern life.

Unilever

Flying chocolate doctors make customer calls and deliver

For Barry Callebaut, delivering quality cocoa and chocolate products is one part of our commitment to customers. Another is offering our know-how, experience and creative ideas to help customers make the most of our products and to use them in new and innovative ways.

1,600 recipes

Barry Callebaut has over 1,600 different recipes for processed cocoa and chocolate products. This includes recipes ranging from origin chocolate to blends and for products in liquid, solid or powder form. The volume and scope of this recipe bank is an indication of the sophistication and technical complexity of the chocolate market. Understanding what a customer needs today and may need tomorrow is vital. Equally important is the ability to resolve problems that may arise – with a recipe or during a production process.

So what happens when something goes wrong? Enter one of our "flying chocolate doctors" – such as Michaël Gijselaar who is based at the Barry Callebaut Institute in Wieze, Belgium. He is Mr. Fix-It when a customer reports a problem. "We offer a wide range of products and there is no limit to the number of ways our customers incorporate them into their own products," explains Michaël Gijselaar. "So if there is a problem, we are on hand to step in when needed." Typically, a customer will call when a problem cannot be resolved internally. Maybe the chocolate coating of a biscuit isn't adhering properly, or a new production line isn't working as expected.

Michaël Gijselaar travels to the company and meets with production heads and line staff. "Both are important," he says. "The management explains where they want to go with the product, whereas factory workers can better describe what is actually happening on the production floor."

The initial briefing usually offers clues to the solution. "By listening carefully to the customer, I often pinpoint areas that should be investigated as possible sources of the problem," says Michaël Gijselaar. Barry Callebaut's "flying chocolate doctors" have extensive experience in application labs and in the day-to-day reality of food production. They are also tuned in to the latest production techniques, and have the hands-on experience to explain to customers how and why they work.

"…that specialist knowledge"

Although most of the issues he deals with are unique to a specific customer's operation, Michaël Gijselaar does see a common trait. "Chocolate is a living thing. A lot of problems are the result of a lack of understanding of how chocolate is produced and used," he says. "For many customers, the chocolate is just a part of a larger process that includes baking and marketing. And, for many people, chocolate is an added-value aspect, it's not their core skill. So they need that specialist knowledge from time to time."

Michaël Gijselaar spends 80% of his time dealing with chocolate issues and the rest on developing new products. "Customers sometimes ask us to think about a new product or a different way of using chocolate," he says. "I'll talk about it with colleagues at our lab and maybe try a few things before getting back to the customer. The team here is highly qualified and creative. It's a very exciting and rewarding aspect of the job – another facet of providing the customer with great products."

A day in the life

For Michaël Gijselaar, very few days could be called "typical" as the issues he encounters are usually very different from one customer to the next. He spends most of his days traveling and working at customer sites. For example, he might take an evening flight from Belgium to Italy, checking into a hotel late at night for a few hours of sleep. By 7:00 a.m., he is often at the plant for meetings. After an hour or two, he will be in discussions with the line staff, working on possible solutions. Test runs are organized, after which the results are analyzed. Perhaps a few more tests will be run. "I usually have a pretty good idea of what I'm looking for before we start," he says. "I don't try things out 'to see'."

Depending on the complexity and scale of the issue, Michaël Gijselaar may spend up to two days at the plant. The solution could be either a modification of the production process, or a change in the recipe. "It could be a case of changing a parameter such as the viscosity of the chocolate we deliver, for example." Either way, the goal is to limit the downtime, improve subsequent production – and ultimately build long-term business relationships with our customers.

Exchanging ideas about quality

Quality. In every location, at every level

Customers choose Barry Callebaut for quality. Honoring our commitment to quality in our operations worldwide is a source of pride and a prerequisite for success in the chocolate and confectionery industry.

Barry Callebaut wants to deliver the perfect product to every customer, together with outstanding service. Two principles underscore our commitment to quality: first, the expectations of the customer are paramount; and second, we guarantee safe and delicious products for the end consumer. To ensure that customers' expectations are fulfilled, we test our products rigorously in terms of taste, composition, technical properties and workability. Our products comply with the most progressive food safety standards and legislation. These standards and the procedures aimed at meeting them and verifying them represent the core of our quality guarantee for all our products.

Barry Callebaut's Corporate Quality Management team coordinates and ensures that the directives and guidelines of our Quality system are effectively implemented at a local level at the different sites. Independent auditors certify that local Quality systems follow the international ISO 9001 standard.

ISO certification confirms that a site meets the agreed quality standards applied throughout the company. Barry Callebaut's overall Quality policy covers everything from employee training according to Key Performance Indicators to the strict application of policies governing Genetically Modified Organisms, Kosher products and organic ingredients. These requirements, and food safety requirements such as HACCP (Hazard Analysis Critical Control Points), are subject to regular controls and checks.

ISO certification in Africa

Quality starts at the source: the cocoa bean. Barry Callebaut sites in Africa are in the process of ISO certification. We expect all Industrial sites in Africa to receive certification by the end of 2004.

Barry Callebaut Ghana was certified on August 4, 2004, SACO in Ivory Coast in October 2003, SIC in Cameroon in December 2003, and Chocosen in Senegal in May 2003. Chococam in Cameroon and Chocodi in Ivory Coast, two of our Consumer products sites, are expected to be certified in early 2005.

Charity A. Sackitey, Quality Assurance Manager, Barry Callebaut Ghana

The factory of Barry Callebaut in Ghana was opened in 1998

Learning about quality and safety the e-asy way

E-learning offers flexible safety training for Brach's employees

We are always looking for ways to improve safety and to increase employee awareness about safety. Patrick Semtner, Director of Human Resources at the Chattanooga, Tennessee plant and office in the U.S., recently started a safety training program using e-learning.

The program runs on a website designed specifically for Brach's. Each month employees can go online and take the monthly safety training. These topics include: Hearing Conservation, Fire Safety, Lock Out/Tag Out, Personal Protective Equipment, Hazardous Communication, Bloodborne Pathogens, Powered Industrial Trucks, Ergonomics, Fall Protection, Confined Space, Safe Driving and Electrical Safety. The courses, available in English and Spanish, cover safety issues in plants, offices, sales and Direct Store Delivery locations, and on the road.

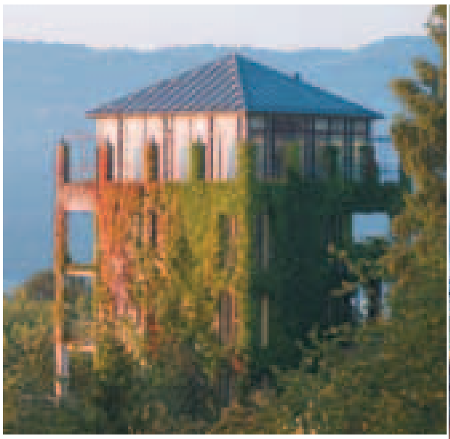
After completing a course, employees must take an exam and score at least 75% correct. "The Internet is just one tool that we use for safety training," says Patrick Semtner. "Our project provides a comprehensive training system and quality training programs, and it meets Occupational Safety and Health Administration (OSHA) compliance standards. It is easy to administer and easy for employees to use." According to Patrick Semtner the employees enjoy the training and the flexibility it gives them in staying on track with the annual safety calendar.

Employees can take the courses whenever they have time. Anyone with a computer and authorized access can use the system. The program is also personalized, enabling people to work through the various courses one after the other. "The program provides training to all employees on a consistent basis and is an important part of reducing incident rates, worker compensation costs and overall training costs," says Patrick Semtner.

Keeping an open mind creates new ideas

Our commitment to learning and professional development

Barry Callebaut strives to create an environment in which ongoing learning, entrepreneurship, and creativity can flourish. Our learning and development strategy is focused on bringing us to a level of leadership among the world's most innovative, professional, and high-performance organizations.



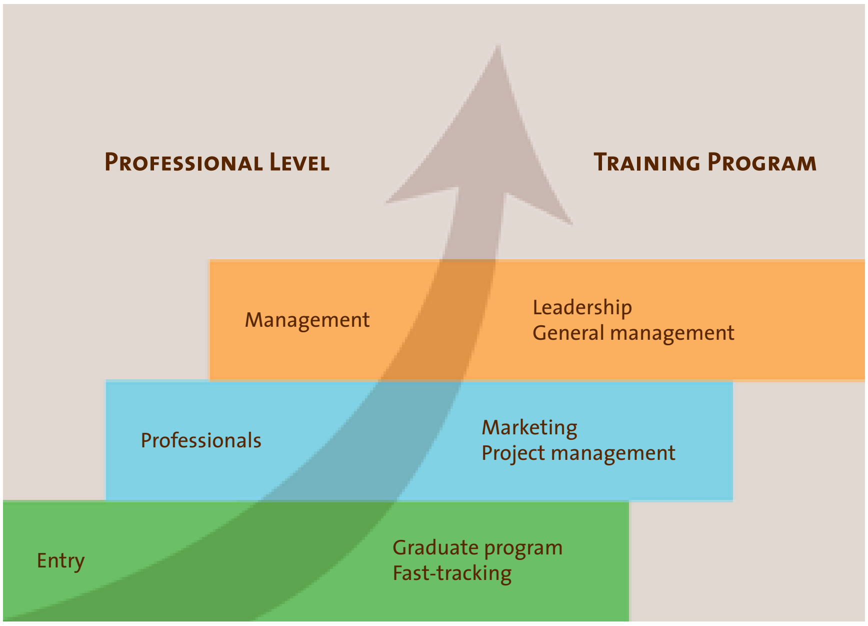
Marbach: our training center of excellence

Over the past year, we have redesigned our corporate training and development strategy to provide a clear direction for Barry Callebaut employees worldwide. The Marbach campus is the centerpiece of this learning strategy, offering opportunities for employees at all levels to improve their skills, share their experience, and break down organizational boundaries by forging a global knowledge network.

New management development initiatives

We are redesigning our Marbach management development programs to more closely support our global strategy and help our people learn the skills they need to compete more successfully. The new programs will expand their knowledge of Barry Callebaut and the chocolate industry, provide senior management with a better view of the Group's management talent, and stimulate the intellectual growth that underlies business progress.

The core Marbach General Management Program will be a comprehensive,



two-stage learning experience that managers will take in successive years. During 2004–05, shorter specialist seminars and workshops will supplement the core program, addressing specific areas such as executive leadership, marketing, project management, and fast-track learning for selected early-career professionals.

Our new learning philosophy will create the building blocks that will ensure that we continue to attract and retain talented professionals and develop our people to be future leaders.

Graduate Program

A key element of creating our learning environment is to attract recent university graduates with strong academic credentials, international experience, and a keen interest in learning about the chocolate industry In 2004, we launched the new Barry Callebaut Graduate Program at Marbach, kicking off an intensive two-year experience in which six talented graduates will work in several different functions and experience an international assignment outside their home country. Mentors and coaches from Barry Callebaut will provide guidance and support to help graduate trainees make the most of this unique learning opportunity.

The Graduate Program will enable us to build our relationships and visibility at leading business schools and students around the globe, and will provide an opportunity for Barry Callebaut entities to attract talented graduates through job fairs and other recruiting events in their areas.

Employees teach employees

The learning environment we are fostering at Marbach also extends to local Barry Callebaut locations. For example, in 2004 the R&D team in Meulan, France, organized a program to help their colleagues gain a better understanding of the scope of research and development activities underway at their site.

In an all-day introductory seminar, the R&D team shared their knowledge with their colleagues from Pricing, Sales, Sales Administration, IT and Administration. Forty people took advantage of the opportunity to learn how a product is developed, how tests and products are coded, and how the process is influenced by industry regulations concerning the use of vegetable fats other than cocoa butter in chocolate.

Participants also visited the tasting laboratory, learning about the influence of fluidity, taste, texture, and composition in creating a fine chocolate product. Finally, they worked with real chocolate, learning how to temper chocolate, how to mold chocolate tablets, and how to create pralines filled with ganache. This form of knowledge sharing at the local level is an excellent example of how the inspiration of Marbach can energize a global learning and development strategy.

Cross-training in North America

When the Barry Callebaut plant in Pennsauken, New Jersey, underwent a major re-structuring in 2003, the management and unions implemented a program to provide cross-training to all employees. The idea behind cross-training is to make people qualified in multiple disciplines or jobs.

The plant went from being a molding and cocoa and liquid chocolate production facility to a facility that produces only liquid chocolate. Consequently, just about everyone in the plant had to make many changes to the way they work.

New skills, more value

Since December 2003, the training programs for Chocolate Operators, Dry Ingredient Dump Station workers, Liquid Tank Loaders and Waste Water Treatment Operators are also provided to warehouse, sanitation and other staff. "Employees now have a chance to learn new skills and add to their value to Barry Callebaut," says Edward Stephany, manager of Human Resources at the plant.

While there is an additional cost to cross-training, the results are worth it, according to Edward Stephany. Trainers must take time out from their normal duties; trainees must find replacements for their jobs while they are learning about new ones. "We consider this an investment in our workforce and future. The results speak for themselves in terms of increased flexibility and productivity," says Edward Stephany. Cross-training also gives employees a better overall view of a plant's activities and underscores the team spirit needed to stay ahead in a competitive business.

Reactions from employees have been enthusiastic. "It makes the work more interesting," says warehouse worker Larry Robinson. Jerry Cheevers, another warehouse worker, adds: "It's good for our company to have employees who can do many things. And, cross-training can provide us with greater job security."

Opportunity and flexibility

Cross-training offers new opportunities to employees and makes staffing more flexible. Some employees now working in higher skill levels are earning more; others are enjoying a more satisfying workday. For Barry Callebaut, the benefits are considerably less downtime on production lines due to absence, and greater flexibility.

