Annual Report

2007/08

"We are always ready
to create added value
for our customers"

to inspire

Rea

to use

to explore

BARRY CALLEBAUT

In Brief

Strengthened global leadership and proven business model

North America, Eastern Europe and Asia on a fast growth path

Sales volume up 10.1% to 1,166,007 tonnes

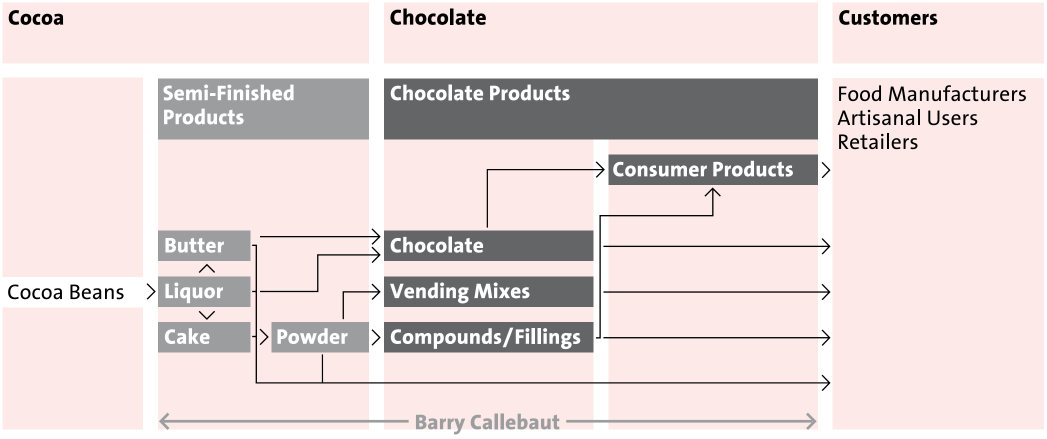
Barry Callebaut at a glance

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

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

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

Barry Callebaut is present in 26 countries, operates around 40 production facilities, employs more than 7,000 people and generated sales of more than CHF 4.8 billion in fiscal year 2007/08.



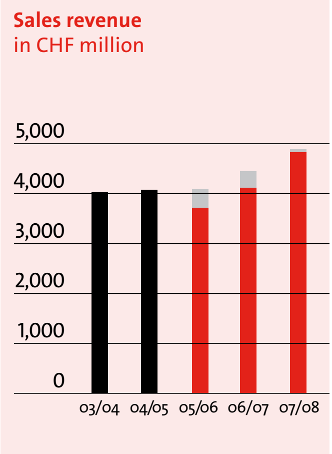
Key figures Barry Callebaut Group

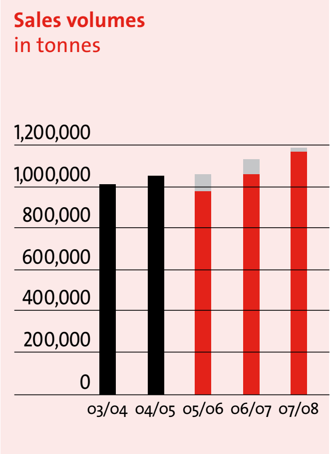
for the fiscal year ended August 31,		Change (%)	**2007/08**	2006/07
Income statement				
Sales volumes	Tonnes	10.1%	1,166,007	1,059,200
Sales revenue	CHF m	17.3%	4,815.4	4,106.8
EBITDA[1]	CHF m	3.9%	443.7	427.1
Operating profit (EBIT)	CHF m	5.3%	341.1	324.0
Net profit from continuing operations[2]	CHF m	1.0%	209.1	207.0
Net profit for the year	CHF m	65.6%	205.5	124.1
Cash flow[3]	CHF m	6.8%	434.3	406.8
EBIT per tonne	CHF	(4.4%)	292.5	305.9
as of August 31,			**2008**	2007
Balance sheet				
Total assets	CHF m	17.0%	3,729.5	3,186.7
Net working capital[4]	CHF m	17.3%	1,037.1	883.9
Non-current assets	CHF m	17.5%	1,423.7	1,211.3
Net debt	CHF m	11.9%	1,041.2	930.2
Shareholders' equity[5]	CHF m	11.0%	1,175.9	1,059.1
Ratios				
Economic Value Added (EVA)	CHF m	2.8%	126.3	122.9
Return on invested capital (ROIC)[6]	%	(2.1%)	14.0%	14.3%
Return on equity (ROE)	%	(9.2%)	17.7%	19.5%
Debt to equity ratio	%	0.8%	88.5%	87.8%
Shares				
Share price at fiscal year end	CHF	(17.0%)	724	873
EBIT per share (issued)	CHF	5.3%	66.0	62.7
Basic earnings per share[7]	CHF	0.6%	40.4	40.2
Cash earnings per share[8]	CHF	6.7%	83.9	78.6
Payout per share[9]	CHF	0.0%	11.5	11.5
Other				
Employees		(4.1%)	7,281	7,592

1 EBIT + depreciation on property, plant and equipment + amortization of intangibles
2 Net profit from continuing operations (before minorities)
3 Operating cash flow before working capital changes
4 Includes current assets and liabilities related to continuing commercial activities and current provisions
5 Total equity attributable to the shareholders of the parent company
6 EBIT x (1-effective tax rate)/average capital employed
7 Based on the net profit for the period attributable to the shareholders of the parent company excluding the net loss from discontinued operations/basic shares outstanding
8 Operating cash flow before working capital changes/basic shares outstanding
9 Par value reduction instead of a dividend; 2007/08 as proposed by the Board of Directors to the Annual General Meeting

Key figures

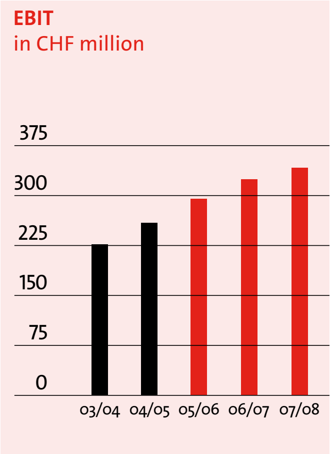
Discontinued operations (Brach's)
Continuing operations (excl. Brach's)

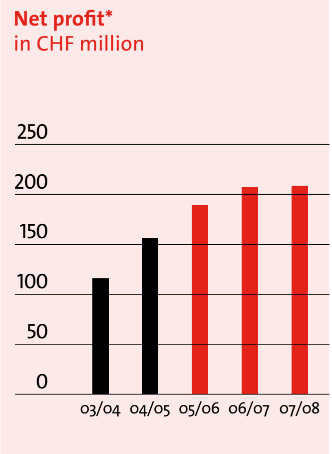




Continuing operations (excl. Brach's)

* Net profit from continuing operations



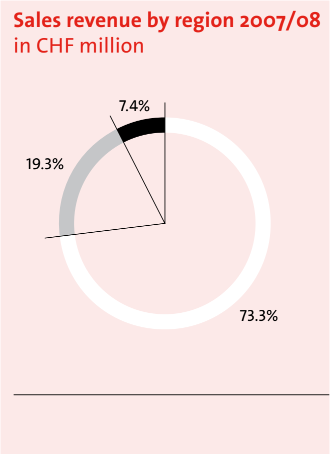


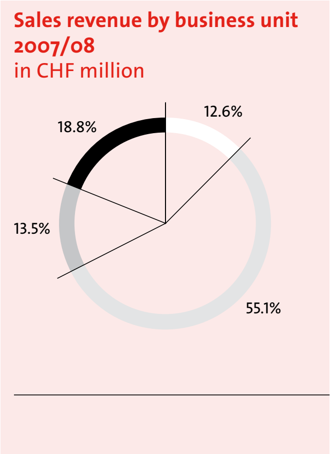
By region

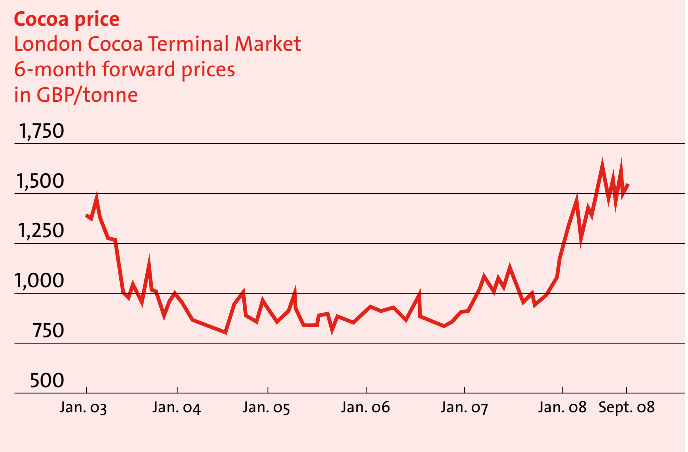
Europe	CHF 3,530.5 m
Americas	CHF 931.6 m
Asia-Pacific/Rest of World	CHF 353.3 m

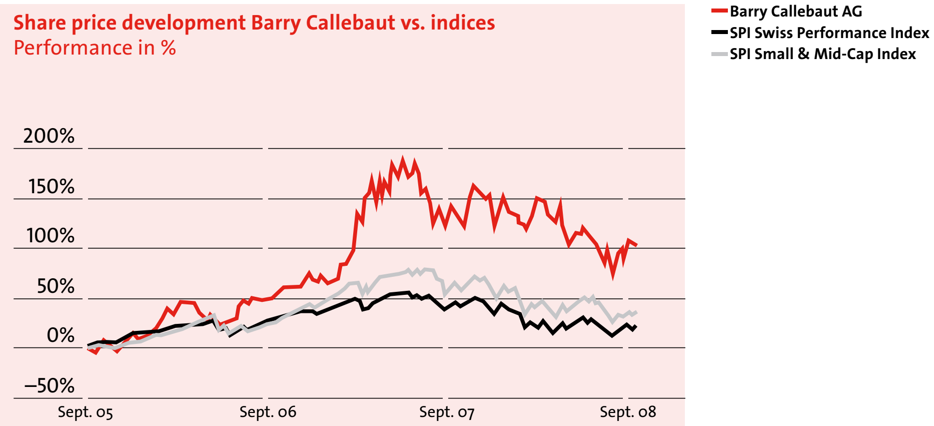
By business unit

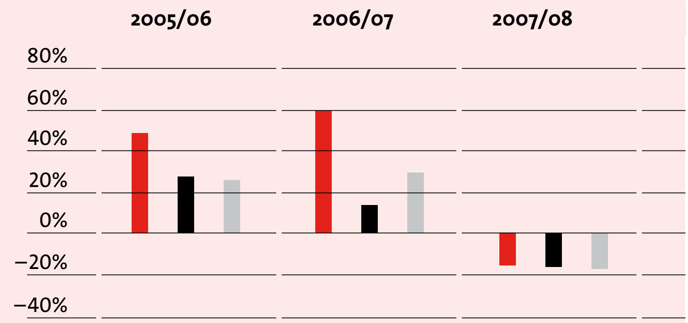
Cocoa	CHF 603.7 m
Food Manufacturers	CHF 2,654.6 m
Gourmet & Specialties	CHF 650.7 m
Consumer Products	CHF 906.4 m











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

Highlights

Barry Callebaut has made significant investments in building a foundation for continued success. The past fiscal year was marked by several milestones that set the stage for superior performance and growth in the future.

