Media release (Long version)

Barry Callebaut further expands its consumer business

Barry Callebaut announces acquisition of U.S.-based Brach's Confections Holding, Inc. – Building platform for global consumer business – Moving to two-pillar business model

- **Acquisition of Brach's will create the platform to build 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**
- **Strengthening Barry Callebaut's distribution power in North America through Brach's established relationships with major U.S. retailers**
- **Strengthening the company's ability to provide broader outsourcing and co-manufacturing platform to its global industrial customers**
- **Increasing Barry Callebaut's sales revenues in Consumer Products by approximately 45% to one-third of total sales; strengthening its turnover in the Americas by approximately 60% to 31% of total**
- **Joining a strong international group opens up new opportunities for Brach's both in the U.S. and in Europe**
- **Highly complementary in terms of geographic reach and product range; cross-selling opportunities for both companies between Europe and North America**
- **Restructuring of Brach's manufacturing network to be completed by end of 2003, allowing substantial cost savings and a competitive cost structure**
- **Purchase consideration amounts to USD 16 million. In addition, Barry Callebaut assumes the funding of Brach's remaining restructuring costs.**
- **Transaction is at least cash-EPS neutral as from year one.**
- **Barry Callebaut to introduce two-pillar business model, grouping together Barry Callebaut's Industrial and Sourcing activities and the Food Service/Retail businesses**

Zurich, Switzerland / Woodridge, IL, USA, September 1, 2003 – Barry Callebaut, the world's leading manufacturer of high-quality cocoa and chocolate products, has signed a contract with KJ Jacobs AG to acquire Brach's Confections Holding, Inc., based in the suburban Chicago area. The transaction, which will be closed in September 2003, will give Barry Callebaut a solid foothold in the U.S. confectionery market and will complement the company's strong presence in the European consumer marketplace established with the acquisition of the German Stollwerck Group in 2002.

Brach's Confections is one of America's leading manufacturers of confections with sales of approximately USD 340 million / CHF 460 million (fiscal year 2002/03) and 1,600 employees. 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®. Brach's is a wholly-owned subsidiary of KJ Jacobs AG, which also has a major stake in Barry Callebaut AG.

BARRY CALLEBAUT Brach's

Building a strong consumer business to supply the world's two largest consumer confectionery markets

The transaction will bring together two companies that have long traditions and are well-established in their respective markets. The companies complement each other in geographic reach as well as in product, service and customer portfolios. The transaction will give Barry Callebaut access to new distribution channels and the opportunity to strengthen and to extend relationships with large retailers in the United States – the world's single largest consumer market and one of Barry Callebaut's priority geographic markets. In addition, it will reinforce the company's ability to provide a broader outsourcing and co-manufacturing platform to its industrial customers. Brach's and Barry Callebaut will also benefit from shared best practices in product development, manufacturing operations and customer relations.

The transaction will expand Barry Callebaut's sales revenues from its Consumer Products business by approximately 45% to one-third of total sales. Total sales revenues generated in the Americas will go up by approximately 60% to 31% of the total. In fiscal year 2002/03, Brach's and Barry Callebaut expect to generate combined pro forma sales of approximately CHF 4.1 billion / USD 3.0 billion.

Strategic expansion into high value-added segments

Including Brach's (to be consolidated as of September 1, 2003) and Stollwerck results, Barry Callebaut's Consumer Products business unit will generate approximately CHF 1.4 billion in sales revenues in fiscal 2002/03. The expansion of this business unit is fully in line with Barry Callebaut's strategy to increase the share of higher value-added products and services and to offer to its industrial customers a broader outsourcing platform including consumer products. At the same time, the transaction will further reduce the share of revenue generated through sales of semi-finished products, thereby also reducing earnings volatility.
Brach's (under its CEO Terence O'Brien), like Consumer Products Europe of which Stollwerck is the largest part (under its President Richard Crux), will be managed as a separate business unit while the respective restructuring plans are implemented. Benefits resulting from the consolidation of Brach's and Barry Callebaut's consumer activities in North America are expected to be CHF 12-15 million per annum in cost savings as well as incremental revenue potential through cross-selling. The cross-selling opportunities include the distribution of Stollwerck's European premium chocolate products through Brach's in the U.S. and the sale of Brach's confectionery products in Europe.

In a later step, Barry Callebaut intends to combine Brach's and Stollwerck into one Consumer Products business unit to further capitalize on the collective know-how of the businesses in the areas of product development, manufacturing, and global account management.

Attractive purchase conditions

Barry Callebaut will acquire 100% of Brach's Confections Holding, Inc., and a state-of-the-art factory in Vernell, Mexico, recently constructed by KJ Jacobs AG. The total purchase consideration amounts to USD 16 million, consisting of the purchase price of USD 1.- for 100% of the equity of Brach's and USD 16 million of assumed net debt (working capital financing). Furthermore, Barry Callebaut will provide Brach's with funding to cover the remainder of the restructuring cost in the amount of max. USD 48 million over the next 4-5 years. These restructuring costs have been provisioned for by Brach’s prior to the acquisition. The purchase conditions were confirmed as fair in a Fairness Opinion made by Deloitte & Touche, an independent audit firm.