Transferring know-how

When confectionery production in North America was moved from a plant in Chicago to a plant in Chattanooga, Tennessee, it meant more than re-directing supplies to a new address. Employees in Chattanooga had to now manage 15 million pounds of chocolate, a 40% increase over the volumes they were accustomed to handling. Knowledge about new production techniques also had to be transferred. The Chattanooga operations now handle chocolate enrobing, depositing and panning. A number of new technological improvements were introduced when production was relocated. The entire transitioning – from infrastructure development through equipment installation and to full production in all transitioned areas – was accomplished in less than 18 months.

The knowledge transfer took place while the Chattanooga plant was in full production, and all product delivery deadlines were met. Training varied from three to six months for each of the respective transitions. Chicago plant management and key operators and candy makers worked closely over that period, to minimize any complications. Several managers and operators moved permanently to Chattanooga, creating a knowledge base for future employee development at the plant.

Personal development, Singapore style

Since 1998, Singapore has been working towards a national human resources development standard. Companies that adhere to the standard are called People Developers – a concept that Barry Callebaut Asia Pacific has been proud to embrace.

Barry Callebaut Asia Pacific started working on the development program in 2004, and aims to reach the People Developer standard by 2006. Eight attributes have been determined to achieve this status:

- Providing staff with learning plans aligned to business objectives
- Providing staff with career development opportunities
- Allocating resources for this development
- Communicating our plans to the staff
- Equipping them with the necessary skills through structured inductions
- Monitoring people development activities closely to ensure they are implemented as planned
- Establishing systems to help staff transfer the learning acquired from training
- Evaluating effectiveness to improve future plans

According to Human Resources Manager Carolyn Cheo, the organizational objectives have been set and the consulting phase completed. The next steps include defining department objectives, assessing and prioritizing training needs as well as formulating career development plans for all staff – in alignment with organizational business goals as identified for the near term.

Recognition and support

The program is being implemented to achieve a number of aims, including boosting the motivation and efficiency of existing staff and instilling an effective team mentality. The Singapore authorities are covering some of the costs of the program as it concerns all employees, not just management.

The program will help ensure that Barry Callebaut remains an attractive choice for talented candidates on the job market, echoing our desire to be a preferred employer. With the challenges and potential offered by the Far East, the ability to attract and retain the most talented professionals is a priority. Thus, by working towards the People Developer standard, Barry Callebaut is also enhancing its profile on the job market.

Contributing to the communities in which we live and work

Teaching and learning in the countries of origin

Barry Callebaut has manufacturing facilities in several countries that grow cocoa. We are committed to offering education and development opportunities to employees in these origin countries, and to supporting educational programs for children and teens in local communities.

Ivory Coast

Barry Callebaut helps to fight AIDS, which still plagues many countries in Africa

SACO (Société Africaine de Cacao SA), a Barry Callebaut subsidiary in Ivory Coast, has been working to increase employee awareness about AIDS and HIV issues since the late 1980s, despite public reticence to broach these subjects. In 2002, SACO set up a fund to provide financial assistance to employees who need medical treatment. SACO is the sole contributor to this fund, which continues to assist employees. A more structured AIDS awareness program, launched in 2003, provides training to employee volunteers who proactively communicate with other employees and provide information or support. In addition, SACO offers training in managing household finances to avoid debt.

Assuring employees they are not alone

As part of an ambitious and structured campaign to increase AIDS awareness, SACO organized an intense, five-day training program on HIV-related issues for 20 employee volunteers. These volunteers communicate directly with employees in SACO's four sites to improve awareness about the illness and offer support as needed. They coordinate their activities with the work being done by public bodies on AIDS and HIV issues to reinforce their efforts.

Despite the falling price of medication, treatment for AIDS is still prohibitively expensive for most people in Ivory Coast. To support employees who need assistance, SACO plans to implement a solidarity fund together with employees. The goal initially is to provide financial assistance to employees who would not otherwise afford the necessary medical treatment. The assistance will make it possible for employees to continue working and thus help avoid placing additional financial burden on families.

"We want to encourage our employees to seek help and assistance if they need it, and to not be reluctant or ashamed to ask for help because they have a certain illness or disease. At SACO, no one was ever fired because of AIDS, and since we have covered the cost of treatment, we have not had any HIV-related deaths at the company among those employees who are undergoing the treatment," says Georges Boka, the head of Human Resources at SACO. "Employee contributions to the fund will increase AIDS awareness, and hopefully encourage other organizations to set up similar programs. It is foreseen that employees would pay a percentage of the treatment costs themselves."

As Juliette-Romance Koffi, one of the project organizers, explains, the program is part of a larger drive to prevent the spread of HIV: "A number of workers are affected by the virus, although they are not suffering from AIDS-related diseases. We are trying to prepare for the future. The volunteer workers' committee was determined to provide a collective response."

Steering clear of debt

The risk of personal debt is high among many African employees. When hard times hit, a family in Africa is mobilized to bring a collective solution to what could be considered an individual problem elsewhere. Everyone chips in. In times of economic hardship, however, family members with a steady job can often find themselves responsible financially for a large number of people. Rather than lose face, they contract further debt to keep up with their family obligations.

The results can be disastrous, for the individual as well as his or her employer. An employee preoccupied with money concerns may be less productive than usual and more prone to accidents. Since 2002, SACO has organized training sessions for employees and some spouses at its San Pedro plant. The training covers how to manage a household budget and also how to plan ahead for special circumstances. The results were easy to quantify, as nearly all the participants subsequently opened savings accounts.

Brazil

The New Life Project initiated by Barry Callebaut employee Abdias Prates targets at-risk youths

Despite government actions to provide access to education, smaller cities, such as Ilhéus in the state of Bahia, often lack an adequate infrastructure. Barry Callebaut observed this first-hand: some 60% of its factory workers had not completed secondary education. In addition to the personal disadvantages and reduced earnings potential, the limited education meant that employees would likely have a harder time learning new jobs and progressing to jobs requiring higher skill levels.

Emphasis on education

To address this issue, Barry Callebaut launched an ambitious educational program for employees through the Industrial Association Social Service. In just three years, 80% of the participants successfully concluded their high school education, with the remaining 20% scheduled to finish by late 2005.

Barry Callebaut sponsors 90% of the cost of the program. The participants contribute the remaining 10% and agree to commit the necessary hours in their free time to attend courses and study. As a result of this education initiative, Barry Callebaut was awarded an Honor Seal of Social Responsibility from Industrial Social Service Association (SESI).

Barry Callebaut is also participating in an education project designed and sponsored by the Bahia State Government. The project covers the cost of university tuition fees for graduates of public high schools who could not otherwise afford a university education. The goal is to provide educational opportunities across generations to help break the cycle of poverty in low-income communities.

Kids at risk

Barry Callebaut also supports a community program run by the SESI that targets young people at risk. Regular school attendance is required. By encouraging children and teens to stay in school or learn a trade, the program aims to bring at-risk young people back into the mainstream of society.

Another project to keep kids in school was initiated by Barry Callebaut employee Abdias Prates. Abdias Prates started a sports program called New Life Project for poor boys in his neighborhood. As long as they stayed in school, the kids could take part in training, competitions and events. The informal program eventually grew into an organization with NGO (non-governmental organization) status and was recognized by the Brazilian government as a public service project. Barry Callebaut was one of the first corporate contributors to the project. Abdias Prates is expanding the scope of New Life Project to include other aspects of education. Artistic activities and occupational courses such as basic computer knowledge, sewing skills and handicrafts are planned. Children and teens will also receive information about hygiene, health and the risks of drug use.

New Life Project's success has inspired other Barry Callebaut employees to volunteer, creating a dynamic community spirit within the company.

Supporting development efforts in Ghana

Ghana is the second-largest cocoa producer in the world after Ivory Coast. Barry Callebaut is a member of the Ghana Investors Advisory Council (GIAC), contributing our know-how as a foreign investor and as a local producer to help fight poverty.

Ghana has a total population of 21 million, expanding at a rate of 1.36% per year. Ghana's per capita income was USD 450 in 2004, the Gross Domestic Product (GDP) grew by 5.1%. Although Ghana has abundant natural resources, the domestic economy continues to revolve around subsistence agriculture, which accounts for 35% of the GDP. About 60% of the workforce is engaged in agriculture, mainly as small landholders.

Barry Callebaut sources more than 50,000 tonnes per year of cocoa from Ghana, and operates a processing plant in Tema. As a member of GIAC, we strongly support Ghana in its effort to reduce poverty and make the country attractive to foreign investors. GIAC members are local and international business people who act as a "think tank," making development recommendations directly to the President of Ghana on ways to attract both local and foreign investment. The GIAC was established by H.E. President J.A. Kufuor with the support of the International Monetary Fund (IMF) and the World Bank to highlight the investment potential of Ghana and also to recognize the important strides that Ghana has made in its pursuit of investor-friendly policy reforms.

Two issues of direct concern to the cocoa industry in Ghana are child labor and land reform. Since most of the country's cocoa is grown on small, individually owned plots, ease of buying and selling land is crucial for further development of the industry.

Land is not easily available to investors, information about land use is not readily available and the process of land acquisition and registration is complex and slow. The GIAC has therefore recommended that the government make information on land availability easily accessible, establish a single office for land administration, decentralize the land title registry, streamline land acquisition procedures and speed up the implementation of the Land Administration Project.

The cocoa industry in Ghana has traditionally been government controlled. At the urging of the World Bank and other aid donors, Ghana's government has already carried out major reforms in the cocoa sector, improving efficiency and channeling more money to farmers. The result has been a turnaround in cocoa production, and the start of a solid growth of Ghana's cocoa industry. There are plans to add more cocoa processing facilities and more factories to export cocoa products.

Sustainable, responsible cocoa growing

In late 2001, Barry Callebaut was among the signatories of the so-called Industry Protocol, a six-point action plan to ensure that cocoa is grown and processed responsibly – without abusive child labor practices. An important milestone in the Protocol was achieved with the signing of a binding memorandum of cooperation among the major stakeholders involved – industry representatives, governments, leading experts on labor and agricultural issues, nongovernmental organizations (NGOs), consumer coalitions and other interest groups.

Another milestone was the founding in 2002 of the International Cocoa Initiative (ICI), a not-for-profit foundation governed by a board of industry and other, nongovernmental stakeholders, established to oversee and sustain efforts to eliminate the worst forms of child labor in the growing and processing of cocoa beans and their derivative products.

The final milestone in the Protocol – certification – which refers to a system of continuous monitoring, corrective action and regular reporting, verified by independent third parties, is due July 1, 2005. In order to reach this target, a series of pilot programs was launched in West Africa.

To succeed, the overall approach must work within the realities of cocoa farming. The traditional cocoa farm is small and family owned/operated. In West Africa, which accounts for more than 65% of the world's cocoa crop, there are 1.2 to 1.5 million cocoa farms, supporting more than 10 million people.

The pilot programs implement and assess different approaches. The first programs were implemented in 2003 and are moving ahead throughout West Africa, reaching tens of thousands of cocoa farming families. They can be grouped into two categories: responsible labor practices and child labor intervention, and strengthening farming communities.

Responsible labor practices and child labor intervention

These programs, designed and managed by the International Labor Organization (ILO) and the International Cocoa Initiative, promote responsible labor practices and address instances of abusive child or forced labor through various approaches, including:

- Community-based prevention and action to address the causes of child labor at the community level.
- Social protection – target farming families for direct assistance; at-risk youths under 18 to be redirected from inappropriate work and retrained.
- Ensuring supportive policies and development planning, to ensure that child labor is addressed systematically by all the major stakeholders.
- Capacity building – train agricultural authorities to detect and handle potentially problematic child labor issues.
- Child labor monitoring – train inspection organizations, perform site visits.
- Knowledge dissemination – compile best practices on responsible labor practices; disseminate information through farming communities across the region.
- Awareness raising – promote internationally accepted labor practices among farmers.

Peter McAllister, ICI Executive Director, and Katherine Owen, ICI Program Coordinator, in Beposo village in Western Ghana

Strengthening farming communities

These programs address the health and vibrancy of the local cocoa farming community. They seek to raise the livelihood of rural cocoa farming families and workers, thereby improving the opportunities for nutrition, health care and education. The programs are managed through the national networks of the Sustainable Tree Crops Program (STCP), a strategic development alliance in West Africa between farmers, the global chocolate/cocoa industry, governments, research institutes and the public sector.

Specific pilot program elements include:

- Creating/strengthening local community, farmer organizations – establish farmer groups; provide training in finance and marketing; improve access to credit.
- Market information systems – test different systems to help farmers grow cocoa more efficiently, time their sales to take advantage of market price fluctuations, gain a greater share of the global price paid for cocoa.
- Technology dissemination – promote diversified agriculture; combat diseases and other problems that hurt farm productivity; train farmers in safe, sustainable pest management.
- Radio education – use of radio to educate farmers on safe farming techniques; offer at-home education to children; promote responsible labor practices.

"The ICI acts as a catalyst to build consensus and dialogue for effective action. We are motivated by the needs of children in producer communities and the commitment we feel from our primary stakeholders to work toward responsible labor standards for cocoa growing"

(ICI Executive Director Peter McAllister)

Programs running in several West African countries to improve farmer incomes are showing results. In Cameroon, the Sustainable Tree Crops Program focuses on where farmers sell their crop. STCP representatives trained Cameroon farmer organizations in business planning, marketing and accounting, and then established 300 sales points throughout the country where farmers could sell their cocoa as a group, thereby increasing their economic leverage. The result: Farmers participating in this one program alone earned approximately 15% more for their cocoa crop. Programs to help "at-risk" children are rolling out throughout cocoa producing nations in West Africa, notably Ivory Coast, Ghana, Nigeria and Cameroon. These programs are under the direction of the International Labor Organization (ILO) as part of its WACAP (West Africa Cocoa/Agriculture Program) initiative.