September 2007 – Opening of Barry Callebaut's first chocolate factory in Russia. The factory in Chekhov, near Moscow, puts Barry Callebaut closer to its growing customer base and in a position to better capture this region's growth potential.

November 2007 – Completion of the sale of the company's U.S. sugar candy business Brach's to Farley's & Sathers Candy Company Inc., allowing it to focus exclusively on its core chocolate business.

December 2007 – Acquisition of Food Processing International Inc. (FPI), including a state-of the-art cocoa factory with an annual production capacity of 25,000 tonnes of cocoa liquor in Eddystone, Pennsylvania, U.S.

January 2008 – Opening of a new chocolate factory in Suzhou, China, enabling Barry Callebaut to capture growth opportunities in the fast-growing Asian chocolate markets.

Finalization of the acquisition of production capacity from Morinaga, one of Japan's largest confectionery companies. The transaction includes a supply agreement and gives Barry Callebaut better access to the highly attractive Japanese chocolate market.

February 2008 – Sale of biscuit factory Wurzener Dauerbackwaren in Germany in order to focus on Barry Callebaut's core activity.

Sale of Ivorian consumer products subsidiary SN Chocodi SA.

April 2008 – Acquisition of a 49% stake in Biolands, Africa's largest exporter of certified organic cocoa, based in Tanzania.

April 2008 – Acquisition of a 60% stake in KL-Kepong Cocoa Products Sdn Bhd (KLK Cocoa) to further expand Barry Callebaut's footprint in Asia and increase its cocoa processing capacities around the world.

May 2008 – Opening of a new Chocolate Academy in Zundert, Netherlands.

June 2008 – Expansion of cocoa processing capacity in San Pedro factory, Côte d'Ivoire.

July 2008 – Sale of the consumer products business Chococam in Cameroon, allowing Barry Callebaut to focus on cocoa sourcing and cocoa processing in Africa.

Start up of production of a new chocolate factory in Monterrey, Mexico, further strengthening Barry Callebaut's operational footprint in the Americas.

August 2008 – Inauguration of a new Chocolate Academy in Mumbai, India, demonstrating Barry Callebaut's commitment to building its business and strengthening relationships with chocolatiers and chefs in India.

September 2008 – Opening of new Chocolate Academies in Chekhov, Russia, and Chicago, Illinois, U.S.

October 2008 – Inauguration of a new specialty factory in Alicante, Spain, to produce top-quality frozen desserts.

December 2008 – Opening of a sales office in Prague, Czech Republic.

Vision and values

Our vision

Barry Callebaut is the heart and engine of the chocolate industry.

Our goal is to be No.1 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, from individual artisans to industrial manufacturers and global retailers. 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 good, 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.

Our values

At Barry Callebaut we believe in doing business the right way, that is, by demonstrating high ethical standards of behavior, consistent with our core values: customer focus, passion, entrepreneurship, team spirit, integrity.

Our values reflect how we strive to interact with colleagues, with external business partners, with all our stakeholders. They reflect how we believe business should be done – responsibly. We believe that achieving profitable growth in our business and contributing to sustainable economic and social development go hand in hand.

We view "social responsibility" in a broad sense. We believe we have a responsibility to all our stakeholders – shareholders, customers, consumers, suppliers, employees and the communities where we operate – and an obligation to consider their respective expectations. We pay particular attention to conditions in countries of origin and in countries that lack a welfare structure. We regard activities that help to empower cocoa farmers, for example, to be an important factor in ensuring a sustainable cocoa industry and facilitating the economic growth of origin countries.

"As a food manufacturer, Barry Callebaut has a fundamental responsibility to ensure the safety and quality of our products. As an international company with operations in 26 countries, we recognize that our businesses have an influence on the livelihoods of many people around the world. Accordingly, we strive to contribute responsibly to the communities where we operate."

Company history

In 1996, the Belgian chocolate producer Callebaut and the French chocolate company Cacao Barry joined forces, creating a new company called Barry Callebaut. Both Cacao Barry and Callebaut were widely recognized in the food industry as reliable suppliers of high-quality products and as dependable business partners for thousands of wholesale and retail specialists in the chocolate industry. The merger combined Cacao Barry's know-how in procurement and initial processing of cocoa beans with Callebaut's extensive experience in producing and marketing chocolate products.

After 1996, the company continued to grow through geographic expansion into strategic growth markets, outsourcing contracts, innovation and acquisitions. Since 1998 Barry Callebaut has been listed on the SIX Swiss Exchange.

1999	Acquisition of Carma AG in Switzerland
2002	Acquisition of the Stollwerck Group in Germany
2003	Acquisition of Dutch Group Graverboom B.V. (including Luijckx B.V.)
2003	Acquisition of Brach's Confections Holding Inc. in the U.S.
2004	Acquisition of the vending mix business of AM Foods in Sweden
2005	Opening of a chocolate factory in California, U.S.
2007	Opening of a chocolate factory in Chekhov, Russia
2007	Divestment of Brach's sugar-candy business
2007	Acquisition of a cocoa factory in Pennsylvania, U.S.
2008	Opening of a chocolate factory in Suzhou, China
2008	Signing of the acquisition of chocolate production capacity from Morinaga, Japan
2008	Opening of a sales office and Chocolate Academy in Mumbai, India
2008	Acquisition of a 60% stake in KLK Cocoa in Malaysia
2008	Sale of African consumer business
2008	Opening of four Chocolate Academies in Suzhou, China; Zundert, The Netherlands; Chekhov, Russia and Chicago, U.S.
2008	Opening of a chocolate factory in Monterrey, Mexico

Today, Barry Callebaut is the world market leader in high-quality cocoa and chocolate products and the only fully integrated chocolate company with a global presence. The company has evolved from a supplier of industry and specialty chocolates for industrial and artisanal customers into a provider of integrated solutions, from the bean to the shelf, to the entire food industry. As the outsourcing partner of choice, Barry Callebaut has an estimated 40% share of sales volumes in the open market. Barry Callebaut offers more than 1,700 recipes to its customers, allowing it to cater to local taste preferences around the world.

Download “In Brief”
www.barry-callebaut.com/documentation

Contents

Review of a year of investments to assure future growth

Barry Callebaut's past fiscal year was defined by major investments in its future. The world's leading manufacturer of high-quality cocoa and chocolate products significantly expanded its operations in high-growth markets, especially in emerging countries, to secure continued profitable growth in coming years. Consistent implementation of its growth strategy, a focus on innovation and increased operational and commercial excellence will take Barry Callebaut to the next level of growth.

Q Mr. Jacobs, how would you describe Barry Callebaut's fiscal year 2007/08?

Andreas Jacobs The entire food industry faced a challenging market environment, defined by historically high raw material and energy prices. These cost pressures were exacerbated by rising inflation, unfavorable developments in interest and foreign exchange rates as well as growing economic uncertainties. Against this background, Barry Callebaut demonstrated its ability to adapt quickly to changing market conditions by implementing efficiency programs to offset rising input costs. The Group's operating profit performance in the second half of the year gained momentum and was stronger in comparison to the previous year. Barry Callebaut's satisfactory earnings performance in fiscal year 2007/08 despite the strong headwinds illustrates the robustness of our business model and the appropriateness of our decision to expand our presence outside the mature markets of Western Europe.

Q Mr. De Maeseneire, what were the major developments in the past five years?

Patrick De Maeseneire Barry Callebaut has transformed itself from an international company with a strong focus on Western Europe into a truly global company with an unmatched presence in the high-growth markets of Eastern Europe and Asia. With our new chocolate factories in China, Russia and Mexico, we are on track to increase the proportion of our sales originating from the world's fastest growing markets. We also optimized our manufacturing footprint in North America by acquiring new production facilities and expanding our capacity in existing factories. In line with our targeted geographic expansion, we have doubled the number of our factories and now operate a global network of 40 production facilities worldwide. We are present in 26 countries. Our unique global manufacturing footprint guarantees customer proximity. We have established ourselves as the preferred outsourcing partner for the entire food industry, as evidenced by our long-term supply agreements with three of the world's top five confectionery makers.

Q What are the key drivers of Barry Callebaut's success?

PDM Our success is driven by the consistent implementation of our growth strategy, which rests on three pillars: geographic expansion, innovation and cost leadership. A portfolio of more than 1,700 chocolate recipes attests to Barry Callebaut's unique ability to re-invent chocolate. We also conduct ground-breaking fundamental research with the world's best scientists, for example on cocoa bean fermentation. Geographic expansion and innovation are only possible if we succeed in maintaining cost leadership in the long term.