Brach’s will have finalized the current reconfiguration of its production network by the end of 2003. This will allow the company to achieve substantial and sustainable cost savings, leading to a competitive cost structure. Full cost benefits will come through in fiscal year 2004/05.

Andreas Schmid, Chairman of Barry Callebaut: “The operational expertise of Barry Callebaut as well as our experience from the ongoing restructuring of the Stollwerck Group make us confident that, together with local management, we will complete Brach’s restructuring successfully within the next four months. The optimized cost structure will allow Brach’s to drive profitable growth in the future. As a result of this assessment and the attractive purchase conditions, the Barry Callebaut Board determined that the conditions and the timing were right to make this acquisition.”

An attractive platform for building a global consumer business

The combination of Barry Callebaut and Brach’s will ultimately allow Barry Callebaut to build a global consumer business, meeting the needs of globally active retailers and food manufacturers.

“With an aided awareness of 93%, Brach’s is a household name in the United States. The acquisition of Brach’s allows us to accomplish two strategic objectives at once: First, the substantial expansion of our activities in the United States, the world’s single largest consumer market, and, second, the creation of an attractive platform to further build our consumer confectionery business, with ultimately a global reach in mind,” said Patrick De Maeseneire, CEO of Barry Callebaut.

Terence (Terry) O’Brien, CEO of Brach’s, said: “As we move toward our 100th anniversary in 2004, Brach’s is excited about the future potential we have in the U.S. and Europe as a result of our alignment with Barry Callebaut. We are particularly interested in new product development opportunities in premium chocolate, a Barry Callebaut expertise, for which there is tremendous growth potential in the U.S.”

Introduction of two-pillar business model for the Barry Callebaut Group

With the expansion of its consumer business, Barry Callebaut intends to make a greater distinction between its Industrial and its Food Service/Retail businesses. Consequently, Barry Callebaut will adapt its business model to two pillars as of September 1, 2003 (beginning of fiscal year 2003/04):

The first pillar – Industrial Business – will group today’s business units Cocoa, Sourcing & Risk Management and Food Manufacturers, thus uniting all asset/working capital-intensive activities. The second pillar – Food Service/Retail Business – will combine today’s business units Gourmet & Specialties and Consumer Products including both Stollwerck and Brach’s, grouping the more value-added products.

The company will adapt its segment reporting to the two-pillar business model already for fiscal year 2002/03. Patrick De Maeseneire, CEO of Barry Callebaut: “Our new two-pillar business model underscores our commitment to building a strategic consumer business, while continuing to grow our more traditional businesses, and respecting the needs of our different customer segments while keeping the advantages of being integrated and global. Furthermore, this new model will help all our stakeholders to better understand and value our performance and results.”

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Exchange rates as of August 28, 2003, were as follows:

USD/CHF: 1.4122	CHF/USD: 0.7081
EUR/CHF: 1.5389	CHF/EUR: 0.6499
EUR/USD: 1.0897	USD/EUR: 0.9177

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Brach’s Confections

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About Barry Callebaut:
With annual sales of CHF 2.6 billion for fiscal year 2001/02 and expected sales of approximately CHF 3.8 billion (including Stollwerck) for fiscal year 2002/03, Barry Callebaut is the world's leading manufacturer of high-quality cocoa and chocolate products. Barry Callebaut operates some 30 production facilities in 16 countries and employs approximately 7,200 people. The company serves the entire food industry, from food manufacturers to professional users of chocolate to retailers.

The company's customers range from industrial processors, such as the world famous branded consumer goods manufacturers who produce chocolate, confectionery, biscuits, dairy products, ice cream and breakfast cereals incorporating Barry Callebaut's products, to artisanal users, including hotels, gastronomy, chocolate makers, pastry chefs and bakers, to partners in the food retailing industry for whom the Barry Callebaut Group produces branded, customer label and other consumer products. Barry Callebaut also provides a comprehensive range of services in the fields of product development, processing, training and marketing.

Results for the full fiscal year 2002/03 (closing as of August 31) will be published on November 11, 2003.

www.barry-callebaut.com

About Brach's:
Brach's' history goes back to 1904. In fiscal year 2002/03 (closing as of August 31, 2003), the company, wholly owned by KJ Jacobs AG, generated sales of some USD 340 million/CHF 460 million (estimate) and had about 1,600 employees. Roughly 95% of sales were generated in the United States, making Brach's the seventh largest manufacturer in the U.S. confectionery market. The remaining approximately 5% of sales were generated in Canada, Mexico, Puerto Rico, in various Caribbean countries and Central/South America.

Brach's is a household name for confections in the U.S. 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 snack products, the fastest-growing segment since 2000. Brach's is best known for its StarBrites Mints®, and Milk Maid Caramels® products 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., at a factory recently constructed by KJ Jacobs AG in Northern Mexico (Vernell), and by some outsourcing partners.

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