Working towards standards of public certification

Certification is the final requirement of the Protocol process and a critical part of the cocoa and chocolate industry's efforts to ensure that children are not harmed in cocoa farming. Certification is a system of continuous monitoring, independent third-party verification, corrective action and regular reporting with a goal of compliance with ILO Convention 182. The certification system will provide interested parties with ongoing, credible evaluation of progress. The program will "certify" progress across an entire country – not individual farms or single cocoa shipments.

We are pleased that tangible action directly influencing the lives and well-being of the cocoa farming families is now underway. We remain fully committed to playing our part in the industry's actions, and we will continue to apply working standards within our Group that are in line with or above local standards. We strongly condemn slavery and hazardous child labor practices. No such practices have been reported within the Barry Callebaut Group or will be tolerated.

Honoring outstanding performance and community service

The annual Chairman's Award recognizes employees who have been with the company for a number of years and demonstrated outstanding performance for the company and also social commitment in their local communities. The award was inaugurated in 1995 by Klaus Jacobs, founder of KJ Jacobs AG. Seven Barry Callebaut employees received the award in 2004, and were honored at a ceremony in Switzerland.

Back, from left to right: Daniel Baillargeon, Jerry Hagedorn, Andreas Jacobs (Chairman of KJ Jacobs AG), Patrick De Maeseneire (CEO of Barry Callebaut AG), Andreas Schmid (Chairman of Barry Callebaut AG)
Front, from left to right: Guido Elskens, Monique Mertens, Juliette-Romance Koffi, William Collins Ampofo, Katarzyna Kazmierczak

Guido Elskens
Maintenance supervisor
Wieze, Belgium – with the company since '89
Most of Guido Elskens' free time is dedicated to the Belgian Red Cross. He serves as a first aid instructor. Guido is a Red Cross attendant at football matches, demonstrations and other public events, and is also qualified to assist during natural disasters.

William Collins Ampofo
Mechanic
Tema, Ghana – with the company since '01
William Collins Ampofo devotes his spare time on a voluntary basis to Echoing Hills, a nongovernmental organization and Christian ministry in Accra, which supports families of disabled people. The organization provides counselling to relatives caring for people with disabilities. It also assembles and repairs wheelchairs for the disabled in the community.

Monique Mertens
Personnel and wage administration
Wieze, Belgium – with the company since '87
Monique Mertens is a founder and active member of the "De Minne" theater, which performs an important social role in her community. She is also active in the Scout movement.

Katarzyna Kazmierczak
Export sales assistant
Lódz, Poland – with the company since '99
Katarzyna Kazmierczak is involved in animal welfare. She devotes several evenings each week to a refuge for homeless dogs and cats, raising funds to buy food for the animals and helping them to find new owners.

Jerry Hagedorn
Consultant and former Chief Financial Officer, Brach's
Dallas, Texas, U.S. – with the company since '92
Jerry Hagedorn and his wife lead one of the largest independent fundraisers in the Chicago area for the American Cancer Society.

Daniel Baillargeon
Team leader and machine operator,
St. Albans, Vermont, U.S. – with the company since '98
Daniel Baillargeon is involved in three non-profit community organizations. He is active in the Scout movement, and he and his wife Wanda act as foster parents for children in need. He is also an active sponsor for Alcoholic Anonymous.

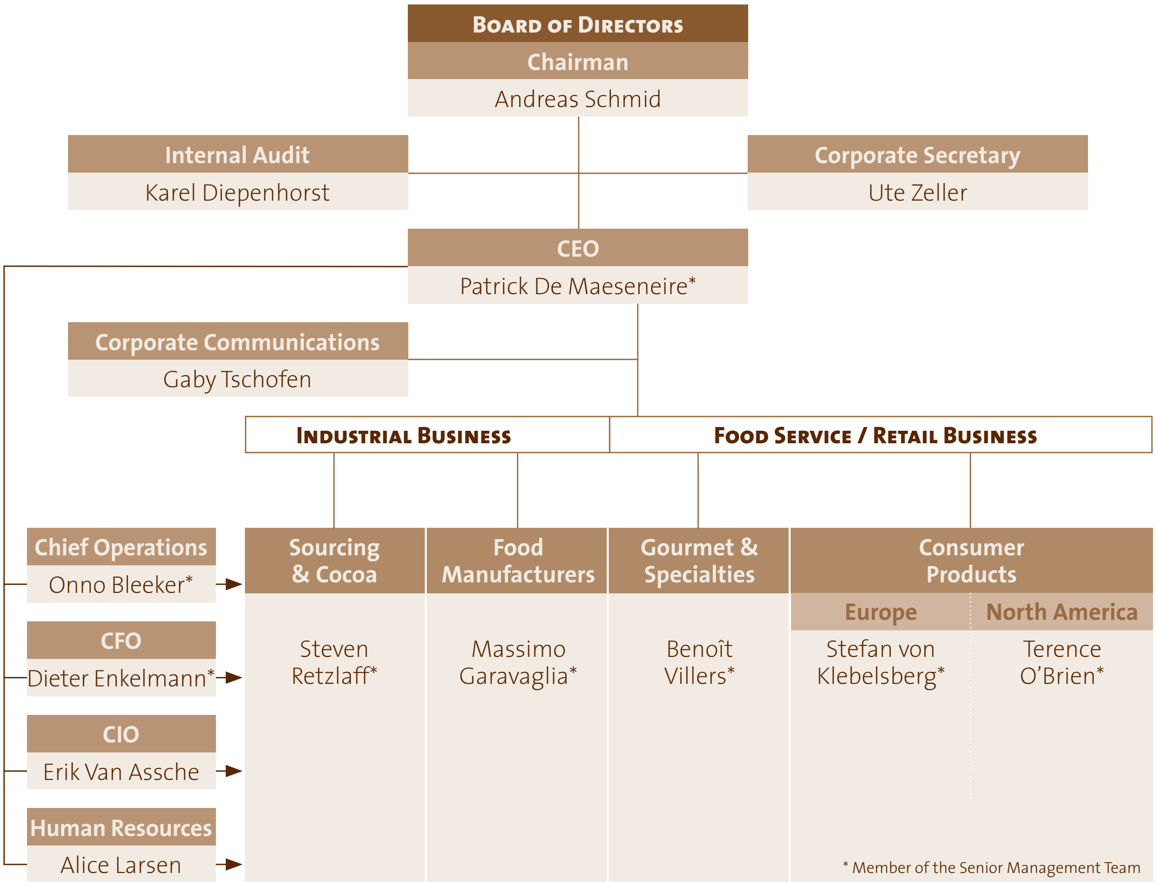
Juliette-Romance Koffi
Supply chain manager and union representative
Abidjan, Ivory Coast – with the company since '96
Juliette-Romance Koffi is involved in helping to fight sexually transmittable diseases and AIDS and raising awareness of these conditions. She is also a member of a religious association that helps sick people in hospitals, giving them moral and material support.

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 September 2004:



The Barry Callebaut Group is reporting by business segments and regions.

Information about listed companies, principal subsidiaries and significant shareholders of Barry Callebaut is given on pages 91 and 92 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 100 (share capital), page 84 (movements in the share capital) and page 106 (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 September 1, 2004, the Board of Directors consisted of five 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	1998
Andreas Jacobs	German	Vice Chairman	2003
Rolando Benedick	Swiss	Director	2001
Johann Christian Jacobs	German	Director	2001
Andreas W. Keller	Swiss	Director	1999

Andreas Schmid
Chairman of the Board
Joined Barry Callebaut in 1998
Swiss national

Andreas Schmid (1957) has been CEO of KJ Jacobs AG (Adecco SA, Barry Callebaut AG, C.J. van Houten & Zoon AG, Brach's Confections Inc.) since 1998. In 1999 he became Chairman of the Board and CEO of Barry Callebaut AG. On June 1, 2002, he stepped down from the CEO function but he continues 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 as well as a Director of Stollwerck AG. He is also a member of the Advisory Board of Credit Suisse AG.

Andreas Schmid holds a master 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 (Pasito AG, Zurich; 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 KJ Jacobs AG and 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 total renovations and new store openings.

Rolando Benedick is also a Director of Messe Schweiz, of VSIG (Vereinigung des Schweizerischen Import- und Grosshandels) and of the Basel Chamber of Commerce.

Johann Christian Jacobs

Director since 2001

German national

Christian Jacobs (1962) has been a partner in the global law firm White & Case, Hamburg, since 2002. He advises national and international entrepreneurs on mergers & acquisitions, structuring of companies with regard to corporate, capital market, and tax law issues, and generational transitions. Since mid 1992, Christian Jacobs was a partner in the law firms of Huth Dietrich Hahn in Hamburg and Büsing, Müffelmann & Theye in Bremen. 1990/1991 Christian Jacobs worked for Roland Berger business consultants in Tokyo. In 1988/1989, he was in the General Directorate for Competition with the European Commission.

He is Chairman of the Board of the Jacobs Foundation, of Stollwerck AG and Deputy Chairman of the Advisory Board of Berlin & Co. KGaA.

Christian Jacobs studied law and economics at the Universities of Freiburg im Breisgau, Munich and Aix-en-Provence and took his doctorate in law at the University of Freiburg.

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 into Diethelm Keller Holding Ltd.

He also chairs the Zurich Chamber of Commerce as well as Zürich Freilager AG and is a member of the Advisory Board of Credit Suisse AG.

Andreas Keller is a lawyer by education.

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, Johann Christian Jacobs
and Patrick De Maeseneire

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 8 times.

Audit, Finance, Risk, Quality & Compliance Committee

Andreas W. Keller (Chairman),
Andreas Schmid and Andreas Jacobs

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 5 times.

Nomination & Compensation Committee

Rolando Benedick (Chairman),
Johann Christian 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 organization, 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 eight persons.

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

Barry Callebaut and KJ Jacobs Group, Zurich, have agreed to execute administrative services agreements, under which KJ Jacobs Group 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 1.5 million.

Name	Nationality	Function	Member since
Patrick G. De Maeseneire	Belgian	Chief Executive Officer	2002
Onno Bleeker	Dutch	Chief Operations Officer	2002
Dieter A. Enkelmann	Swiss	Chief Financial Officer	2003
Massimo Garavaglia	Italian	Food Manufacturers	September 2004
Steven Retzlaff	U.S. American and Swiss	Sourcing & Cocoa	September 2004
Benoît Villers	French	Gourmet & Specialties	1999
Stefan von Klebelsberg	Austrian and German	Consumer Products Europe	November 2004
Terence O'Brien	U.S. American	Consumer Products North America	2003

As of September 2004

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. He joined Barry Callebaut AG from Adecco S.A., where he had been since 1998 and served as General Manager of the Benelux divisions of Adecco S.A. and then as President of Professional Staffing & Managed Services, based in New York. Patrick De Maeseneire has also held positions with 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.

Onno J. Bleeker
Cocoa & Food Manufacturers
Dutch national

Onno J. Bleeker (1957), member of the Senior Management Team, was appointed Chief Operations Officer at Barry Callebaut responsible for global production and supply chain, effective September 10, 2004.

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 August 2002 Onno Bleeker was appointed President Cocoa and Food Manufacturers and member of the Senior Management Team of Barry Callebaut AG.

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 citizen

Massimo Garavaglia (1966) was appointed President Food Manufacturers and member of the Senior Management Team of Barry Callebaut AG effective September 10, 2004.

From 1990 to 1992, Massimo Garavaglia was sales manager for E. Oreggia, an Italian food products importer. Joining Callebaut Italia SpA 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 and Eastern Europe.

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

Terence O'Brien

Consumer Products North America

U.S. citizen

Terence O'Brien (1963) was appointed to the position of Chief Executive Officer of Brach's Confections, Inc. in 2003, and became a member of the Senior Management Team of Barry Callebaut with responsibility for Consumer Products North America, subsequent to the acquisition of Brach's by Barry Callebaut.

From 1985 until 1987, Terence O'Brien held various engineering and operation manufacturing positions with General Electric's manufacturing management training program. From 1989 until 1997, Terence O'Brien held various senior-level finance, brand management and sales positions at Frito-Lay culminating in the post Director, National Accounts. In early 1997, Terence O'Brien joined recent IPO Beaconeye, Inc. as Chief Operating Officer. He then joined Suiza Foods as Senior Vice President of Sales and Customer Marketing in a business unit that is now known as the Dean Branded Foods Group.

Terence O'Brien is also a Board member of the publicly held American Italian Pasta Company and a member of the Executive Sales and Marketing Committee of the "Grocery Manufacturers of America".

He holds a Bachelor Degree of Science in Mechanical Engineering from Clarkson University and earned a Master's in Business Administration from the Wharton School of the University of Pennsylvania.

Steven Retzlaff

Sourcing & Cocoa

U.S. and Swiss citizen

Steven Retzlaff (1963) was appointed President Sourcing & Cocoa and member of the Senior Management Team of Barry Callebaut AG effective September 10, 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 the Barry Group, 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 in economics and graduated from the Institut Sciences Politiques.

Stefan von Klebelsberg

Consumer Products Europe

Austrian and German national

Stefan von Klebelsberg (1959) has been appointed President Consumer Products Europe, member of the Senior Management Team of Barry Callebaut AG and Chairman of the Executive Board of Stollwerck AG as of November 2004.

In 1987, Stefan von Klebelsberg joined Suchard Tobler GmbH, Bremen/Germany, and was nominated Sales Manager for Department Stores in 1990. The same year he joined Hochland AG, Heimenkirch/Germany, where he was promoted to Managing Director Sales in 1995 and member of the Executive Board in 1998. Since 2001 he has been Chairman of the Management Board of Chupa Chups van Melle GmbH & Co. KG, Bonn/Germany. His activities focused on restructuring the entire company including the merger and integration of the two organizations Chupa Chups and van Melle.

He is deputy Chairman of the Board of Gaude AG, an employment services company in Königstein, Germany.

Stefan von Klebelsberg holds a Master's Degree in Social and Commercial Science from the University of Innsbruck/Austria.