Q How important is the "people factor"?

AJ & PDM It is very important. The expertise and the passion of our colleagues are essential for our success. We sincerely appreciate their hard work and thank them for their commitment and contribution to the successful development of Barry Callebaut. At the same time we would also like to thank our customers and shareholders for their continued trust and loyalty.

Q Barry Callebaut invested heavily in 2007/08. Why?

AJ We invested in our future. We built a strong platform to achieve sustainable, above-average growth going forward. We can see signs of a slowdown in chocolate consumption in mature chocolate markets. That is why we are constantly striving to enhance our geographical presence in high-growth markets to offset slowing growth in mature chocolate markets. For example, the chocolate markets in China and India registered double-digit growth rates in 2007/08. This compares to a mere 0.3% growth rate in volume terms in Western Europe. With four factories in Asia – in Singapore, China, Japan and Malaysia – we intend to double our sales volumes in this region within the next five years. Meanwhile we are also exploring opportunities in Latin America. To strengthen the relationship with our artisanal customers, we opened five new Chocolate Academies around the world. We now have twelve such Academies. A new Innovation Center in Pennsauken, New Jersey, U.S., and a new Center of Excellence in Dijon, France, for compounds and fillings, underline our commitment to remain the industry reference for innovation.

Q What were the main challenges for the food industry?

PDM The biggest challenge for all food companies was the unprecedented rise in raw material prices, which peaked in the summer 2008. Cocoa bean prices almost doubled during the course of the past fiscal year due to concerns about a supply deficit and speculation. Milk powder prices were extremely volatile. The record-high oil and energy prices led to a significant increase in our energy costs and high inflation rates worldwide. The weak dollar relative to the euro weighed on exports of European products to North America and to Asia.

"We are constantly striving to enhance our geographical presence in high-growth markets to offset slowing growth in mature chocolate markets."

"Commitment to social responsibility and a sustainable cocoa industry is a fundamental value of Barry Callebaut."

Andreas Jacobs
Chairman of the Board

Q How did you address these challenges?

PDM Our "cost-plus" business model absorbs the majority of the additional costs related to higher commodity prices. In our industrial chocolate and customer label business, which accounts for around 80% of our total turnover, contract pricing is always based on hedged raw material costs. This allows us to pass on increases in raw material prices to our customers. At the same time our back-to-back hedging practices reduce our risk exposure. In our Gourmet and branded consumer products business, we operate with price lists, which are adjusted on a regular basis. In response to rising energy costs, the bleak global economic outlook and inflation, we intensified our efforts to improve efficiency and took decisive steps to reduce costs across the Group.

Q Could higher raw material prices also present opportunities for Barry Callebaut?

PDM Yes, indeed. High raw material prices coupled with growing price pressures in the retail market as a result of an economic downturn could accelerate the trend towards outsourcing. Food companies increasingly focus on costs to stay competitive in a more challenging environment. By outsourcing their chocolate needs to Barry Callebaut, they benefit from lower costs and a reduction in capital employed.

Q What are the main market trends in the chocolate market?

PDM Consumers are becoming increasingly aware of the health-enhancing properties of the cocoa bean and they want chocolate that preserves these natural components. According to a survey we conducted in January 2008, one in four consumers wants chocolate with scientifically proven health benefits. This trend has fed demand for dark chocolate with a high cocoa content. Single origin chocolate and organic chocolate continue to enjoy great popularity as consumers seek more intense taste experiences.

Q Consumers are increasingly demanding that products have been made in an ethically sound manner. How do you respond to this?

AJ Cocoa is fundamental to our business. Many cocoa farmers are poor. Even though we don't own any plantations, we must not neglect the social conditions under which cocoa is grown. We strongly believe that we can only change cocoa farmers' lives for the better by going to these countries and by staying there. That is why we have expanded our cocoa processing factories in Côte d'Ivoire and in Ghana by about 50%, creating new jobs. In addition, we have initiated a number of projects benefiting cocoa farmers and their families, and we strongly support similar industry initiatives. However, our social responsibility starts with our own colleagues in origin countries. We support them and their families in areas such as health care, housing, meals and education.

Q How will you drive Barry Callebaut's growth in the long term?

AJ A recently completed strategy review confirmed our current growth strategy based on geographic expansion, innovation and cost leadership. It also highlighted additional potential to generate profitable, above-average growth over the next years, especially in our high-margin Gourmet business. For example, we have recently opened a specialty factory in Spain that is making premium frozen desserts and we have acquired IBC in Belgium, a specialist company for chocolate decorations. Growth in the Gourmet business will be partly organic and partly driven by small acquisitions to complement our existing know-how or add new expertise. We also strongly believe that the outsourcing trend in the industry will continue.

Q How will the current financial crisis affect Barry Callebaut in the next fiscal year?

AJ The current global financial turmoil is unprecedented. It is impossible to predict with certitude what the impact will be on the real economy and, consequently, on consumer behavior. However, Barry Callebaut operates in a defensive industry. Chocolate consumption has proven resilient in previous economic downturns. Furthermore, thanks to all our investments, we have a well-balanced geographical footprint with a strong presence in emerging markets. Our diversified product portfolio ranges from top-notch premium chocolate products to customer label and value-for-money products. With a unique global positioning, a broad product offering and a solid long-term financing structure, we are well-positioned to weather the storm.

Q What does that mean for fiscal year 2008/09?

PDM Based on the various factors outlined by our Chairman, our long-term outsourcing agreements with three of the world's top five confectionery makers and our ongoing efforts to improve operational efficiency, we are confident that we will achieve our four-year financial targets. These are on average for 2007/08–2010/11: annual volume growth of 9–11%, EBIT growth of 11–14% and net profit growth of 13–16%.

"We have doubled the number of factories in six years and now we are present in all major growth markets."

"Barry Callebaut is geared for sustainable profitable growth."

Patrick De Maeseneire
Chief Executive Officer

Ready to explore

Our forty origin and three millésime plantation chocolates are designed for our Gourmet customers ready to explore something new and one of a kind. Made from beans originating from a single country or plantation, these chocolates infuse a unique taste to the creations of grand chefs. In fact one 3-star Michelin chef compared our millésime plantation chocolate “Alto El Sol” from Peru with the voice of an opera singer able to consistently hit the highest notes.

In memory of Klaus J. Jacobs

Klaus J. Jacobs, 1936–2008

Our company has lost its founder and a longstanding member of our Board of Directors. Klaus J. Jacobs was an entrepreneur in the truest sense of the word and a visionary whose legacy will live on. Barry Callebaut is a testimony to his vision and creative energy.

When Klaus Jacobs sold the family-owned business Jacobs Suchard to Philip Morris in 1990, he retained ownership of Callebaut, a manufacturer of industrial chocolate. This move triggered his entrepreneurial instincts. Klaus Jacobs sensed that the chocolate industry worldwide was ripe for consolidation, and acted decisively. In 1996 he merged the Belgian company Callebaut with the French company Cacao Barry. This was more than a merger of two prominent chocolate companies, each with a long tradition in the same business. It was a union that brought together two mutually reinforcing sets of expertise: Klaus Jacobs blended Cacao Barry's experience in the sourcing and initial processing of cocoa beans with the competency of Callebaut in the manufacturing and marketing of chocolate products. Barry Callebaut was created – a new, global company that spanned the entire value chain, from cocoa beans to finished chocolate products. And Klaus Jacobs looked even further into the future. He anticipated that large, globally active manufacturers of branded products would look to outsource more and more of their chocolate production processes. Today Barry Callebaut is their partner of choice when it comes to outsourcing. Such foresight, together with an uncompromising commitment to the highest standards of excellence in product quality as well as in job performance, were the hallmarks of the entrepreneur Klaus Jacobs.

Everyone who had the privilege to work with this extraordinary man learned from him. Learned about entrepreneurship. About how to transform a vision into a tangible reality. About untiring creativity, commitment, and, above all, passion. For this we are deeply grateful. And, we pledge to continue to lead Barry Callebaut in a manner that is true to the principles and the spirit of its founder, Klaus Jacobs. We honor his memory.

Andreas Schmid
Vice Chairman of the
Board of Directors

Patrick De Maeseneire
Chief Executive Officer

Board of Directors and Management

Additional information:
www.barry-callebaut.com/organization and **www.barry-callebaut.com/board** and **www.barry-callebaut.com/smt**

Board of Directors

Andreas Jacobs
Chairman

Andreas Schmid
Vice Chairman

Rolando Benedick

Markus Fiechter

Stefan Pfander

Urs Widmer

Corporate Secretary
Roland Maurhofer

The Board of Directors proposes to the Annual General Meeting of the Shareholders that **James L. Donald** be elected as new member of the Board of Directors.

Management Team

Left to right:

Willy Geeraerts
Quality Assurance

Dirk Poelman
Operations & Supply Chain Organization

Victor Balli*
Chief Financial Officer

Hans Vriens
Chief Innovation Officer

Onno J. Bleeker*
Western Europe

Filip De Reymaeker
Eastern Europe

Patrick G. De Maeseneire*
Chief Executive Officer

Steven Retzlaff*
Global Sourcing & Cocoa

Gaby Tschofen
Corporate Communications & CSR

Olivier Schucht
Gourmet

Massimo Garavaglia*
Americas

Maurizio Decio
Asia-Pacific

* Members of the Senior Management Team

Ready to melt

Our Callets, which come in a variety of colors and flavors, eliminate the need for chefs to break up entire chocolate blocks, a process that can be time-consuming and imprecise. Ready to melt and easy to work with, Callets are ideal for adding exciting new flavors and colors to recipes or for the creation of playful decorations that would be nearly impossible without them.

Europe – Investing in future growth

Additional information:
www.barry-callebaut.com/foodmanufacturers and www.barry-callebaut.com/gourmet and www.callebaut.com and www.cacao-barry.com and www.carma.ch

"In Europe we have taken decisive steps to secure long-term sustainable growth. Our new chocolate factory in Russia is now fully operational and serving a growing customer base in Eastern Europe. In addition, we integrated recently acquired factories in France and Italy. Our outsourcing agreements with Nestlé and Cadbury are on track and we gained additional business with other large industrial customers. Our Gourmet business gained market share despite a challenging economic environment. We have built a sound foundation for continued growth in Europe."

Onno Bleeker
President Western Europe

Additional outsourcing volumes in Western Europe and new business in Eastern Europe led to a 6.5% rise in **sales volumes** to 786,698 tonnes in Region Europe in fiscal year 2007/08. Sales volumes grew more than three times as fast as the regional chocolate market despite a challenging economic environment. **Sales revenue** increased by 15.8% to CHF 3,530.5 million, driven by higher sales volumes, higher raw material prices and an improved product mix. Profitability in the region was affected by three factors: start-up costs at the new chocolate factory in Russia; high initial fixed costs and low capacity utilization associated with the gradual phasing-in of large outsourcing volumes, and a delay in price adjustments in the branded consumer business as raw material prices moved higher. As a result of these extraordinary effects, **operating profit** (EBIT) decreased by 4.3% to CHF 277.6 million.

Strengthening market leader position in Western Europe

Barry Callebaut continued to strengthen its leadership position in Western Europe during the past year by distinguishing itself through innovation and service excellence. This enabled Barry Callebaut to gain market share in highly competitive and mature markets, such as France, Italy and the United Kingdom. The **Food Manufacturers** business unit, which supplies chocolate products and customized services to industrial customers, continued to benefit from the trend towards outsourcing of chocolate production at food companies. The long-term supply agreements with Nestlé and Cadbury are on track. As the preferred outsourcing partner in the chocolate industry, Barry Callebaut also gained additional volumes from existing large industrial customers. The company invested substantial resources to improve productivity and capacity utilization at the chocolate factories it acquired in France and in Italy. On the premises of its factory in Dijon, France, Barry Callebaut has established a Center of Excellence for research and development of compound coatings and fillings. A specialized compound production line is now operational in Dijon. In San Sisto, Italy, Barry Callebaut implemented several technical improvements and restarted the cocoa processing line.

Customer focus remained a priority for Barry Callebaut's **Gourmet & Specialties** business unit, which serves artisanal customers such as pastry chefs, bakers and chocolatiers. The business unit reinforced its sales teams in key markets such as Spain and Germany. Targeted promotional activities for the Callebaut, Cacao Barry and Carma brands in the United Kingdom and Switzerland led to significant market share gains. To strengthen relationships with customers the Gourmet business unit opened a new

Additional information:
www.barry-callebaut.com/chocolate_academy and www.barry-callebaut.com/beverages and www.vanhoutendrinks.com and www.caprimo.com and www.barry-callebaut.com/consumers and www.sarotti.de and www.chocojacques.be and www.alprose.ch

Chocolate Academy in Zundert, the Netherlands, in May 2008. Barry Callebaut now operates a worldwide network of 12 such training and marketing platforms for artisanal customers. Seven Chocolate Academies are located in Europe. In October 2008, Barry Callebaut inaugurated a new specialty factory for ready-to-serve decorated frozen desserts in Alicante, Spain. The factory is part of a 80:20 joint venture between Barry Callebaut and world-famous pastry chefs Paco and Jacob Torreblanca and is in line with Barry Callebaut's strategy to expand its convenience product offering for professional customers.

In its **Beverages** division, which supplies vending mixes for beverage machines, Barry Callebaut registered very good growth mainly fuelled by innovative products for both vending and customer label customers. Van Houten, Caprimo and Bensdorp are Barry Callebaut's three high-quality and well-known beverage brands. The most recent product developments include a unique chocolate drink pad solution for one of the leading consumer coffee brands.

Barry Callebaut's **Consumer Products** business is built on three pillars: customer label solutions, contract manufacturing services for food manufacturers and a small number of local brands, namely Sarotti in Germany, Jacques in Belgium and Alprose in Switzerland. Over the past 12 months, the entire confectionery industry in Western Europe faced the double challenge of extraordinarily high raw material prices and a slowdown in consumer spending. The business unit was not left unaffected by these developments but nevertheless managed to grow sales in some markets. However, a slow-down in chocolate consumption in Germany, which is the most important sales market for our Consumer Products Europe business, led to lower sales revenue in the business unit. In addition, the sale of the biscuit factory Wurzener Dauerbackwaren in Germany negatively affected sales revenue.

Key figures for Region Europe

		Change %	**2007/08**	2006/07
Sales volumes	Tonnes	6.5	786,698	738,983
Sales revenue	CHF m	15.8	3,530.5	3,048.4
Operating profit (EBIT)	CHF m	(4.3)	277.6	290.2

Additional information:
www.barry-callebaut.com/foodmanufacturers and www.barry-callebaut.com/gourmet

Capturing growth potential in Eastern Europe

Barry Callebaut has significantly increased its presence in high-growth markets in Eastern Europe in line with its targeted geographic expansion strategy. The creation of a separate profit center for Eastern Europe, headed by a dedicated management team with a direct reporting line to the Group CEO, has proven successful. With the construction of a new state-of-the-art chocolate factory in Chekhov, near Moscow, Russia, Barry Callebaut enhanced its manufacturing capacities in the region and gained customer proximity. The **Food Manufacturers** business unit registered very good growth rates, especially in the second half of the past fiscal year when the new factory in Russia was fully operational. Barry Callebaut is on track to triple its sales in Russia within the next three years. Capacity utilization at the new factory is increasing rapidly after a slow start. Barry Callebaut will open a sales office in Prague, Czech Republic, in December 2008. The new office will be responsible for sales development in the Czech Republic, Hungary and Slovakia. In more mature markets, such as Poland, demand for innovative and luxury chocolate products is increasing as the purchasing power of consumers rises. Barry Callebaut has therefore shifted its focus towards the growing premium segment and expanded its research and development capabilities in those markets.

Growth in the Eastern European chocolate markets is defined by a shift in consumer preference towards high-quality premium products. Barry Callebaut's **Gourmet & Specialties** business unit has responded by opening a new Chocolate Academy in Chekhov, Russia. The Chocolate Academy is specifically designed to encourage professional users of chocolate to apply and broaden their technical skills under the guidance of trained master chocolatiers. To date, Barry Callebaut operates two such training centers in Eastern Europe – one in Russia and one in Poland. A focused sales team and a dedicated distribution network have been set up to increase direct contact with Gourmet customers.

Filip De Reymaeker
Vice President Eastern Europe

The Americas – Transformed manufacturing footprint

Additional information:
www.barry-callebaut.com/foodmanufacturers

“ Barry Callebaut has clearly established itself as the leading chocolate expert in the Americas. The historic partnership with The Hershey Company has made us the No. 1 industrial chocolate supplier in North America. To meet the demand from our growing customer base, we have completely transformed our manufacturing footprint in line with our growth strategy. A new state-of-the-art Innovation Center in Pennsauken, New Jersey, underlines our commitment to develop innovative products that meet the requirements of our U.S. customers. Our new Chocolate Academy in Chicago has strengthened our relationship with chocolatiers and chefs.”

Massimo Garavaglia
President Americas

In Region Americas, sales volumes were mainly driven by deliveries to Hershey’s under a long-term supply agreement signed last year and gains in new business with large and mid-sized customers. All business units contributed to a remarkable increase in **sales volumes** of 20.6% to 292,614 tonnes. **Sales revenue** rose 23.1% to CHF 931.6 million on higher volumes. The impact of a weaker U.S. dollar versus the reporting currency Swiss franc was more than offset by higher sales prices as a result of higher raw material costs. **Operating profit** increased by 18.4% to CHF 79.5 million despite unfavorable exchange rate developments, which increased the cost of imported Gourmet products from Europe and led to a negative translation effect into Swiss francs.

Gaining market share

Over the past two years Barry Callebaut has transformed its manufacturing footprint in the Americas to meet the increasing demand of a growing industrial and artisanal customer base. The company acquired a production facility for liquid chocolate in Robinson, Illinois, and bought a cocoa factory in Eddystone, Pennsylvania. In addition, Barry Callebaut expanded the production capacity at its factory in American Canyon, California, and built a new chocolate factory in Monterrey, Mexico. The factory in Mexico will be Barry Callebaut’s third largest factory worldwide and will allow the company to access new customers in Central America. The transformed manufacturing footprint in the Americas has led to greater customer proximity. An expanded factory network and a more customer focused sales approach have resulted in considerable market share gains for Barry Callebaut’s industrial chocolate business and strengthened the company’s position in North America. As evidenced by the long-term supply agreement with Hershey’s, Barry Callebaut has established itself as the partner of choice for the outsourcing of cocoa liquor and liquid chocolate in the region.

The **Food Manufacturers** business unit registered double-digit volume growth in the Americas, growing significantly faster than the regional chocolate market. Barry Callebaut’s success in the Americas was also driven by its ability to meet customer needs through innovation. The company opened a new, state-of-the-art research and development facility at its factory in Pennsauken, New Jersey. The innovation center focuses on the development of unique chocolate products and applications that meet the specific needs of its U.S. customers. Barry Callebaut has also increased its co-manufacturing business in the Americas.

Additional information:
www.barry-callebaut.com/gourmet and www.barry-callebaut.com/chocolate_academy and www.barry-callebaut.com/vanleer

Forging strong customer relationships

Barry Callebaut has established a strong position in the North and Central American food service market. Its **Gourmet & Specialties** business unit offers a broad range of innovative products such as tailor-made origin chocolates and ready-to-use dessert products. A highly differentiated customer segmentation is yielding good results as dedicated sales teams attend to the specific requirements of different customer groups. Barry Callebaut has launched several sales and marketing initiatives to strengthen its relationships with Gourmet customers and deliver best-in-class customer services. In September 2008, the company inaugurated its first Chocolate Academy in the United States. The training center for professional users of chocolate is located at Barry Callebaut's North American headquarters in Chicago. It serves as a platform for knowledge exchange among experts. In a move to capture opportunities in the price sensitive market segment, the Gourmet & Specialties business unit has successfully launched a product range produced in the United States under the brand Van Leer. The business unit has also significantly increased its business in Mexico and Central America.