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 director fees or salary, cash bonuses tied to performance and the granting of Barry Callebaut AG's 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 2003/04, 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 1.5 million. Under Barry Callebaut's Stock Ownership Program, 4,600 shares of Barry Callebaut AG were transferred to the Directors for the performance relating to the previous fiscal year. None of Board members received any other compensation as set out above.

The aggregate compensation for former members of the Board of Directors amounted to CHF 73,000. 200 shares of Barry Callebaut AG were transferred.

On August 31, 2004, members of the Board of Directors including persons closely linked held 10,740 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, 2004.

The compensation paid to the Board member with the highest compensation was CHF 1 million. In addition to that, 4,000 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 2003/04 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 5.9 million. Under Barry Callebaut's Stock Ownership Program, 11,334 shares of Barry Callebaut AG were transferred to the members of the Senior Management Team for the performance relating to the previous fiscal year. None of the members of the Senior Management Team received any other compensation as set out above.

The aggregate compensation for former members of the Senior Management Team who gave up their function during the fiscal year 2003/04 or earlier amounted to CHF 380,000. Under Barry Callebaut's Stock Ownership Program, 7,000 shares of Barry Callebaut AG were transfered to former members of the Senior Management Team.

On August 31, 2004, members of the Senior Management Team including persons closely linked held 25,734 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, 2004.

Shareholder's 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's 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 supermajority 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 the convocation prescribed by the Swiss law for General Meetings of shareholders.

Shareholders with voting rights holding shares with a nominal value 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.

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 head 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 2.5 million. For internal audit and related expenses Ernst & Young received CHF 0.5 million; for tax and other advisory services a total of CHF 1.0 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.

All 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 129.

Consolidated Financial Statements.

with Auditors' Report

Consolidated Balance Sheet

Assets

for the year ended August 31, 2004			
in thousands of Swiss Francs	Notes	**2003/04**	2002/03
Current assets			
Cash and cash equivalents		37,450	36,502
Short-term deposits		1,101	257
Trade accounts receivable	3	387,359	326,091
Inventories	4	987,501	1,068,612
of which cocoa beans stock		*381,959*	*435,414*
Valuation of open commitments and cocoa inventories	5	28,138	19,589
Other current assets	6	219,035	211,707
		1,660,584	**1,662,758**
Non-current assets			
Property, plant and equipment	7	746,095	663,747
Investments	8	5,000	5,025
Intangible assets	9	316,803	361,355
Deferred tax assets	21	18,931	11,452
Other non-current assets		13,049	8,370
		1,099,878	**1,049,949**
Total assets		**2,760,462**	**2,712,707**

Liabilities and shareholders' equity

for the year ended August 31, 2004			
in thousands of Swiss Francs	Notes	**2003/04**	2002/03
Current liabilities			
Bank overdrafts	10	39,225	35,481
Short-term debt	10	286,250	459,298
Trade accounts payable		273,773	308,209
Income tax payable		26,418	19,577
Provisions	11	38,610	47,957
Other current liabilities	12	369,177	295,193
		1,033,453	**1,165,715**
Non-current liabilities			
Long-term debt	13	659,481	575,154
Deferred tax liabilities	21	41,884	47,139
Employee benefits	24	171,644	128,353
Provisions	11	36,474	21,050
Other non-current liabilities		9,709	9,410
		919,192	**781,106**
Total liabilities		**1,952,645**	**1,946,821**
Minority interests	16	**6,891**	**6,727**
Shareholders' equity			
Share capital	17	517,000	517,000
Retained earnings and reserves		283,926	242,159
		800,926	**759,159**
Total liabilities and shareholders' equity		**2,760,462**	**2,712,707**

Consolidated Statement of Income

for the year ended August 31, 2004			
in thousands of Swiss Francs	Notes	**2003/04**	2002/03
Operating income			
Revenue from sales and services		4,048,887	3,571,260
Other operating income	18	24,247	25,702
Total operating income		**4,073,134**	**3,596,962**
Operating expenses			
Material consumed		2,567,475	2,430,930
Personnel		475,218	406,099
Advertising and promotion		126,589	73,370
Depreciation of tangible assets	7	103,304	87,651
Amortization of intangible assets	9	33,265	36,788
Other operating expenses	18	539,002	353,416
Total operating expenses		**3,844,853**	**3,388,254**
Operating profit (EBIT)		**228,281**	**208,708**
Financial cost, net	19	(92,420)	(80,244)
Non-operating income, net	20	(173)	1
Profit before taxes and minority interest		**135,688**	**128,465**
Taxes	21	(19,362)	(24,984)
Profit before minority interest		**116,326**	**103,481**
Minority interest	16	(724)	(237)
Net profit		**115,602**	**103,244**
Basic earnings per share (CHF/share)	22	22.41	20.00
Diluted earnings per share (CHF/share)	22	22.36	19.97
Dividend per share (CHF/share)		–[1]	7.00

[1] For 2003/04 the Board of Directors proposes a capital reduction and repayment of CHF 7.80 per share.

Consolidated Statement of Cash Flows

Cash flows from operating activities

for the year ended August 31, 2004			
in thousands of Swiss Francs	Notes	**2003/04**	2002/03
Income before minority interest and taxes		135,688	128,465
Adjustments for:			
Depreciation and amortization of tangible and intangible non-current assets		136,569	124,439
Reversal of impairment of assets		(2,114)	(1,845)
Elimination of foreign exchange (gain)/loss		576	(2,166)
Elimination of interest (income)		(13,494)	(10,795)
Elimination of interest expense		97,563	89,929
Elimination of gain on disposal of property, plant and equipment		(5,633)	–
Elimination of other non-operating expense/(income)		173	(1)
Reversal of provisions		(6,799)	(17,473)
Operating cash flow before working capital changes		**342,529**	**310,553**
(Increase) Decrease in trade accounts receivable		1,090	5,353
(Increase) Decrease in inventories		143,530	(138,221)
(Increase) Decrease in other current assets		37,297	62,710
(Increase) Decrease in other non-current assets		(17,448)	2,730
Increase (Decrease) in trade accounts payable		(57,616)	67,995
Increase (Decrease) in other current liabilities		2,091	(35,635)
Increase (Decrease) in other non-current liabilities		(74,507)	(6,396)
Increase (Decrease) in valuation of open commitments and cocoa inventories		(8,549)	(61,913)
Elimination of impact of the movement in unrealized exchange results on working capital changes		(5,355)	5,994
Elimination of impact of movement of accrued interests		(12,743)	(2,199)
Cash generated from operations		**350,319**	**210,971**
Interest paid		(84,620)	(87,577)
Income taxes paid		(33,102)	(24,192)
Realized exchange gain/(loss)		4,775	(3,828)
Net cash flow from operating activities		**237,372**	**95,374**

Consolidated Statement of Cash Flows

Cash flows from investing activities

for the year ended August 31, 2004			
in thousands of Swiss Francs	Notes	**2003/04**	2002/03
Purchase of property, plant and equipment		(86,515)	(69,012)
Proceeds from sale of property, plant and equipment, and other assets		10,215	13,137
Expenditure for development projects		(3,481)	(125)
Acquisition of subsidiaries	23	(6,354)	(37,056)
Acquisition of minority interests		(561)	(15,655)
Interest received		13,295	10,642
Net cash flow from investing activities		**(73,401)**	**(98,069)**

Cash flows from financing activities

Increase (Decrease) in short-term debt	(266,793)	(432,048)
Increase in long-term debt	188,715	482,815
(Decrease) in long-term debt	(35,298)	(17,483)
(Increase) in deposits long-term	(106)	(6)
Decrease (Increase) in deposits short-term	(845)	120
Dividends paid	(36,148)	(35,636)
Dividends paid to minority shareholders	(121)	(383)
Acquisition of treasury shares	(32,718)	(13,203)
Sale of treasury shares	15,902	9,459
Net cash flow from financing activities	**(167,412)**	**(6,365)**

Effect of change in minority interests	724	157
Effects of exchange rate changes	(79)	(2,286)
Net increase (decrease) in cash and cash equivalents	**(2,796)**	**(11,189)**
Cash and cash equivalents at beginning of year	1,021	12,210
Cash and cash equivalents at end of year	**(1,775)**	**1,021**

Cash and cash equivalents	37,450	36,502
Bank overdrafts	(39,225)	(35,481)
Cash and cash equivalents as defined for the cash flow statement	**(1,775)**	**1,021**

Consolidated Statement of Changes in Equity

for the year ended August 31, 2004	Share capital	Legal reserves	Retained earnings/ (Accumulated deficit)	Treasury shares	Hedging reserves	Cumulative translation adjustment	Total
in thousands of Swiss Francs							
at August 31, 2002	517,000	240,507	(47,274)	(32)	–	(16,694)	693,507
Dividends paid			(35,636)				(35,636)
Acquisition of treasury shares				(13,203)			(13,203)
Sale of treasury shares			(3,721)	13,180			9,459
Translation adjustments						(720)	(720)
Cash flow hedges (Note 15)					2,508		2,508
Net profit for the year			103,244				103,244
at August 31, 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
Translation adjustments						(17,894)	(17,894)
Cash flow hedges (Note 15)					(2,977)		(2,977)
Net profit for the year			115,602				115,602
at August 31, 2004	**517,000**	**240,507**	**88,970**	**(9,774)**	**(469)**	**(35,308)**	**800,926**

Legal reserves of CHF 113.2 million (2002/03: CHF 103.4 million) are not distributable to the shareholders pursuant to Swiss law.

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The fair value on August 31, 2004 of the treasury shares amounted to CHF 8.9 million (2002/03: CHF 0.06 million).

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 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 and 3.

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 directly credited or debited to retained earnings and reserves 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 Materials consumed. 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.

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 labour 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 market 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.

Summary of Accounting Policies

Intangible assets

Goodwill

Goodwill, being the excess of the cost of acquisition of subsidiaries and associated companies over the fair value of their attributable net assets at the date of acquisition, is capitalized and amortized on a straight-line basis over its anticipated useful life but not exceeding 20 years. Goodwill relating to acquisitions arising prior to August 31, 1995 has been fully written off against reserves.

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 is presented in the same balance sheet caption as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, that portion of negative goodwill is recognized in the income statement when the future losses and expenses are recognized. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognized in the income statement over the remaining useful life of those assets. Negative goodwill in excess of the fair value of those assets is recognized in the income statement immediately. Negative goodwill relating to acquisitions arising on or after March 31, 2004 is immediately recognized in the income statement.

The unamortized balance of goodwill is reviewed annually and the value is written down if recovery by way of the expected benefits is impaired.

Other intangible assets

Other acquired intangible assets (e.g. patents, trademarks, licences) 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 cost 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 corresponding 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.

Summary of Accounting Policies

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 cost 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. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred income tax. Deferred tax balances are adjusted for subsequent changes in tax rates and for new taxes imposed.

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

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.

Summary of Accounting Policies

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 issue 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, Seefeldquai 17, 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, 2004, Barry Callebaut's market capitalization based on outstanding shares was CHF 1,206.1 million.
Stollwerck AG, Cologne, in which Barry Callebaut AG indirectly owns a 98.66% (August 31, 2003: 98.66%) shareholding, is listed on the German Stock Exchange (ISIN Number: DE0007280000). As of August 31, 2004, Stollwerck's market capitalization based on outstanding shares was EUR 240.1 million (CHF 370.1 million).
The Barry Callebaut Group is one of the world's leading cocoa and chocolate companies, serving the entire 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 and Van Houten for vending mixes, Gubor, 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, Italy, Ivory Coast, Netherlands, Poland, Senegal, Singapore, Switzerland, the United Kingdom and the USA.
On September 17, 2003 the Group 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 confectionary 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 is presented as a deduction of the carrying amount of goodwill on other acquisitions (see also note 9).
In line with the provisions of IFRS, part of the negative goodwill arising from the Brach's acquisition has been recognized in the income statement to offset the future losses and expenses that were identified in the plan of acquisition, to the extent that they have effectively materialized in the period under review (see also note 9). The remaining part of this negative goodwill is amortized on a systematic basis over the remaining weighted average useful life of the depreciable assets acquired. Brach's is included in the consolidated financial statements as of September 1, 2003.
On March 3, 2003 the Group acquired the entire issued share capital of Graverboom B. V., a leading Dutch manufacturer of specialty chocolate products. Through this acquisition, the Group has acquired gourmet and specialty operations primarily in Western Europe, including the Netherlands, France and Belgium. Through the acquisition on Graverboom the Group has acquired a profitable leader in the segment of Gourmet & Specialties and has made an important step in the further development of the Gourmet & Specialties business unit. Graverboom is included in the consolidated financial statements as of March 1, 2003.
The acquisitions contributed CHF 13.7 million to the consolidated net profit of the year 2003/04 (CHF 1.0 million for the year 2002/03).
On November 5, 2004, Barry Callebaut AG's Board of Directors authorized these financial statements for issue.

2. Group companies

On March 31, 2004 Barry Callebaut Belgium NV merged with Jacques Chocolateries. The merger was effective retroactively as of January 1, 2004.
As per June 30, 2003 Stollwerck AG merged with Stollwerk Log-Trans Spedition GmbH and with IPSG Industrieplanung u. Service GmbH, both former subsidiaries. The merger was effective as of January 1, 2003.

Notes

The principal subsidiaries of Barry Callebaut as per August 31, 2004 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	98.66	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
	Pierre Iserentant SA	100.00	EUR	260,908
Brazil	Barry Callebaut Brasil SA	100.00	BRL	15,586,972
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
Canada	Barry Callebaut Canada Inc.	100.00	CAD	2,000,000
	Chocolate Masters Inc.	100.00	CAD	100
France	Barry Callebaut Manufacturing France SA	100.00	EUR	6,637,540
	Barry Callebaut France SA	100.00	EUR	50,000,000
	Chocodif SA	100.00	EUR	38,111
	Omnigest SA	100.00	EUR	4,419,600
	Stollwerck France s.à.r.l.	98.66	EUR	259,250
Gabon	Chocogab SA	74.39	CFA	10,000,000
Germany	Barry Callebaut Deutschland GmbH	100.00	EUR	51,129
	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 GmbH	100.00	EUR	25,000
	Van Houten Beteiligungs AG & Co KG	100.00	EUR	10,000
	Stollwerck AG	98.66	EUR	20,500,000
	Gubor Schokoladenfabrik GmbH	98.66	EUR	7,184,000
	Thüringer Schokoladewerk Beteiligungs GmbH	98.66	EUR	512,000
	Hildebrand Kakao- und Schokoladenfabrik GmbH	98.66	EUR	52,000
	Wurzener Dauerbackwaren GmbH	98.66	EUR	5,625,000
	Novum Süsswaren Decor GmbH	100.00	EUR	25,565
	Schloss Marbach GmbH	100.00	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd.	100.00	USD	9,204,000
Great Britain	S & A Lesme Ltd.	100.00	GBP	23,300,000
	Barry Callebaut UK Ltd.	100.00	GBP	15,217,850
	Barry Callebaut Manufacturing (UK) Ltd.	100.00	GBP	2
Hong Kong	Van Houten (Asia Pacific) Ltd.	100.00	HK $	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	98.66	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	98.60	CFA	500,000,000
	Alliance Cacao SA	51.50	CFA	340,000,000
Mexico	Vernell Inc.	100.00	MXP	–
Netherlands	Barry Callebaut Holding B.V.	100.00	EUR	21,435,000
	Barry Callebaut Netherlands B.V.	100.00	EUR	10,088,000
	Graverboom B.V.	100.00	EUR	18,242
	Luijckx Beheer B.V.	100.00	EUR	31,765
	Luijckx B.V.	100.00	EUR	15,882
	Luijckx Onroerend Goed B.V.	100.00	EUR	15,882
	Druif Chocoladewerken B.V.	100.00	EUR	11,345
	Dings Décor B.V.	70.00	EUR	22,689
	Hoogenboom Benelux B.V.	100.00	EUR	18,152
	Hoogenboom Bakkerij Verkoop B.V.	100.00	EUR	18,151

Country	Subsidiary	Percentage of ownership	Currency	Capital
Panama	Adis Holdings Inc.	100.00	CHF	416,910,000
Poland	Barry Callebaut Polska Sp.z.o.o	100.00	PLN	10,000,000
	Barbara Luijckx Sp.z.o.o.	50.00	PLN	1,740,000
Russia	Barry Callebaut Russia LLC	100.00	RUR	1,000,000
Senegal	Chocosen SA	100.00	CFA	500,000,000
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd.	100.00	SGD	33,000,000
	Chocolate Masters Far East Pte. Ltd.	100.00	SGD	20,000
	Van Houten (Singapore) Pte. Ltd.	100.00	SGD	500,000
Spain	Barry Callebaut Ibérica SL	100.00	EUR	25,000
	Txokolatl Gourmet S.L.	50.00	EUR	18,000
USA	Barry Callebaut USA 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	477,566,000

The Group had 8,933 and 7,837 employees at August 31, 2004 and 2003 respectively. The increase is primarily attributable to the Brach's acquisition which effect was partially offset by redundancies in connection with the different ongoing restructuring activities in Europe and Africa.

3. Trade accounts receivable

in thousands of Swiss Francs	**2003/04**	2002/03
Trade accounts receivable	411,908	351,662
Provision for doubtful debts	(24,549)	(25,571)
	387,359	**326,091**

The group entered into a securitization program with an asset-purchasing company for trade receivables in Barry Callebaut Belgium, Barry Callebaut France, and Barry Callebaut UK. 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 amounting to CHF 182.8 million (net of collateral) at August 31, 2004 (2002/03: CHF 188.8 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 20.3 million at August 31, 2004 (2002/03: CHF 21.0 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 35.7 million at August 31, 2004 (2002/03: CHF 33.8 million), are classified as a payable towards the asset-purchasing company (see note 12).

4. Inventories

in thousands of Swiss Francs	**2003/04**	2002/03
Cocoa beans stock	381,959	435,414
Semi-finished and finished products	445,525	504,955
Other raw materials and packaging materials	160,017	128,243
	987,501	**1,068,612**

At August 31, 2004 the Group held cocoa beans stock in an amount of CHF 382.0 million (2002/03: CHF 435.4 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 mid-crop beans) and hedging strategies are the main drivers for the volume of cocoa beans stock.

Inventories amounting to CHF 27.2 million (2002/03: CHF 162.3 million) are pledged as security for financial liabilities (see also note 28). The substantial decrease in inventories pledged compared to the previous year is related to the further restructuring of the Group's debt, whereby secured short-term debt has been replaced by unsecured short-term facilities (see also note 13).

Notes

5. Valuation of open commitments and cocoa inventories

in thousands of Swiss Francs	**2003/04**	2002/03
Fair value of physical and terminal market sales commitments of cocoa products	(302,027)	(53,092)
Fair value of physical and terminal market purchase commitments of cocoa products	315,912	138,822
Fair value revaluation on cocoa inventories	11,549	(63,118)
Fair value of related foreign exchange forward purchase contracts	2,873	(2,181)
Fair value of related foreign exchange forward sales contracts	(169)	(842)
	28,138	**19,589**

The high volatility of the cocoa market during the financial year 2003/2004 has resulted in significant – to a great extent compensating – movements in the fair values of sales contracts of cocoa products on the one hand, and of purchase commitments and inventories of cocoa products on the other hand.

As the majority of sales contracts and corresponding hedging purchase contracts, which were outstanding as per August 31, 2004, were entered into at relatively low levels of the cocoa market, the fair value of such sales and corresponding purchase contracts at the significantly higher market level as per year end closing resulted in very high – but largely compensating – revalued amounts.

6. Other current assets

in thousands of Swiss Francs	**2003/04**	2002/03
Prepaid expenses	17,421	10,999
Accrued income	5,504	5,674
Prepaid taxes	24,927	20,498
Receivables from governments	28,515	24,532
Margin calls paid	58,578	77,345
Current account KJ Jacobs AG	20,112[1]	–
Advances to cocoa suppliers	4,239	4,790
Receivables from asset-purchasing company	23,873	25,552
Unrealized profits on financial foreign exchange contracts	16,086	17,657
Unrealized profits on interest-rate swaps	–	5,102
Unrealized profits on other financial instruments	1,825	–
Other	17,955	19,558
	219,035	**211,707**

[1] (see note 27)

Notes

7. Property, plant and equipment

in thousands of Swiss Francs	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	**Total 2003/04**	Total 2002/03
Cost						
Beginning of the period	506,602	1,087,029	198,214	26,463	1,818,308	1,712,253
Change in Group structure	38,538	155,222	28,209	52,029	273,998	28,223
Additions	4,961	39,426	11,839	30,289	86,515	69,012
Disposals	(6,122)	(43,282)	(19,362)	(1,630)	(70,396)	(34,976)
Currency translation adjustments	(7,856)	(25,893)	(3,262)	(4,958)	(41,969)	48,422
Reclassifications	38,502	37,382	2,640	(73,225)	5,299	(4,626)
at August 31	**574,625**	**1,249,884**	**218,278**	**28,968**	**2,071,755**	**1,818,308**
Accumulated depreciation						
Beginning of the period	240,741	750,788	163,032	–	1,154,561	1,032,877
Change in Group structure	17,262	121,556	13,767	2,178	154,763	14,629
Depreciation charge	15,620	68,167	19,517	–	103,304	87,651
Impairment losses (reversals)	(1,541)	(1,242)	669	–	(2,114)	15,760
Disposals	(5,263)	(41,932)	(18,443)	–	(65,638)	(25,380)
Currency translation adjustments	(2,680)	(17,694)	(1,540)	(203)	(22,117)	33,314
Reclassifications	4,673	482	(279)	(1,975)	2,901	(4,290)
at August 31	**268,812**	**880,125**	**176,723**	**–**	**1,325,660**	**1,154,561**
Net at September 1, 2003	265,861	336,241	35,182	26,463	–	663,747
Net at August 31, 2004	**305,813**	**369,759**	**41,555**	**28,968**	**746,095**	

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 Segment). The amount is included in other operating expense.

The reversal of impairment losses with regards to plant and machinery (CHF 1.2 million) relates to the roasting facilities in Banbury, U.K. (Industrial segment) that were closed down in 2001/02 and which have 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 (Food Service and Retail Segment) have been reversed in an amount of CHF 1.5 million as a result of the decision to transfer the production from Cologne to Norderstedt and the corresponding need for this building. These amounts are included in other operating income (see note 18).

The impairment losses in 2002/03 relate to the restructuring of the Stollwerck group (Food Service/Retail Segment), in particular to the shutdown of the Gubor production facilities in Münstertal and Müllheim as of September 30, 2003. These impairment losses were reclassified in 2002/03 from restructuring provisions into property plant and equipment and were based on the expected net selling price estimated by real-estate experts.

Repair and maintenance expenses for the business year 2003/04 amounted to CHF 58.2 million (2002/03: CHF 52.9 million). The fire insurance value of property, plant and equipment amounted to CHF 2,716.1 million and CHF 2,478.1 million at August 31, 2004 and 2003, respectively.

At August 31, 2004 tangible assets held under financial leases amount to CHF 7.7 million (2002/03: CHF 8.3 million).

Financial liabilities are secured by mortgages on properties for a value of CHF 63.9 million (2002/03: CHF 119.2 million) (see note 28).

8. Investments

in thousands of Swiss Francs	Participation	**2003/04**	2002/03
Jacquot, France	25%	4,587	4,578
Other		413	447
Total Investments		**5,000**	**5,025**

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

Notes

9. Intangible assets

	Goodwill	Negative goodwill	Brand names	Development costs	Other	Total	Total
in thousands of Swiss Francs						**2003/04**	2002/03
Cost							
Beginning of the period	452,988	–	25,625	32,731	10,689	522,033	485,526
Additions	–	(50,276)	376	3,481	3,151	(43,268)	44,598
Disposals	–	–	–	–	(83)	(83)	(122)
Currency translation adjustments	(1,433)	–	–	32	(116)	(1,517)	3,220
Adjustment of goodwill	1,451	–	–	–	–	1,451	(10,435)
Reclassifications	–	–	–	–	–	–	(754)
at August 31	**453,006**	**(50,276)**	**26,001**	**36,244**	**13,641**	**478,616**	**522,033**
Accumulated amortization							
Beginning of the period	132,742	–	8,976	11,246	7,714	160,678	123,116
Additions	24,639	(1,215)	2,575	6,762	504	33,265	36,788
Used	–	(31,526)[1]	–	–	–	(31,526)	–
Disposals	–	–	–	–	(77)	(77)	–
Currency translation adjustments	(385)	–	–	(16)	(126)	(527)	834
Reclassifications	–	–	–	–	–	–	(60)
at August 31	**156,996**	**(32,741)**	**11,551**	**17,992**	**8,015**	**161,813**	**160,678**
Net at September 1, 2003	320,246	–	16,649	21,485	2,975	–	361,355
Net at August 31, 2004	**296,010**	**(17,535)**	**14,450**	**18,252**	**5,626**	**316,803**	

[1] Relates mainly to the amount of negative goodwill released to offset effective incurred future losses and expenses that were identified in the plan of acquisition of Brach's Confections Holding, Inc. (see note 1).

The remaining amortization period of goodwill on acquisitions varies between 1 and 19 years.

The remaining amortization period of other intangibles varies between 0 and 16 years.

The adjustment of goodwill in the amount of CHF 1.5 million relates to the finalization of the Graverboom acquisition accounting within the period allowed under IFRS.

The negative goodwill amounting to CHF 50.3 million at August 31, 2004 except for an amount of CHF 0.3 million, relates to the acquisition of Brach's effective as from September 1, 2003 (see also note 1). CHF 31.2 million were released during 2003/04 (2002/03: CHF 0 million) to offset effective incurred losses as well as restructuring and integration expenses that were identified in the plan of acquisition.

Development costs amounting to CHF 18.3 million (2002/03: CHF 21.5 million) mainly relate to the FOCUS project next to internally generated capitalized software development costs. The FOCUS project was aimed at the optimization, redesign or substantial improvement of a number of key business processes in Europe. The depreciation period is 5 years.

10. Bank overdrafts and Short-term debt

	Carrying amounts		Fair values
in thousands of Swiss Francs	**2003/04**	2002/03	***2003/04***
Bank overdrafts	***39,225***	***35,481***	***39,225***
Commercial paper	69,158	202,697	*70,026*
Amounts due to banks	122,365	212,495	*122,365*
Current portion of long-term bank borrowings	92,489	41,921	*92,512*
Interest-bearing loans from employees	269	621	*269*
Finance lease obligation	1,969	1,564	*1,969*
Short-term debt	***286,250***	***459,298***	***287,141***
Bank overdrafts and short-term debt	**325,475**	**494,779**	***326,366***

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

Notes

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

	2003/04			2002/03		
Split per currency	**Amount**	**Interest range**		Amount	Interest range	
		from	**to**		from	to
EUR	163,265	3.00%	8.82%	247,835	2.40%	6.00%
GBP	20,846	3.83%	5.26%	155,466	3.02%	4.56%
USD	74,540	1.75%	2.45%	36,325	2.50%	3.20%
CAD	29,633	2.10%	2.81%	1,521	3.00%	4.00%
CFA	34,386	10.00%	11.25%	45,107	7.50%	12.00%
Other	2,805	3.00%	10.50%	8,525	2.73%	7.00%
	325,475	**1.75%**	**11.25%**	**494,779**	**2.40%**	**12.00%**

	2003/04	2002/03
Split fixed/floating interest rate:		
Fixed	65,133	233,096
Floating	260,342	261,683
	325,475	**494,779**

11. Provisions

in thousands of Swiss Francs	**Provision for restructuring costs**	**Provision for repurchase obligations**	**Provision for litigation & claims**	**Other provisions**	**Total**
Balance at beginning of period	48,309	3,078	1,927	15,693	69,007
Change in Group structure	65,722	–	3,220	310	69,252
Additions	7,999	1,189	1,424	998	11,610
Used	(48,766)	(3,097)	(448)	(9,128)	(61,439)
Reversed	(4,316)	–	(1,918)	(565)	(6,799)
Currency translation adjustments	(6,251)	13	(308)	(1)	(6,547)
at August 31, 2004	**62,697**	**1,183**	**3,897**	**7,307**	**75,084**
of which:					
Current	31,214	1,183	3,197	3,016	38,610
Non-current	31,483	–	700	4,291	36,474

Restructuring

The restructuring provisions at August 31, 2004 mainly relate to the planned closure of the Stollwerck production site in Cologne (Germany) and the restructuring activities at Brach's. The unused portion of the provisions in connection with the restructuring of Gubor was released.