Key figures for Region Americas

		Change %	**2007/08**	2006/07
Sales volumes	Tonnes	20.6	292,614	242,696
Sales revenue	CHF m	23.1	931.6	756.8
Operating profit (EBIT)	CHF m	18.4	79.5	67.1

Asia-Pacific and Rest of World – Increased presence in high-growth markets

Additional information:
www.barry-callebaut.com/foodmanufacturers and www.barry-callebaut.com/gourmet

"In Asia, Barry Callebaut has come a long way in the past 12 months. A year ago, we had one factory and one Chocolate Academy in the region. By the end of the calender year we will have four factories located in China, Singapore, Japan and Malaysia, and three Chocolate Academies in China, India and Singapore. In Malaysia we bought 60% of KLK Cocoa to improve our global cocoa processing capacities. These investments are in line with our strategic aspiration to increase our footprint in Asia and lay the foundation for strong future growth in this promising region."

Maurizio Decio
President Asia-Pacific

Barry Callebaut's ambition to capitalize on the rising consumer demand for chocolate products in emerging markets in Asia is reflected in its targeted expansion strategy in the region. In less than two years, Barry Callebaut added production capacity in China, Malaysia and Japan. Barry Callebaut's **sales volumes** in the region Asia-Pacific and Rest of World rose by 11.8% to 86,695 tonnes – outpacing the growth registered in the regional chocolate market. **Sales revenue** rose by 17.1% to CHF 353.3 million. **Operating profit** rose by 57.1% to CHF 51.7 million, driven by the expansion in Asia and one-off effects related to the sale of the consumer business in Africa. Barry Callebaut sold its entire African consumer business to focus on cocoa sourcing and processing in Africa.

Strong local operations

Volumes at the **Food Manufacturers** business unit grew exponentially during the second half of the year, when additional production capacities came on stream in China. Food safety is Barry Callebaut's top priority. The new chocolate factory in China therefore applies the same high quality standards and quality controls as all other Barry Callebaut factories worldwide. In Japan, preparations for the initial chocolate deliveries to Japanese confectionery company Morinaga are underway. In Malaysia, Barry Callebaut acquired 60% of KLK Cocoa, now renamed into Barry Callebaut Malaysia.

Sharing chocolate expertise

Two new Chocolate Academies in China and in India allow Barry Callebaut to leverage its potential in the region's promising artisanal market. The **Gourmet & Specialties** business unit continued to grow strongly. To capture the price sensitive market, Barry Callebaut launched a locally produced brand, Van Houten Professional.

Key figures for Region Asia-Pacific and Rest of World

		Change %	**2007/08**	2006/07
Sales volumes	Tonnes	11.8	86,695	77,521
Sales revenue	CHF m	17.1	353.3	301.6
Operating profit (EBIT)	CHF m	57.1	51.7	32.9

Ready to use

Pailleté Feuilletine lends a crispy texture to all recipes based on chocolate couverture, praliné or Gianduja. This ready-to-use inclusion makes simple desserts exotic and exotic desserts simple. In fact, famous Spanish patissier Paco Torreblanca used Pailleté Feuilletine to create the royal wedding cake for Crown Prince Felipe of Spain and Letizia Ortiz.

Global Sourcing & Cocoa – Chocolate is as unique as the ingredients selected

Additional information:
www.barry-callebaut.com/market and www.barry-callebaut.com/foodmanufacturers
www.barry-callebaut.com/gourmet and www.barry-callebaut.com/consumer

"Chocolate owes its overwhelming taste and indulgent character to the quality of the ingredients selected. As a fully integrated company, our value creation begins with the procurement of high-quality raw materials. Thanks to our local presence and our close relationships with cocoa farmers, we have access to some of the world's finest and most sought-after cocoa beans. The prices of cocoa and other agricultural commodities were extremely volatile during the past fiscal year. Our centralized risk management approach minimizes the adverse effects of raw material price fluctuations."

Steven Retzlaff
President Global Sourcing & Cocoa

Barry Callebaut is the only fully integrated chocolate manufacturer with a global presence that masters every step in cocoa and chocolate production, from the sourcing of the cocoa beans to the finished chocolate product on the shelf. The Global Sourcing & Cocoa business unit manages Barry Callebaut's global cocoa processing business and ensures cost-effective procurement of ingredients such as cocoa, sugar, dairy products, oils and fats, nuts and packaging materials.

Barry Callebaut does not own any cocoa farms. Over the last five years, the Group has significantly increased the proportion of cocoa it buys directly from cocoa farmers and cooperatives in the origin countries as opposed to the global trade houses. Today, Barry Callebaut buys more than 65% of its cocoa directly in the origin countries of West Africa, Latin America and Asia. Thanks to its well-established presence in the cocoa growing regions, Barry Callebaut has access to top-quality beans and can ensure traceability. The partnership with Biolands in Tanzania is one example of how Barry Callebaut strengthens its relationships with cocoa farmers and contributes to a sustainable cocoa industry.

Volatile commodity markets

Over the past 12 months the entire food industry faced unprecedented volatility in the commodity markets. Some raw material prices rose to historic highs. Cocoa prices nearly doubled during the course of fiscal year 2007/08 and reached their highest level in more than 20 years as a result of supply concerns and speculation. Barry Callebaut's "cost-plus" business model absorbed most of the additional costs attributed to higher commodity prices. In Barry Callebaut's Food Manufacturers and customer label business, which accounts for around 80% of total turnover, contract pricing is based on hedged raw material costs. At the same time, back-to-back hedging practices reduce the Group's risk exposure. In the Gourmet and branded consumer product business, customers buy products on the basis of price lists, which are updated on a regular basis.

A centralized and globally integrated sourcing approach increases Barry Callebaut's purchasing power and allows the application of best practices to minimize risks related to raw materials. Barry Callebaut applies a variety of sourcing strategies and effective risk management tools, including vendor assessment, price hedging through futures market transactions, physical forward contracts and arbitrage management.

Additional information:
www.barry-callebaut.com/cocoa-to-chocolate

Increased cocoa processing activities

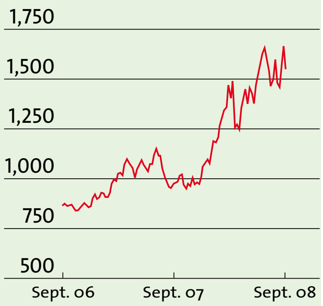
The taste and quality of chocolate is determined during the early processing stages. This is why Barry Callebaut continues to invest in expanding its global cocoa processing operations. Barry Callebaut processes around 15% of the global cocoa harvest into cocoa liquor, cocoa butter and cocoa powder. About half of these products are used internally for further processing. The remainder of the semi-finished products is supplied to the food industry for the production of chocolate products, dairy applications, beverage applications and baked goods. Third-party sales volumes increased by 13.9% in fiscal year 2007/08. An improved "combined cocoa ratio"[1] had a positive impact on sales revenue and profitability.

Barry Callebaut has significantly increased the amount of cocoa beans it processes in origin countries. Two additional lines to produce cocoa liquor have been installed in the San Pedro factory in Côte d'Ivoire. Exporting semi-finished products rather than unprocessed cocoa beans leads to more efficient shiploads. Reduced shipping weight has cost and environmental benefits.

The acquisition of a 60% stake in KLK Cocoa in Malaysia in 2008 facilitates cocoa bean sourcing from the neighboring country of Indonesia, which is the world's third largest producer of cocoa. Barry Callebaut also acquired a cocoa-processing factory in Eddystone, Philadelphia, U.S. The expansion of its cocoa processing network enables Barry Callebaut to leverage its global production base more efficiently.

[1] The "combined cocoa ratio" is the combined sales price for cocoa butter and cocoa powder relative to the cocoa bean price

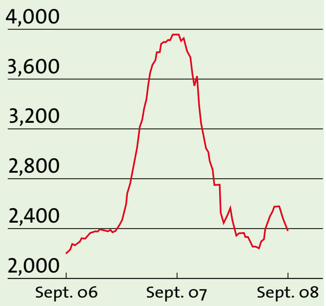
Cocoa price
in GBP/tonne



London Cocoa Terminal Market
6-month forward delivery prices

Combined cocoa ratio
Factor x terminal market price

Milk powder price
in EUR/tonne



Weekly average Germany,
Netherlands and France

Contributing to a sustainable cocoa supply chain

Additional information:
www.barry-callebaut.com/csr

" Many raw materials originate from tropical countries. This is also true for cocoa, the key ingredient for chocolate. About two-thirds of the world's cocoa harvest is grown in West Africa, primarily in Côte d'Ivoire. Many cocoa farmers are poor. Poverty is often the root cause for unsustainable crop management and for abusive child labor practices that cannot be condoned. Although we do not own any cocoa plantations, we cannot turn a blind eye to the social conditions under which cocoa is produced. Therefore we direct our corporate social responsibility efforts to the very beginning of the value chain by seeking ways to contribute to increased sustainability of the complex and fragmented cocoa supply chain."

Gaby Tschofen
Vice President Corporate Communications & CSR

As a food manufacturer, Barry Callebaut's primary responsibility is to ensure the safety and quality of its products. Many consumers, however, expect more. They are increasingly demanding assurance from manufacturers that products have been produced in an environmentally and ethically sound manner.

With operations in 26 countries and more than 7,000 employees, Barry Callebaut's business has a direct influence on the livelihoods of many people around the world. Aware of its responsibility to all stakeholders – shareholders, customers, consumers, suppliers, growers, employees and the communities where it operates – Barry Callebaut aims to strike a balance between economic growth, ecological balance and social progress.