Remaining restructuring provisions are expected to result in future cash outflows over the next 2 years.

Repurchase obligations

The provision for repurchase obligations relate 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, 2004 is expected to be utilized during the first half of 2004/05.

Litigation

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, 2004 are expected to occur to a large extent in the first half of 2004/05. 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, 2004.

Redundant provisions for litigations and claims as a result of a favourable judicial decision that was pronounced during the year, have been released in an amount of CHF 1.9 million.

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

in thousands of Swiss Francs	**2003/04**	2002/03
Accrued wages and social charges	73,623	61,826
Pension liabilities	6,721	5,207
Interests accrued	13,580	14,274
Year-end rebates and commissions	20,008	20,368
Other taxes	8,197	9,760
Margin calls received	35,917	3,134
Payable to KJ Jacobs AG	578	3,134
Payable to asset-purchasing company	35,745	33,757
Unrealized losses on financial foreign exchange contracts	23,098	16,087
Unrealized losses on interest-rate swaps	469	2,184
Other	151,241	128,596
	369,177	**295,193**

"Other" includes the amount invested by the silent partners in Thuringer Schokoladewerk Beteiligungs GmbH (company of the former Stollwerck Group) as well as the accrued fixed dividend on their investment.

13. Long-term debt

	Carrying amounts		***Fair values***
in thousands of Swiss Francs	**2003/04**	2002/03	***2003/04***
Subordinated notes	247,054	245,875	*278,823*
Bank borrowings	497,892	362,905	*497,688*
Less current portion (note 10)	(92,489)	(41,921)	*(92,512)*
Interest-bearing loans from employees	1,173	1,467	*1,173*
Long-term other loans	75	73	*75*
Finance lease obligation	5,776	6,755	*5,776*
	659,481	**575,154**	***691,032***

In March 2003, the Group concluded a 5-year senior loan facility (EUR 375 million) with a syndicate of its main relationship bankers and also placed EUR 165 million of 9¼% Senior Subordinated Notes in the capital market, maturing in 2010. The proceeds of the issue were mainly used to refinance existing short- and long-term indebtedness. By putting this long-term refinancing structure in place Barry Callebaut has improved its debt profile by reducing its short-term debt exposure.

Whereas the overall refinancing operation was acted out by the Group's treasury center, Barry Callebaut Services N.V., as borrower and issuer, the parent company Barry Callebaut AG, as well as a number of other material subsidiaries also entered into the facility agreement as co-obligors. Next to such guarantors, the shares of Stollwerck AG, serve as a partial collateral for the facility that is for the major part unsecured (see also note 28).

The Term and Revolving Facilities Agreement 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 undertakings limiting or preventing specific business transactions.

In the course of July 2004, Barry Callebaut further improved both the liquidity profile and the maturity of the Group debt portfolio by means of raising an additional amount of EUR 200 million under the existing Term and Revolving Facilities Agreement. Simultaneously, Tranche C, being the back-up facility of the Group's commercial paper program, has been extended from March 2006 till March 2008. At August 31, 2004, the status of the Term and Revolving Facility is as follows:

Tranche A: EUR 171.5 million bullet term loan maturing in March 2008 (2002/03: EUR 92.5 million)
Tranche B: EUR 123.5 million amortizing loan maturing in March 2008 with 6 biannual installments of EUR 20 million and one installment of EUR 3,5 million (2002/03: EUR 92.5 million)
Tranche C: EUR 250 million bullet revolving facility to back-up the Group's commercial paper program also maturing in March 2008 (2002/03: EUR 190.0 million)
Only tranches A and B of this senior facility are actually drawn down as at closing.

Notes

In addition to the refinancing package entered into on March 13, 2003, other long-term outstanding loans include the former Chadler Brasil acquisition loan, the greenfield plant financing of BC Ghana and finally a series of long-term loans (some of which carrying mortgages) contracted by the former Stollwerck Group and the Graverboom Group.

Repayments of long-term debt are due in the following fiscal years:

in thousands of Swiss Francs	**2003/04**	2002/03
2004/05	–	45,640
2005/06	62,793	63,326
2006/07	63,186	38,944
2007/08	271,094	165,734
2008/09 and thereafter (for 2002/03)	379	261,510
2009/10 and thereafter (for 2003/04)	262,029	–
	659,481	**575,154**

Long-term financial liabilities are mainly denominated in EUR (91%) and at fixed interest rates (70%) as it appears from the table below:

	2003/04			2002/03		
Split per currency	**Amount**	**Interest range**		Amount	Interest range	
		from	**to**		from	to
EUR	598,315	3.00%	9.25%	539,246	2.90%	9.25%
GBP	55,686	6.00%	6.00%	–	–	–
USD	4,590	5.80%	5.80%	7,851	5.20%	5.20%
CAD	–	–	–	24,341	3.00%	4.00%
Other	890	4.71%	11.25%	3,716	3.00%	11.25%
	659,481	**3.00%**	**11.25%**	**575,154**	**2.90%**	**11.25%**

	2003/04	2002/03
Split fixed/floating interest rate:	**Amount**	Amount
Fixed rate	462,420	304,663
Floating rate	197,061	270,491
	659,481	**575,154**

14. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
in thousands of Swiss Francs	**2003/04**	2002/03	**2003/04**	2002/03
Amounts payable under finance leases				
Within one year	2,265	1,898	1,969	1,564
In the second to the fifth year inclusive	6,193	6,927	5,776	6,289
More than five years	–	469	–	466
	8,458	**9,294**	**7,745**	**8,319**
less: future finance charges	(713)	(975)	n/a	n/a
Present value of lease obligations	**7,745**	**8,319**	**7,745**	**8,319**
less amount due for settlement within 12 months			(1,969)	(1,564)
Amount due for settlement after 12 months			5,776	6,755

The Group entered into finance leasing arrangements for machinery. The weighted average term of finance leases entered into is 4 years. The average effective borrowing rate was 4.9% (2002/03: 5%). 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:

in thousands of Swiss Francs	**2003/04**	2002/03
Contracts with positive fair values		
Interest-rate swaps	–	4,622
Contracts with negative fair values		
Interest-rate swaps	469	2,114

Interest rate swaps are designated to hedge the Group's exposure to interest rates on borrowings, whereby it receives a floating rate of interest and pays a fixed rate on the notional amount. The swap is being used to hedge the exposure to the variable interest payments of the Group's senior credit facilities. These senior credit facilities and interest rate swaps have the same critical terms.

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 swap	Forward contracts	Total hedging reserve
Balance at September 1, 2003	2,508	–	2,508
Movements in the period:			
Gains and losses from changes in fair value	(2,977)	–	(2,977)
Balance at August 31, 2004	**(469)**	**–**	**(469)**

Notes

16. Minority interests

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

in %	**2003/04**	2002/03
Alliance Cacao S.A.	48.5	48.5
Chocogab S.A.	25.6	29.3
Chocolaterie Confiserie Camerounaise-Chococam S.A.	25.6	28.0
SN Chocodi S.A.	1.4	1.4
Société Industrielle Camerounaise des Cacaos S.A.	0.1	29.7
Stollwerck AG	1.3	1.3
Gubor Schokoladenfabrik GmbH	1.3	1.3
Thüringer Schokoladewerk Beteiligungs GmbH	1.3	1.3
Hildebrand Kakao- und Schokoladenfabrik GmbH	1.3	1.3
Wurzener Dauerbackwaren GmbH	1.3	1.3
Chocolat Alprose S.A.	1.3	1.3
Jacques Chocolaterie S.A.	–	1.3
Stollwerck Italia S.p.A.	1.3	1.3
Stollwerck France S.à.r.l.	1.3	1.3
Dings Décor BV	30.0	30.0
Barbara Luijckx Sp.z.o.o.	50.0	50.0
Txokolatl Gourmet S.L.	50.0	50.0

Movements in minority interests

in thousands of Swiss Francs	**2003/04**	2002/03
Opening balance	6,727	3,455
Minority share of profits	724	237
Purchase of minority shares	(561)	(1,540)
Dividends paid to minority shareholders	(121)	(383)
Change in Group structure	–	934
Reclassification	–	4,173
Currency translation adjustment	122	(149)
at August 31	**6,891**	**6,727**

The opening balance as per September 1, 2002 included a net receivable on certain minority shareholders, for which a provision was recorded as per August 31, 2002. During 2002/03 this provision was reclassified from provisions into minority interest.

17. Share capital

in thousands of Swiss Francs	**2003/04**	2002/03	2001/02
Share capital is represented by 5,170,000			
authorized and issued shares (2002/03: 5,170,000; 2001/02: 5,170,000)			
of CHF 100 each, fully paid	**517,000**	**517,000**	**517,000**

The issued share capital amounts to CHF 517 million, divided into 5.17 million registered shares with a nominal value of CHF 100 each. All of the outstanding shares are fully paid and validly issued, and are not subject to calls for additional payments of any kind.

There were no movements in the share capital of the company either in 2003/04, 2002/03, or 2001/02 reporting periods.

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

18. Other operating income/other operating expenses

Other operating income

in thousands of Swiss Francs	Note	**2003/04**	2002/03
Release of unused restructuring provisions	11	4,316	16,850
Release of unused other provisions	11	2,483	623
Release of redundant contingency reserve for pension liabilities		–	5,523
Reversal of impairment losses	7	2,783	2,706
Gain on disposal of property, plant and equipment		5,633	–
Financial settlement of litigation		3,252	–
Other		5,780	–
Total other operating income		**24,247**	**25,702**

The gain on disposal of property, plant and equipment relates mainly to the part of machinery and equipment of the Münstertal and Müllheim facilities that was not transferred to the production facilities in Norderstedt but that instead was sold to a third party.

"Other" operating income in an amount of CHF 5.8 million relates mainly to import tax credits in connection with raw material purchase.

Other operating expenses

Other operating expenses primarily relate to logistics, spare parts and site maintenance, energy, agent fees and information systems.

Other operating expenses include the release of negative goodwill arising from the acquisition of Brach's to offset effective incurred integration and restructuring expenses in the amount of CHF 17.7 million and start-up losses regarding the Vernell (Mexico) plant in the amount of CHF 13.5 million.

Further, other operating expenses include incurred restructuring charges in an amount of CHF 8.0 million (see note 11) in connection with the ongoing restructuring activities in Sic Cacaos SA (Cameroun), Barry Callebaut France SA and Brach's Inc (USA).

Operating expenses include also CHF 6.0 million (2002/03: CHF 5.5 million) research and development costs.

19. Financial cost, net

in thousands of Swiss Francs	**2003/04**	2002/03
Financial income		
Interest income	13,494	10,795
Income from investments	6	14
Positive exchange differences	210,269	256,786
Fair value gains on financial instruments	–	316
Financial expense		
Interest expense	(97,563)	(89,929)
Bank charges	(6,480)	(3,606)
Negative exchange differences	(210,845)	(254,620)
Fair value losses on financial instruments	(1,301)	–
	(92,420)	**(80,244)**

Interest expense includes interest paid under a commodity repurchase agreement for an amount of CHF 5.2 million for the year 2003/04 (2002/03: CHF 5.7 million).

Interest expense for 2003/04 also includes interest paid under a securitization program of trade receivables for an amount of CHF 4.7 million (2002/03: CHF 4.7 million).

Notes

20. Non-operating income, net

in thousands of Swiss Francs	**2003/04**	2002/03
Non-operating income		
Other non-operating income	83	191
	83	**191**

in thousands of Swiss Francs	**2003/04**	2002/03
Non-operating expense		
Other non-operating expense	(256)	(190)
	(256)	**(190)**

Non-operating income, net	**(173)**	**1**

21. Taxes

Tax losses carried forward utilized during the year 2003/04 were CHF 136.5 million (2002/03: CHF 16.9 million). The tax relief hereon amounted to CHF 19.6 million of which CHF 8.0 million was already recognized as deferred tax asset in prior year (2002/03: CHF 4.3 million).

At August 31, 2004 the Group had unutilized tax losses carried forward of approximately CHF 706.3 million (2002/03: CHF 601.3 million) that are available for offset against future taxable income. Of these CHF 706.3 million, CHF 521.5 million can be used for an unlimited period of time. The remaining CHF 184.8 million expire as follows:

Year of expiration	**Amount (CHF million)**
2005	1.8
2007	116.0
2020	34.6
2021	10.5
2022	14.0
2023	5.0
2024	2.9
	184.8

Tax expenses

in thousands of Swiss Francs	**2003/04**	2002/03
Current taxes	31,459	19,523
Deferred taxes	(12,097)	5,461
	19,362	**24,984**

Reconciliation of tax expenses

in thousands of Swiss Francs	**2003/04**	2002/03
Profit before taxes and minority interest	135,688	128,465
Expected taxes at the domestic rates applicable to profit/loss in the countries concerned	32,186	30,328
Weighted average applicable tax rate	23.72%	23.61%
Tax relief on losses carried forward previously not yet recognized	(11,582)	(1,133)
Tax effect of non-deductible expenses and non-effective tax losses	28,212	11,620
Tax effect of income for fiscal purposes only	3,813	–
Tax effect of income not subject to tax	(34,327)	(14,488)
Adjustments related to prior years	1,060	(1,343)
	19,362	**24,984**

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 2003/04.

Deferred tax assets and liabilities

in thousands of Swiss Francs	Balance at September 1, 2002	Deferred tax (income)/ expense 2002/03	Effect of acquisitions	Currency translation adjustments	Balance at August 31, 2003	Deferred tax (income)/ expense **2003/2004**	Currency translation adjustments	Balance at August 31, 2004
Deferred tax assets								
Deferred tax depreciation fixed assets	(202)	(1,479)	–	(253)	(1,934)	18,788	(258)	16,596
Deferred tax inventories	871	(1,285)	–	23	(391)	393	(1)	1
Deferred tax provisions	(4,543)	1,380	–	(52)	(3,215)	27	1	(3,187)
Deferred tax other assets	(300)	1,097	–	(5)	792	(13,342)	61	(12,489)
Deferred tax other liabilities	(7,543)	9,375	–	(137)	1,695	(3,290)	(200)	(1,795)
Capitalization of tax loss carry-forwards	(9,191)	732	–	60	(8,399)	(10,257)	599	(18,057)
	(20,908)	**9,820**	**–**	**(364)**	**(11,452)**	**(7,681)**	**202**	**(18,931)**
Deferred tax liabilities								
Deferred tax depreciation fixed assets	51,963	1,036	147	1,278	54,424	(27,933)	(883)	25,608
Deferred tax inventories	5,161	2,660	–	(12)	7,809	(110)	(4)	7,695
Deferred tax provisions	11,568	(3,380)	399	447	9,034	(152)	9	8,891
Deferred tax other assets	16,961	3,690	(10,435)	679	10,895	3,680	27	14,602
Deferred tax other liabilities	(7,326)	(3,440)	–	(289)	(11,055)	6,308	118	(4,629)
Capitalization of tax loss carry-forwards	(18,456)	(4,925)	–	(587)	(23,968)	13,791	(106)	(10,283)
	59,871	**(4,359)**	**(9,889)**	**1,516**	**47,139**	**(4,416)**	**(839)**	**41,884**
Net deferred tax liabilities	**38,963**	**5,461**	**(9,889)**	**1,152**	**35,687**	**(12,097)**	**(637)**	**22,953**

22. Earnings per share

	2003/04	2002/03
Basic earnings per share (CHF/share)	22.41	20.00
Diluted earnings per share (CHF/share)	22.36	19.97

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	**2003/04**	2002/03
Net result attributable to ordinary shareholders, used as numerator for basic earnings per share	115,602	103,244
After-tax effect of income and expense on dilutive potential ordinary shares	–	–
Adjusted net result used as numerator for diluted earnings per share	115,602	103,244

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	**2003/04**	2002/03
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares	12,395	6,756
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,157,605	5,163,244
Weighted average number of dilutive treasury shares held in coverage of the stock option plan	12,395	6,756
Adjusted weighted average number of ordinary shares, used as denominator	5,170,000	5,170,000

Notes

23. Cash flow from acquisitions

in thousands of Swiss Francs	**2003/04**	2002/03
Current assets	(173,956)	(11,130)
Non-current assets	(121,175)	(13,689)
Negative goodwill/(goodwill) from acquisitions	50,276	(28,434)
Short-term liabilities	113,483	10,114
Long-term liabilities	127,276	6,467
Minority interest	–	848
Total purchase price	**(4,096)**	**(35,824)**
Less: cash and bank overdrafts acquired	(2,258)	(1,232)
Cash flow for acquisition, net of cash and bank overdrafts acquired	**(6,354)**	**(37,056)**

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

in thousands of Swiss Francs	**2003/04**	2002/03
Pension funds		
defined benefit plans	126,817	117,259
defined contribution plans	405	577
Other post-retirement benefit plans	33,725	320
Other long-term employee benefits	10,697	10,197
	171,644	**128,353**

Assets recognized in the balance sheet

in thousands of Swiss Francs	**2003/04**	2002/03
Pension funds		
defined benefit plans	2,842	2,382
	2,842	**2,382**

Reconciliation of assets and liabilities recognized in the balance sheet

in thousands of Swiss Francs	**Defined benefit retirement plans**	**Other non-current employee benefits**	**Total 2003/04**	Total 2002/03
Present value of funded obligations	205,560	4,948	210,508	114,104
Fair value of plan assets	(151,385)	–	(151,385)	(71,676)
Excess of liabilities/(assets) of funded obligations	54,175	4,948	59,123	42,428
Present value of unfunded obligations	87,223	28,550	115,773	95,646
Unrecognized past services cost of non-vested benefits	(131)	(118)	(249)	–
Net unrecognized actuarial gains/(losses)	(17,292)	11,447	(5,845)	(12,103)
Net accrued liabilities	**123,975**	**44,827**	**168,802**	**125,971**

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

in thousands of Swiss Francs	Defined benefit retirement plans	Other non-current employee benefits	Total 2003/04	Total 2002/03
Current service cost	5,524	1,120	6,644	5,179
Interest cost	14,931	1,738	16,669	9,976
Expected return on plan assets	(9,709)	–	(9,709)	(4,041)
Net actuarial (gain)/loss recognized in the year	453	(978)	(525)	1,241
Loss/(gain) in early retirement, curtailments, settlements	(82)	(5,026)	(5,108)	(2,590)
Past service cost	–	115	115	(5,523)
Employees' contributions	(1,156)	–	(1,156)	(921)
Total defined benefit expenses	**9,961**	**(3,031)**	**6,930**	**3,321**
Total defined contribution expenses			**2,616**	**1,502**

The actual return on plan assets in 2003/04 was positive for an amount of CHF 8.3 million (2002/03: positive return of CHF 3.1 million).

Movement of defined benefits net liabilities

in thousands of Swiss Francs	Defined benefit retirement plans	Other non-current employee benefits	Total 2003/04	Total 2002/03
at September 1	114,877	11,094	125,971	128,923
Reclassifications	–	1	1	32
Changes in Group structure	20,079	45,755	65,834	1,669
Currency translation adjustments	(1,540)	(4,364)	(5,904)	5,306
Total defined benefit expenses	9,961	(3,031)	6,930	3,321
Contributions	(12,588)	(3,765)	(16,353)	(4,708)
Benefits paid	(6,814)	(863)	(7,677)	(8,572)
at August 31	**123,975**	**44,827**	**168,802**	**125,971**

Principal actuarial assumptions used (weighted averages)

	2003/04	2002/03
Discount rates	5.2%	5.2%
Expected rate of salary increase	2.4%	2.3%
Expected return on plan assets	7.5%	6.1%
Medical cost trend rates	5.5%	1.8%

The increase of the expected return on plan assets is due to a higher expected return on the plan assets of Brach's.

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 5 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.

Notes

Stock option plan

	Number of options	Weighted average exercise price (CHF/share)	Number of options	Weighted average exercise price (CHF/share)
	2003/04		2002/03	
Outstanding at September 1	93,800		118,000	
Exercised during the year	(43,200)	285	–	
Forfeited during the year	(30,000)		–	
Expired during the year	(12,000)		(24,200)	
Outstanding as at August 31	**8,600**		**93,800**	
Exercisable as at August 31	**8,600**	**235**	**93,800**	**257**

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

The total options outstanding at August 31, 2004 had an exercise price of CHF 234.5 (2002/03: CHF 234.5 to CHF 322)

	Number of options 2003/04	Number of options 2002/03
Expiry Date – August		
2004	–	24,200
2005	2,000	21,200
2006	3,300	36,200
2007	3,300	12,200
2008		
	8,600	**93,800**

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. Outstanding shares include 40,400 shares initially allocated to the participants but not yet granted as well as 1,176 shares as reserve.

	Number of shares	Fair value of shares (CHF 000)	Number of shares	Fair value of shares (CHF 000)
	2003/04		2002/03	
Outstanding at September 1	67,310	–	86,210	–
Granted during the year	(25,734)	4,838	(18,900)	2,646
Outstanding at August 31	**41,576**	**–**	**67,310**	**–**

Costs of CHF 0.012 million (2002/03: CHF 0.028 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 0.239 million (2002/03: CHF 0.122 million) were recorded in personnel expenses.

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

With the expansion of its Consumer business, the Group intends to make a greater distinction between its Industrial and its Food Service/ Retail businesses. In this respect the Group has introduced a two-pillar business segment model.

The first business segment – **Industrial Business** – groups today's business units Cocoa, Sourcing & Risk Management and Food Manufacturers, thus uniting 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, Luxembourg, Germany, Italy, Spain, Portugal, all Eastern Europe countries, 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	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03
Revenue from sales and services										
External sales	2,203,255	2,193,882	1,845,632	1,377,378	–	–	–	–	4,048,887	3,571,260
Inter-segment sales	587,007	435,614	35,901	9,489	–	–	(622,908)	(445 103)	–	–
Income from sales and services	**2,790,262**	**2,629,496**	**1,881,533**	**1,386,867**	**–**	**–**	**(622,908)**	**(445,103)**	**4,048,887**	**3,571,260**
Segment result[1]	175,196	142,759	99,345	101,964	(46,260)	(36,015)	–	–	228,281	208,708
Operating income[1]	**175,196**	**142,759**	**99,345**	**101,964**	**(46,260)**	**(36,015)**	**–**	**–**	**228,281**	**208,708**
Financial cost, net									**(92,420)**	**(80,244)**
Non-operating income, net									**(173)**	**1**
Total taxes									**(19,362)**	**(24,984)**
Minority interest									**(724)**	**(237)**
Net profit for the year									**115,602**	**103,244**

[1] 2002–03 figures have been restated to reflect changes in inter-business unit pricing and in cost allocations applicable as from September 1, 2003

I – Primary segment information: business segments – continued

	Industrial Business		Food Service & Retail Business		Corporate/ Unallocated		Eliminations		Consolidated	
in thousands of Swiss Francs	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03
Other information										
Segment assets	1,658,226	1,815,359	953,440	776,549			–	–	2,611,666	2,591,908
Corporate/Unallocated assets					148,796	120,799	–	–	148,796	120,799
Consolidated total assets	**1,658,226**	**1,815,359**	**953,440**	**776,549**	**148,796**	**120,799**	**–**	**–**	**2,760,462**	**2,712,707**
Segment liabilities	332,704	340,262	327,496	351,563			–	–	660,200	691,825
Corporate/Unallocated liabilities					1,292,445	1,254,996	–	–	1,292,445	1,254,996
Consolidated total liabilities	**332,704**	**340,262**	**327,496**	**351,563**	**1,292,445**	**1,254,996**	**–**	**–**	**1,952,645**	**1,946,821**
Capital expenditure	56,706	49,491	24,095	62,421	14,173	1,698	–	–	94,974	113,610
Depreciation and amortization	(73,114)	(72,472)	(60,145)	(48,569)	(3,310)	(3,398)	–	–	(136,569)	(124,439)
Non-cash expenses other than depreciation	(416)	–	(8,487)	(8,599)	(238)	–	–	–	(9,141)	(8,599)
Impairment losses	–	(1,225)	(669)	–	–	–	–	–	(669)	(1,225)
Reversal of impairment losses	1,242	2,705	1,541	36	–	–	–	–	2,783	2,741

II – Secondary segment information: by geographical area

	Europe		Americas		Asia-Pacific/Africa		Eliminations		Consolidated	
in thousands of Swiss Francs	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03	**2003/04**	2002/03
External sales revenue	2,718,988	2,575,920	1,063,134	746,027	266,765	249,313	–	–	4,048,887	3,571,260
Carrying amount of segment assets	1,932,171	2,091,963	575,927	380,457	252,364	240,287	–	–	2,760,462	2,712,707
Capital expenditure	52,838	89,395	31,196	11,724	10,940	12,491	–	–	94,974	113,610

NOTES

26. Financial risk management

The Group's activity expose it 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 purchase 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. Open 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.
Unrealized gains and losses of open forward exchange contracts designated as hedging instruments in a cash flow hedge of firm commitments and highly probable purchases and sales are recognized in equity.

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. The group's policy is to keep between 50% and 75% of its borrowings at fixed rates of interest.

To manage this mix in a cost-efficient manner, the Group enters into:

a) interest rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations.
Unrealized gains and losses relating to interest rate swaps designated as hedging instruments to convert variable interest rate payments into fixed interest rate payments are recognized in equity as equity reserve on cash flow hedges.
At August 31, 2004, after taking into account the effect of interest rate swaps, approximately 54% of the Group's borrowings are at a fixed rate of interest.

b) interest rate derivatives aiming at fixing certain ceilings, hence limiting the impact of interest rate movements whilst leaving the opportunity to benefit from possible low short term floating interest rates. At August 31, 2004, approximately 30% of the Group's borrowings are capped at specific interest rate levels.

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 851.6 million as of August 31, 2004 (2002/03: CHF 788.9 million).