Focusing on three spheres of influence
Cocoa is fundamental to Barry Callebaut's business. Barry Callebaut is committed to proactively contributing to a sustainable cocoa supply chain. The Senior Management Team with the full support of the Board of Directors has chosen to focus on three spheres of activity where it believes it can have the greatest impact.

1. **Working to empower cocoa farmers.** With processing operations in the origin countries Côte d'Ivoire, Ghana, Cameroon and Brazil, Barry Callebaut is uniquely positioned to help improve the lives of cocoa farmers in ways that are mutually rewarding and beneficial. Farmer training in sustainable agricultural practices, disease and pest management, and biodiversity are key. Equally important is contributing to the basic health and education needs of cocoa farmers and their families in countries lacking a welfare structure.
2. **Working to ensure children are not harmed in cocoa farming.** Child labor is the foremost issue for the cocoa and chocolate industry. To address this complex issue, with its underpinnings in poverty, requires the concerted effort of governments and communities as well as industry players and civic organizations. Barry Callebaut takes an active role in addressing this issue and works with other industry members and non-governmental organizations (NGOS) towards eliminating the worst forms of child and adult labor as defined by the International Labor Organization (ILO) Conventions 182 and 29.

Additional information:
www.barry-callebaut.com/values and www.barry-callebaut.com/codeofconduct

3. **Empowering employees.** Barry Callebaut is committed to providing employees with a safe, healthy and inspiring work environment as well as skill enhancement and development opportunities. Particular attention is paid to origin countries and countries lacking a welfare structure. In these countries Barry Callebaut supports employees and their families in such areas as health care, housing, transportation to the work site, meals and education.

Embedding Barry Callebaut's values in all business dealings
Every employee is an ambassador of Barry Callebaut and is expected to behave in ways that reflect the company's values – customer focus, passion, entrepreneurship, team spirit, integrity. Barry Callebaut introduced a revised Code of Conduct which is valid for all employees across the Group. It is a practical guide that sets forth the principles and guidelines for behavior at Barry Callebaut and how to manage potential conflicts of interest or other ethical dilemmas of business life. Managers were asked to discuss the Code with their teams before employees signed it, thereby acknowledging their commitment to the company and their colleagues.

To foster team spirit and engage employees in its CSR activities, Barry Callebaut launched an initiative called "Winning Together." In 2007, employees worldwide took part in a biking challenge to promote fitness and to support the construction of a medical center to serve cocoa farmers and their families in the village of Goh in Côte d'Ivoire. In 2008, the focus was on running and building awareness for activities that support education. In 2009, employees will be encouraged to organize and participate in local events to support schools in cocoa growing communities in Ghana.

Enabling farmers to earn more
After purchasing all of their top-grade cocoa for many years, Barry Callebaut acquired a 49% stake in Biolands in Tanzania in 2008.

The Biolands enterprise is one of the largest organic smallholder cocoa programs in the world. Starting in 1999, Biolands has applied a "bottom-up" cooperation model, working directly with farmers to ensure fair prices are paid and to improve the quality of cocoa and the farmers' quality of life. This approach guarantees full traceability for every bag of cocoa sold by the 20,000 participating farmers, enabling consumers to know this cocoa has been produced in a sustainable manner.

Child labor sensitization programs
The International Cocoa Initiative (ICI) was established in 2002 as part of the Industry Protocol, signed by Barry Callebaut. ICI has developed a process to sensitize cocoa farmers to abusive labor practices and identify how these practices are brought to an end. ICI's program is community-delivered by local NGOs.

In 2008, ICI conducted child labor sensitization programs for cocoa farmer cooperatives that are members of Barry Callebaut's "Quality Partner" farmer program in Côte d'Ivoire. More than 70 cooperative representatives took part in the first two sessions and more sessions are planned.

Goh medical center: access to basic health care for 18,000 people
In Côte d'Ivoire, average life expectancy is under 50 years; 15% of children die before the age of 5; the maternal mortality ratio per 100,000 live births is more than 800.

To support cocoa farmers and their families, Barry Callebaut built a medical center in the village of Goh, in the heart of the cocoa growing area. The center is expected to serve some 18,000 people. It includes a consultation room, room for in-patients, a pharmacy and a maternity home.

In a Group-wide biking challenge, all Barry Callebaut employees were encouraged to contribute to the support of the health center.

Ready to mix

Can a ready-to-mix chocolate mousse powder taste like home made? Yes, it can. With just five minutes of preparation and a few hours of refrigeration, our customers in the hotel, restaurant and catering industry can make dark, milk and white chocolate, as well as cappuccino, strawberry and lemon flavored mousse for hundreds of guests in no time.

Close customer relationships for great chocolate solutions

Additional information:
www.barry-callebaut.com/foodmanufacturers and www.barry-callebaut.com/gourmet and www.barry-callebaut.com/consumers

Barry Callebaut strongly believes in close working partnerships with its customers. The ability to create tailor-made products that meet customized specifications sets Barry Callebaut apart from the competition. Customer surveys consistently show that Barry Callebaut's collaborative approach to product development, especially in terms of innovations, is highly appreciated. Customers know they can rely on Barry Callebaut to supply them with products and services that meet their individual needs. This reputation has gained Barry Callebaut a vast array of loyal customers, from local artisans to international food manufacturers.

Barry Callebaut serves approximately 6,000 industrial customers and tens of thousands of artisanal customers worldwide. In the retail business, the company supplies 10 of the 12 largest retailers worldwide. The company has recently signed long-term outsourcing agreements with three of the top five confectionery companies worldwide, namely Hershey, Nestlé and Cadbury. However, no single customer represents more than 7% of total sales volumes. Barry Callebaut is committed to creating value for its customers. To meet customer-specific needs, Barry Callebaut is organized along four business units grouped in two business segments. At the local level, customer segmentation goes even further. Barry Callebaut has dedicated sales teams that attend to the specific requirements of different customer groups. Customer proximity is essential for the development of flourishing business partnerships. With around 40 factories worldwide, Barry Callebaut is optimally set up to offer its customers direct access and just-in-time delivery. To better share its expertise with customers, Barry Callebaut also organizes local events, such as its highly popular "Innovation Days".

Business Segment	Industrial Business		Food Service/Retail Business	
				
Business Unit	**Cocoa**	**Food Manufacturers**	**Gourmet & Specialties**	**Consumer Products**
Activity	Responsible for processing cocoa into semi-finished goods that are partly sold to industrial customers and partly used for in-house needs.	Provides chocolate to multinational and national branded consumer goods manufacturers who incorporate the ingredients in their consumer products. More and more of these customers are also entrusting Barry Callebaut with the molding and packaging of their finished products.	Provides chocolate products that are specifically designed for artisanal and professional users, such as chocolatiers, pastry chefs, bakeries, restaurants, hotels and caterers.	Supplies global retailers with customer label and branded products. In order to help bring innovations to the market, Barry Callebaut also has its own local consumer brands: Sarotti (Germany), Jacques (Belgium) and Alprose (Switzerland).

An unrivalled product range derived from more than 1,700 recipes and a unique global presence make Barry Callebaut an ideal partner for cocoa and chocolate applications. Barry Callebaut is proud to be associated with some of the best-known names in the food industry.

Danone (France) *"Thanks to its strong knowledge in cocoa bean sourcing and in chocolate technologies, Barry Callebaut contributes to Danone's product differentiation. Our collaboration creates value for both parties and has contributed to the great growth of our Danette Brand," says Sydney Folbaum, Raw Materials Buyer for Danone France.*

Northern Foods (U.K.) *"Over the past three years our relationship with Barry Callebaut has grown every year, driven jointly through continuous improvement programs that have allowed us to deliver a number of supply chain improvements. When challenged, Barry Callebaut has demonstrated its ability to support our needs," says Alex Mayfield, Group Procurement Director for Northern Foods Plc.*

Kambly (Switzerland) *"We are experiencing Barry Callebaut as a global player who is able to meet the specific local needs of its customers. Barry Callebaut provides us with constant quality at a competitive price," says Kilian Greter, Head of Purchasing for Kambly.*

Martin Berasategui (Spain) *"Barry Callebaut innovations such as the finest selection of the Cacao Barry plantation chocolates and the wide range of origin chocolates play an active role in the constant evolution of my cuisine," says award-wining Spanish chef Martin Berasategui (3 Michelin stars).*

André Jaeger (Switzerland) *"Barry Callebaut's wide range of products offers the possibility to create desserts and sweet delicacies for restaurants of all sizes. I can add my personal touch and thereby differentiate myself from the competition, while at the same keeping time and costs in check," says Swiss top chef André Jaeger (19 Gault-Millau points, 1 Michelin star).*

Industrial Business Segment

		Change %	**2007/08**	2006/07
Sales volumes	Tonnes	**14.5**	**911,819**	**796,458**
Cocoa	Tonnes	13.9	161,811	142,062
Food Manufacturers	Tonnes	14.6	750,008	654,396
Sales revenue	CHF m	**26.6**	**3,258.3**	**2,574.2**
Cocoa	CHF m	33.1	603.7	453.6
Food Manufacturers	CHF m	25.2	2,654.6	2,120.6
Segment operating profit (EBIT)	CHF m	**7.1**	**247.1**	**230.8**

Food Service/Retail Business Segment

		Change %	**2007/08**	2006/07
Sales revenue	CHF m	**1.6**	**1,557.1**	**1,532.6**
Gourmet & Specialties	CHF m	10.2	650.7	590.7
Consumer Products	CHF m	(3.8)	906.4	941.9
Segment operating profit (EBIT)	CHF m	**1.4**	**161.7**	**159.4**

Leading through innovation

Additional information:
www.barry-callebaut.com/innovation and www.acticoa.com

"Barry Callebaut is recognized as the reference for innovation in the chocolate industry. Our dedicated R&D teams focus on scientific research into the health-enhancing properties of the cocoa bean and develop cutting-edge products that address the growing consumer demand for healthier food choices without compromising on taste. Barry Callebaut chocolate products allow for a healthier chocolate indulgence."