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 was notified in December 2003 about the fact that more than 5% of the issued share capital of the Company was held by following parties:

– KJ Jacobs AG, Zürich, Switzerland	50.50%
– Renata Jacobs	8.48%

Significant transactions and balances between the Group and related parties are as follows (amounts with respect to Brach's and Schloss Marbach relate to transactions before acquisition):

in thousands of Swiss Francs	**2003/04**	2002/03
Sales to related parties	**36,689**	**46,182**
Jacquot SA	36,689	33,712
Brach's Confections Holding, Inc.	–	12,470
Operating expenses charged by related parties	**6,012**	**7,974**
Schloss Marbach GmbH	1,057	3,240
KJ Jacobs AG	1,568	1,823
Brach's Confections Holding, Inc.	–	285
Adecco	3,387	2,162
Other	–	464
Acquisition of Brach's Confections Holding, Inc. and Schloss Marbach GmbH from KJ Jacobs AG	**24,058**	**–**
Accounts receivable related parties	**26,518**	**11,926**
Schloss Marbach GmbH	–	1,996
Jacquot SA	6,406	8,094
KJ Jacobs AG	20,112	–
Brach's Confections Holding, Inc.	–	1,836
Accounts payable related parties	**1,371**	**7,226**
Schloss Marbach GmbH	–	2,353
KJ Jacobs AG	578	3,134
Brach's Confections Holding, Inc.	–	606
Other	793	1,133

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

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

Accounts receivable with KJ Jacobs AG of CHF 20,1 million refers to the sales and purchase agreement between Barry Callebaut and KJ Jacobs AG related to the acquisition of Brach's Confections Holding, Inc.

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 278.8 million at August 31, 2004 (CHF 274.3 million at August 31, 2003, 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.

in thousands of Swiss Francs	**2003/04**	2002/03
Contingent liabilities		
Guarantees to third parties	71,273	5,583
Assets pledged as security for liabilities		
Mortgages	63,872	119,152
Shares pledged	127,761	128,917
Inventories pledged	27,224	162,288
Tangible assets pledged	3,918	–
Other assets pledged	2,799	2,172
Other contingent liabilities	2,583	381
Commitments		
Future capital expenditures	–	1,279
Foreign exchange sales obligations	1,638,130	2,072,369
Foreign exchange purchase obligations	1,577,325	2,077,353
Physical sales obligations	878,546	1,145,066
Physical purchase (including repurchase) obligations	1,301,513	1,316,644
Cocoa terminal market sales	578,428	471,953
Cocoa terminal market purchases	636,258	595,179

At August 31, 2004 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 71.3 million (2002/03: CHF 5.6 million) to third parties.

Assets pledged as security for liabilities amount in total to CHF 225.6 million (2002/03; CHF 412.5 million) and relate to mortgages on land and property, and pledged inventories and shares.

Shares of Stollwerck AG with a book value of CHF 127.8 million (2002/03: CHF 128.9 million) are pledged as security for liabilities and serve as a partial collateral for the senior credit facilities of EUR 375 million entered into in March 2003 (see note 12).

Pursuant to the Stollwerck acquisition the Group has assumed the obligation to fulfil the contractual claims of the silent partners in Thüringer Schokoladewerk Beteiligungs GmbH upon termination of the partnerships. These claims are subject to market valuation of the partnerships at the time of the termination. To the extent that these market valuations would exceed or be inferior than the payable currently recognized in the balance sheet, this would represent a contingent liability or a reduction of the recorded liability respectively.

Notes

Operating lease arrangements

in thousands of Swiss Francs	**2003/04**	2002/03
Lease paid under operating leases	2,926	5,733
Future operating lease commitments	14,059	18,760

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

in thousands of Swiss Francs	**2003/04**	2002/03
Within one year	4,981	4,329
In the second to the fifth year inclusive	5,728	9,611
After five years	3,350	4,820

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

On September 2, 2004, the Group acquired from Arla Foods amba of Denmark the 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 Scandinavian and Eastern Europe. AM Foods will be integrated into the Group's Gourmet & Specialties business unit, which includes the business with cocoa and chocolate blends for vending machines and the hotel/restaurant business. The total purchase consideration amounts to CHF 61.75 million (EUR 40.1 million). The Group has not completed the allocation of the purchase price as it is in the process of identifying and determining the fair value of the assets acquired and liabilities assumed. The results of the business of AM Foods will be consolidated as from September 1, 2004 onwards.

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To the general meeting of
Barry Callebaut AG, Zurich

Zurich, November 5, 2004

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 equity and notes/pages 80 to 112) of Barry Callebaut AG for the year ended August 31, 2004.

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 Ltd

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

Stefan Weuste
Swiss Certified Accountant

Financial Statements of Barry Callebaut AG.

Balance Sheet

Assets

for the year ended August 31, 2004		
in Swiss Francs	**2003/04**	2002/03
Current assets		
Cash	36,746	279,761
Treasury shares	9,210,680	56,010
Accounts receivable from Group companies	23,570,775	17,400,137
Short-term loans granted to Group companies	131,379,591	64,856,912
Other receivables and prepayments	1,382,553	2,348,464
Total current assets	**165,580,345**	**84,941,284**
Non-current assets		
Fixed assets	422,295	289,193
Financial assets		
Investments	706,609,824	860,609,825
Intangible assets		
Trademarks	45,177,039	74,790
Patents	790,779	–
Others	1,242,355	–
Total non-current assets	**754,242,292**	**860,973,808**
Total assets	**919,822,637**	**945,915,092**

Liabilities and shareholders' equity

for the year ended August 31, 2004		
in Swiss Francs	**2003/04**	2002/03
Current liabilities		
Accounts payable to third parties	552,890	797,250
Accounts payable to Group companies	4,268,069	2,185,422
Accounts payable to shareholder	5,721	1,220,681
Short-term loans from Group companies	110,361,497	144,252,580
Accrued liabilities	11,233,344	9,929,529
Accrued taxes	464,485	231,278
Total liabilities	**126,886,006**	**158,616,740**
Shareholders' equity		
Share capital – 5,170,000 registered shares at CHF 100 nominal value	517,000,000	517,000,000
Legal reserve	157,019,393	157,019,393
Reserve for treasury shares	9,774,393	54,788
Retained earnings	109,142,845	113,224,171
Total shareholders' equity	**792,936,631**	**787,298,352**
Total liabilities and shareholders' equity	**919,822,637**	**945,915,092**

Statement of Income and Retained Earnings

for the year ended August 31, 2004		
in Swiss Francs	**2003/04**	2002/03
Income		
Dividend income	35,000,000	35,000,000
Financial income	2,212,241	2,223,878
License income	24,032,551	22,850,908
Management fees	15,275,361	8,169,863
Realized and unrealized profit on treasury shares	886,230	446,166
Other	745,766	220,146
	78,152,149	**68,910,961**
Expenses		
Personnel	17,898,715	12,470,449
Financial expenses	2,116,449	2,643,757
Amortization and depreciation	979,377	186,664
License expenses	2,847,928	3,299,861
Realized loss on treasury shares	2,030,649	294,030
Other	9,984,852	7,246,242
	35,857,970	**26,141,003**
Income before taxes	**42,294,179**	**42,769,958**
Taxes	(507,900)	(234,091)
Net income for the year	**41,786,279**	**42,535,867**
Retained earnings		
Balance, beginning of year	113,224,171	106,346,892
Dividend	(36,148,000)	(35,635,740)
Increase of reserve for treasury shares	(9,719,605)	(22,848)
Net income for the year	41,786,279	42,535,867
Balance, end of year	**109,142,845**	**113,224,171**

Notes to the Financial Statements

for the year ended August 31, 2004		
in Swiss Francs	**2003/04**	2002/03
1. Liens, guarantees and pledges in favour of third parties: The Company is a co-debtor for bank loans of max. EUR 545 million (CHF 840.1 million; 2002/03: EUR 375 million or CHF 577.2 million) obtained by Barry Callebaut Services N.V., Belgium and for the subordinated bond of EUR 165 million (CHF 254.3 million; 2002/03: EUR 165 million or CHF 254 million) issued by Barry Callebaut Services N.V., Belgium.		
Until August 31, 2003 VAT Group with KJ JACOBS AG; joint liability As of September 1, 2003 VAT Subgroup for the Swiss Barry Callebaut entities		
2. Fire insurance value of tangible fixed assets	CHF 1,037,000	CHF 868,000
3. Investments		

Name and domicile	**Percentage of investment**	
	2003/04	2002/03
ADIS Holdings Inc., Panama	100%	100%
Barry Callebaut Holding BV, The Netherlands	100%	100%
Barry Callebaut Schweiz AG, Switzerland	100%	100%
Barry Callebaut Sourcing AG, Switzerland	100%	100%
Chocodif SA, France	100%	100%
Chocosen SA, Senegal	100%	100%
C. J. Van Houten & Zoon Holding GmbH, Germany	100%	100%
Van Houten (Asia Pacific) Ltd, Hong Kong	–	50%
Van Houten Service AG, Switzerland	100%	100%

Investments are stated at cost less necessary amortization.

4. Treasury shares

The Company holds 37,761 (2002/03: 300) treasury shares as of August 31, 2004. In 2003/04 the Company bought 130,680 shares at an average price of CHF 250.37 per share (2002/03: 84,941 shares at an average price of CHF 155.44) and sold 93,219 shares at an average price of CHF 246.72 per share (2002/03: 84,841 shares at an average price of CHF 157.13). As of August 31, 2004 the treasury shares have been revalued to the average closing price of August 2004 of CHF 243.92 per share (2002/03: to the average closing price of August 2003 of CHF 186.70 per share).

5. Significant shareholders		
KJ Jacobs AG, Zurich, Switzerland	50.50%	n/a
Renata Jacobs	8.48%	n/a
KJ Jacobs AG, Zurich, Switzerland and certain members of Klaus J. Jacobs' family	n/a	69.90%

Appropriation of Available Earnings

The Board of Directors proposes to carry forward the balance of retained earnings of CHF 109,142,845.

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To the general meeting of
Barry Callebaut AG, Zurich

Zurich, November 5, 2004

Report of the Statutory Auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes/pages 116 to 118) of Barry Callebaut AG for the year ended August 31, 2004.

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 Ltd

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

Stefan Weuste
Swiss Certified Accountant

6-year overview.

Key Figures Barry Callebaut		CAGR (%)[1]	2003/04	2002/03	2001/02[2]	2000/01	1999/00	1998/99
Income Statement								
Sales revenue	CHF m	12.3%	4,048.9	3,571.3	2,621.8	2,548.6	2,410.4	2,262.3
EBITDA [3]	CHF m	12.0%	364.8	333.1	187.8	266.2	240.3	207.2
Operating profit (EBIT)	CHF m	11.9%	228.3	208.7	93.2	168.0	148.7	130.2
Net profit (PAT)	CHF m	2.9%	115.6	103.2	21.1	97.1	90.0	100.2
Cash flow [4]	CHF m	7.3%	252.2	227.7	115.7	195.3	181.6	177.2
EBIT per ton	CHF/mt	2.2%	225.7	234.2	122.5	213.4	197.8	202.4
Balance Sheet								
Balance sheet total	CHF m	11.2%	2,760.5	2,712.7	2,651.6	2,049.2	2,218.9	1,620.0
Net working capital	CHF m	9.3%	914.1	955.1	828.7	765.9	894.3	585.9
Non-current assets	CHF m	8.4%	1,099.9	1,049.9	1,070.6	823.1	894.0	734.2
Net debt [5]	CHF m	7.5%	943.0	1,030.1	960.1	786.2	1,029.2	656.8
Shareholders' equity	CHF m	5.3%	800.9	759.2	693.5	697.4	648.8	619.7
Capital expenditure [6]	CHF m	7.2%	90.0	69.1	73.8	80.1	80.5	63.5
Ratios								
Return on capital employed (ROCE) [7]	%	–0.7%	15.4%	15.0%	15.3%[13]	14.0%	13.5%	15.9%
Return on invested capital (ROIC) [8]	%	–0.3%	10.4%	9.6%	9.9%[13]	8.9%	8.7%	10.6%
Return on equity (ROE)	%	–2.3%	14.4%	13.6%	13.8%[13]	13.9%	13.9%	16.2%
Debt-to-equity-ratio	%	2.1%	117.7%	135.7%	138.4%	112.7%	158.6%	106.0%
Solvency ratio[9]	%	–5.4%	29.0%	28.0%	26.2%	34.0%	29.2%	38.3%
Interest cover ratio[10]		–9.6%	3.9	4.2	3.5	4.3	4.5	6.6
Net debt / EBITDA		–4.0%	2.6	3.1	5.1	3.0	4.3	3.2
EBIT / Sales revenue	%	–0.4%	5.6%	5.8%	3.6%	6.6%	6.2%	5.8%
CAPEX / Sales revenue	%	–4.6%	2.2%	1.9%	2.8%	3.1%	3.3%	2.8%
Shares								
Share price at year end	CHF	–2.0%	235	188	155	220	264	260
EBIT per share	CHF	11.9%	44.2	40.4	18.0	32.5	28.8	25.2
Earnings per share	CHF	2.9%	22.4	20.0	4.1	18.8	17.4	19.4
Cash earnings per share [11]	CHF	11.2%	66.3	60.1	37.7	52.1	48.0	39.0
Pay-out per share [12]	CHF	3.7%	7.8	7.0	6.9	6.7	6.5	6.5
Pay-out ratio	%	2.5%	35%	35%	156%	33%	36%	31%
Price earnings ratio at year end		–4.7%	10.5	9.4	37.9	11.7	15.2	13.4
Market capitalization	CHF m	–2.0%	1,215.0	972.0	801.4	1,137.4	1,364.9	1,344.2
Number of shares outstanding		0.0%	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total dividend amount paid	CHF m	3.2%	36.1	35.6	33.0	31.9	32.8	30.9
Other								
Sales volumes	Tonnes	9.5%	1,011,358	891,048	760,680	787,302	752,040	643,376
Employees		22.6%	8,933	7,837	7,583	4,911	5,158	3,219
Beans processed	Tonnes	11.0%	393,500	378,714	378,986	396,916	405,286	233,145
Chocolate & compound production	Tonnes	6.4%	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
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 = (equity + subordinated debt – intangible assets)/(total assets – intangible assets)
10 Interest cover ratio = EBITDA/Total financial items
11 Operating cashflow before working capital changes/diluted shares outstanding
12 In 2003/04 proposed par value reduction. In prior years dividends
13 Ratio is calculated on a pro forma basis excluding the impact of the Stollwerck acquisition

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Forward-looking statements

Certain statements in this Annual Report 2003/04 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 5, 2004. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.