Hans Vriens
Chief Innovation Officer

Collaborative innovation

Barry Callebaut has at its disposal several strong and flexible innovation platforms. Its dedicated research and development teams are spread around the globe and focus on different areas of expertise. Barry Callebaut conducts targeted fundamental research in Africa and other origin countries, semi-finished product development and compound research in France and chocolate application research in Belgium, the United States and China. The R&D teams work closely with renowned research centers and universities, such as the Vrije Universiteit Brussel in Belgium and Penn State University in the United States. Several scientific journals such as the British Journal of Nutrition and The Journal of Medical Food have published Barry Callebaut studies. As a result of successful innovations, sales volumes of Barry Callebaut's so-called specialties products significantly outpaced the growth rate in the global chocolate market.

Preserving the benefits of cocoa beans

An important pillar of Barry Callebaut's fundamental research is the development of chocolate products that harness and preserve the natural health-enhancing components of the cocoa bean, for example cocoa flavanols. During conventional processing of cocoa beans into chocolate, a significant amount of the healthy substances inherent to the cocoa bean are lost. Barry Callebaut applies "controlled fermentation" to retain the active health components inherent in the cocoa bean. The process also preserves the natural sweetness of the cocoa bean, thereby reducing the amount of sugar needed to produce chocolate. A third advantage of "controlled fermentation" is that it influences the quality of the cocoa beans, which allows for a more consistent taste and more efficient processing. A specialized R&D team works closely with a network of more than 30 external specialists. In the coming years, Barry Callebaut will scale up the most promising results to industrial capacity.

Clinical research

Barry Callebaut has an extensive portfolio of clinical studies that validate unique selling propositions for its cocoa and chocolate products. During the past fiscal year, Barry Callebaut fielded close to 30 clinical studies to substantiate scientific evidence supporting the relationship between chocolate products and improved memory & concentration, better heart health and better skin condition. The clinical insights gained have generated revolutionary products, such as ACTICOA™ chocolate, establishing Barry Callebaut as a pioneer in chocolate innovations.

"Numerous media reports have created the false impression that all dark chocolate products confer the same health-enhancing benefits even though many contain low amounts of flavanols. Rigorous investigations into the benefits of Barry Callebaut's ACTICOA™ dark chocolate on heart and blood vessel functions underline the importance of choosing high flavanol chocolate products with scientifically proven health benefits." Professor Roger Corder, William Harvey Research Institute, London, U.K.

Customer focus

As a customer-focused company, Barry Callebaut's R&D efforts are geared toward helping customers optimize recipes to consistently achieve better quality with greater competitive value. During the past fiscal year alone, the R&D teams handled more than 1,400 new recipe and development requests from customers.

Consumer insights

Barry Callebaut regularly conducts intensive market and consumer research. A recent consumer study carried out in Western Europe and the United States confirmed a clear trend towards functional chocolate with health-enhancing properties. Barry Callebaut's innovation strategy is designed to meet consumer preferences and is built on three pillars: Health & Wellness, Indulgence & Experience and Convenience.

Health & Wellness

Focus on products that respond to growing demand for healthy and functional foods.

Rebalanced chocolate: rebalanced nutritional profiles with superior taste (e.g. sugar reduced, fat reduced and fiber enriched chocolates).

Probiotic chocolate: active probiotics help maintain a healthy intestinal balance and support a strong immune system.

Toothfriendly chocolate: safe for teeth and has received the "Happy Tooth" quality seal from Toothfriendly International.

ACTICOA™ cocoa powder, milk and dark chocolate: guaranteed amount of polyphenols needed to have an antioxidant effect.

Indulgence & Experience

Focus on unique taste experiences to respond to growing consumer demand for premium chocolate.

Barry Callebaut has the largest selection of **single-origin chocolates** on the market. Each of its 40 single origin and three millésime plantation chocolates are made with one single cocoa bean variety, grown and harvested in a specific region, giving these chocolates a unique flavor profile.

Barry Callebaut built a special chocolate laboratory **"Or Noir"** near Paris where top chocolatiers can create their own chocolate from a choice of 12 single origin cocoa liquors.

Organic chocolate that is produced with certified organic ingredients.

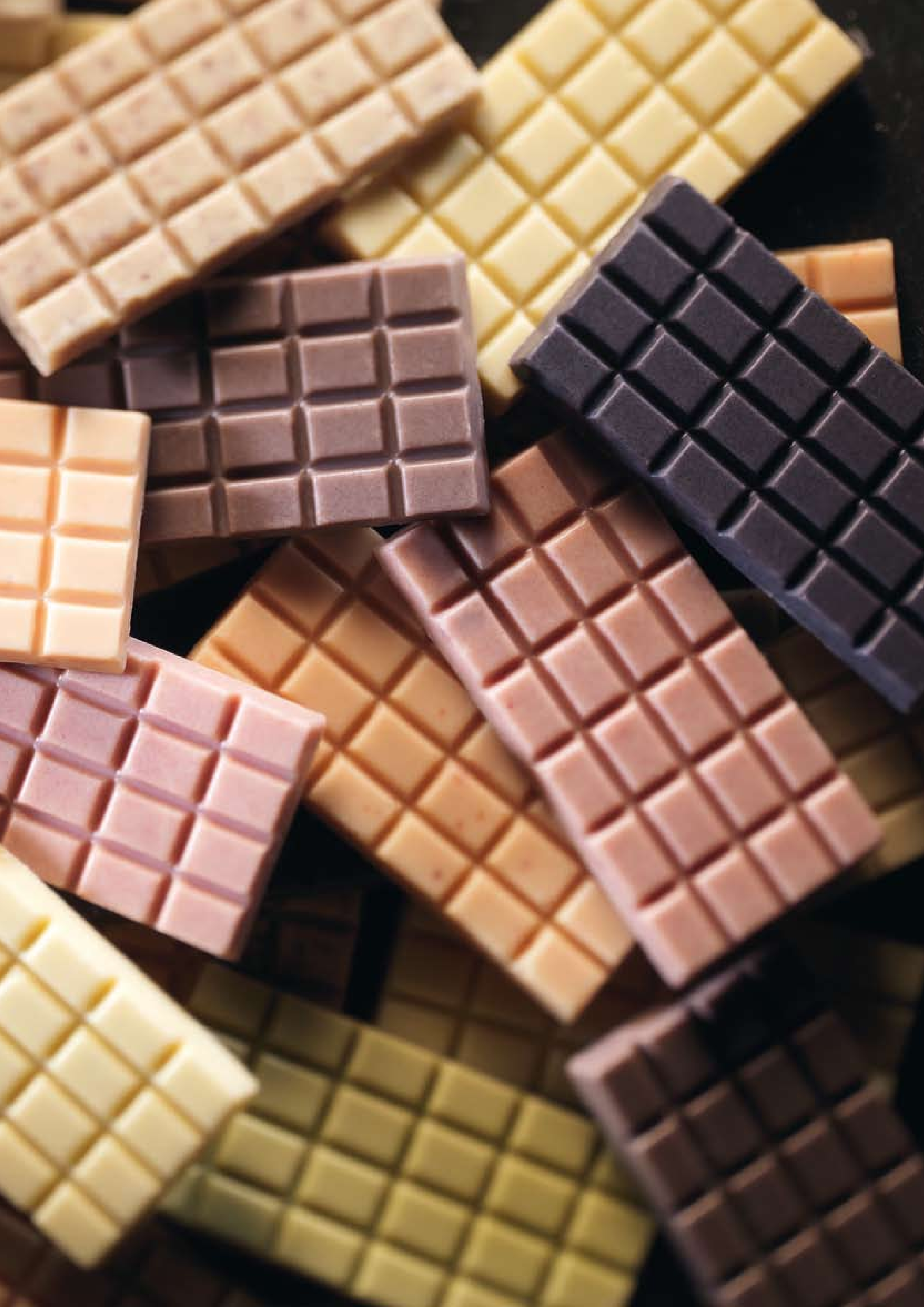
Convenience

Focus on developing and delivering convenient, ready-to-use chocolate and dessert products without compromising on taste to provide customers with turnkey solutions.

Example: the exclusive ready-to-serve frozen desserts designed by **Paco Torreblanca,** the famous Spanish pastry chef.

Ready to enjoy

Our ten combinations of white chocolate and fruit like banana, passion fruit, strawberry, blackberry or cranberry are ready to enjoy any time of the day or year. Containing real fruit powder, no artificial coloring or flavoring, they help our customers extend the chocolate season and appeal to the growing demand for healthy ingredients and fresh tastes.



Careers – Developing our talent, building our lead

Additional information:
www.barry-callebaut.com/careers and www.barry-callebaut.com/learning

To expand our leadership position, Barry Callebaut needs people who expect and deliver excellent performance from themselves and from their teammates. The Marbach Management Development Programs are designed to train managers to better understand Barry Callebaut's customers, business environment and organization, as well as develop their professional, teamwork and leadership skills. The Marbach programs also serve to prepare those managers identified as successors for key positions in our new Career and Succession Development Process to step into those roles well prepared.

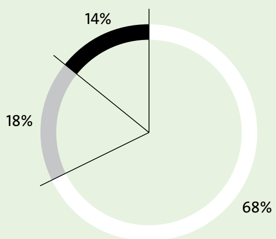
Sofie De Lathouwer, Belgium

In the Source program, Sofie De Lathouwer worked together with other young Barry Callebaut professionals from around the world to design a creative and practical project that bridged cultures and roles. And recently the Business Communications workshop has taken her presentation skills to a new level. When describing the opportunities these programs have opened up, Sofie said, "With the global perspective and skills that these courses provided me, I have been able to move quickly from an internal sales support function to having direct responsibility for a number of important customers in Belgium."

Andy Fleming, U.K.

Before coming to Barry Callebaut, Andy Fleming was already an experienced senior manager of a small, U.K.-based chocolate company that his father helped found. As part of the succession planning within the U.K., when Andy joined the company, it was clear he would replace the person who hired him. To prepare him most effectively for this step, over the last few years Andy has completed the entire range of Management Development programs designed for senior managers, which Andy says were "like a bridge between my former entrepreneurial and assertive approach to management and a new, more collaborative style that has enabled me to successfully step into the Commercial Director position in the U.K. with the support of my team."

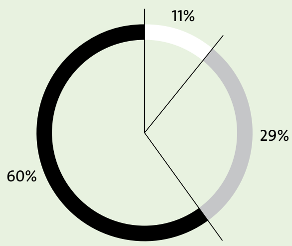
Number of employees per region



Europe	4,924
Americas	1,320
Asia-Pacific and Rest of World	1,037

Number of employees: 7,281

Number of employees per function



Management	787
Office staff	2,139
Factory staff	4,355

Average seniority
in years

Europe	13.9
Americas	8.6
Asia-Pacific	5.0
Africa	10.1

Personnel expenses
in CHF million

2007/08:	520.3
2006/07*:	477.8
2005/06*:	457.8

* Excluding discontinued operations (Brach's)

Chairman's Award

Additional information:
www.barry-callebaut.com/award and www.barry-callebaut.com/csr and www.barry-callebaut.com/codeofconduct

The Chairman's Award recognizes employees who have been with Barry Callebaut for a number of years and have demonstrated outstanding performance at work, as well as a strong social commitment in their local communities. The Award winners are individuals who embody the Barry Callebaut values of customer focus, passion, entrepreneurship, team spirit and integrity.

The Chairman's Award was inaugurated in 1995 by Klaus Jacobs, the late former Chairman of Jacobs Holding AG and founder of Barry Callebaut. Since then, the Chairman's Award has been given to a select number of employees each year. Thirteen Barry Callebaut employees from ten countries were presented with the award in 2008.

Customer focus. Passion. Entrepreneurship. Team spirit. Integrity.

Our company values reflect how we strive to interact with colleagues, with external business partners, with all our stakeholders. They reflect how we believe business should be done – responsibly. Every Barry Callebaut employee is an ambassador of the company. We expect all employees to behave in ways that demonstrate our company values and to show social responsibility and good citizenship in business dealings. The principles and guidelines for behavior are set forth in our Code of Conduct.

The 2008 winners are:

Back, from left:
Andreas Schmid (Vice Chairman)
Doris Gasser, Switzerland
Fabrizio Barbanera, Italy
Agnieszka Jastrzabek, Poland
Roselyne Marie Therese Aman, Côte d'Ivoire
Andreas Jacobs (Chairman)
Marc Vanderstraeten, Belgium
Sonja Fortong, Germany
Josef Kuspit, Germany
Patrick De Maeseneire (CEO)
Jean Pierre Tchatcheu, Cameroon
Marlene Schüner, Germany

Front, from left:
Isabelle Passy, France
Martine Clement, France
Sophie Bousquet, Canada
Allison Horan, U.S.

Ready to inspire

Why offer more than 1,000 different decorations in our product line? To make the life of our Gourmet customers easier! Decorations such as “Rotterdam Art Deco” are ready to inspire the creativity of professional chefs. No need to develop everything from scratch. Made from the highest quality ingredients, our decorations save time and money, while creating new possibilities.

Contents

The CFO's view

Q **Mr. Balli, what were the major challenges in 2007/08?**

Victor Balli The Finance team was active on three fronts: First, our geographic expansion, opening factories in Russia and China and adding three other plants to our global footprint; second, the divestiture of three businesses in the retail segment, allowing us to concentrate on our core; and third, dealing with substantially increased and volatile input costs such as higher raw material and energy costs and generally higher inflation.

Q **How has the increase in input costs affected the Group's performance?**

VB Fortunately, 80% of our business is based on a "cost-plus" model. Coverage of raw materials is agreed with our customers and underlying prices are passed on to them on a one-to-one basis. For the remaining 20% of our business we work with price lists; here we increased the prices for our customers, as the entire food industry did. To compensate for the increase in other costs not related to raw materials, we intensified our efforts to improve our efficiency and to optimize our cost base.

In addition to the higher input costs there was a one-off impact on our profitability linked to start-up costs of our new factories and temporarily lower capacity utilization rates. The low U.S.-dollar/euro exchange rate and the rising share of large corporate customers also had a dilutive effect. This is why gross margin per tonne and EBIT per tonne declined by 2.6% and 4.4% respectively.

Q **Has the crisis in financial markets affected your ability to finance your operations?**

VB Shortly before the beginning of the financial crisis, in early summer 2007, we completely refinanced our company's debt. We now have long-term committed credit lines in the amount of approximately CHF 2 billion at our disposal. The average tenor of these lines is seven years, and we currently use only 50–70%. This means that we are in a stable situation. It is certainly true that it has become more difficult to obtain low priced short-term or special purpose financing. Nevertheless, our banking partners are all very committed and continue to support us in a professional and cooperative manner.

The average use of our credit lines during the year under review was about CHF 200 million higher than in the prior year. This has resulted in an 11% increase in our net financial expense.

"We have approximately CHF 2 billion of credit lines available which have been long-term committed and which are only 50–70% used. This means we are in a stable financing situation."

Victor Balli
Chief Financial Officer

Q Will Barry Callebaut continue to invest at the current high level?

VB The last two years were exceptional. We pushed the expansion into high-growth markets and augmented our manufacturing capacity in cocoa and chocolate. This has resulted in capital expenditures of CHF 250 million in 2007/08. After the opening of our new factories in Mexico and Japan we will see this investment cycle slowing down. We now have sufficient capacity to cope with the foreseeable growth in our business for the next three years.

Q In April 2008, you announced a cost savings program. How has it been implemented and are you continuing these efforts?

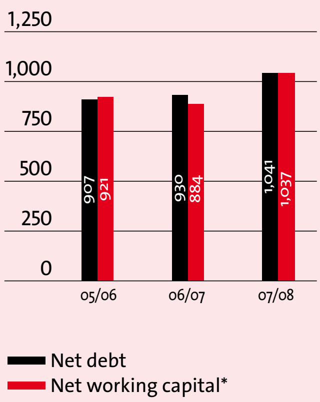
VB In expectation of a deteriorating economy, combined with an inflationary environment, our management decided to intensify the focus on our costs. Already in March 2008, we initiated a hiring freeze and reduced some expenses with an immediate savings effect, such as travel, marketing and promotion, company meetings, and third-party consulting. We are continuing these efforts and have expanded the program to carefully evaluate all cost items in our company. Currently we are benchmarking our supply chain and overhead costs with best industry practice to identify improvement potential. We are confident that our lean but somewhat fragmented organization still offers optimization potential. This will help Barry Callebaut to maintain cost leadership in the industry.

Balance sheet management

Barry Callebaut has rapidly expanded its business in the past financial year; at the same time, raw material and end-product prices increased strongly. Barry Callebaut has thus increased its focus on tighter balance sheet management. In particular, the company has successfully implemented measures to keep its inventory volumes and its receivables low. Despite the challenging parameters, the company's working capital increased only by CHF 153 million or 17.3%, which is clearly below the average increase in cocoa bean and semi-finished products prices (50% cocoa price increase mid-2008 versus mid-2007). Accordingly, net debt increased by CHF 111 million to CHF 1,041 million.

In the year under review, capital expenditure was CHF 250 million (prior year: CHF 153 million) to support Barry Callebaut's global expansion. Despite these significant investments, the return on invested capital (ROIC) remained stable at 14.0% (prior year: 14.3%). As a result, the Economic Value Added (EVA) generated by Barry Callebaut increased to CHF 126.3 million (prior year: CHF 122.9 million).

Net debt and net working capital development
in CHF million



*Includes current assets and liabilities related to continuing commercial activities and current provisions

Financial Review

Consolidated Statement of Income

Sales volumes strongly increased by 10.1% from 1,059,200 tonnes to 1,166,007, to which all regions contributed. The Industrial business segment generated steep growth of 14.5%, fueled by strong contributions from both the Food Manufacturers and Cocoa business units. The Food Service and Retail business segment experienced an overall decline, although the Gourmet business showed a satisfying volume increase. Sales volumes in the Consumer Products business unit declined, partly as a result of the disposal of Consumer Products entities in Europe and Africa.

Revenue from sales and services showed strong growth of 17.3% to CHF 4,815.4 million from CHF 4,106.8 million in the previous fiscal year, augmented by sharply increasing raw material prices. Except for the Consumer Products business unit affected by the disposal of some companies and certain adverse developments, all business units contributed to this growth, with the biggest contribution stemming from the Food Manufacturers followed by the Cocoa and Gourmet & Specialties business units.

Gross profit grew by 7.2% to CHF 700.8 million from CHF 653.8 million. Gross profit in relation to revenue from sales and services decreased to 14.6%, compared to 15.9% the year before, due to the very competitive environment amid challenging raw material price developments, which could partly be passed on to customers only with a delay. As a result, gross profit per tonne decreased to CHF 601.0 compared to CHF 617.3 the year before.

Marketing and sales expenses increased to CHF 134.8 million from CHF 123.5 million. This is the result of a further expansion of marketing and sales activities in developed and emerging markets, especially in the Gourmet and Food Manufacturers business units as planned. This expansion underscores the Group's objective to be closer to customers, eliminating intermediary distribution steps in some sales areas.

General and administration expenses grew by CHF 13.2 million to CHF 256.7 million mainly due to the geographical expansion and the growth of the business.

Other income amounted to CHF 49.7 million compared to CHF 54.9 million in the year before. In both years, this position included operating but non-sales-related income items, such as gain on disposal of assets, income generated by the Group's Training Center, Schloss Marbach and reversals of unused provisions and accruals. Whereas last year's amount included the recognition of negative goodwill in relation to an acquisition, this year's amount includes the gain on disposal of various Consumer Products business subsidiaries, both representing significant non-recurring items.

Other expenses, comprising restructuring costs, litigation and severance payments, impairment charges and losses on sales of property, plant and equipment as well as some other non-recurring items, amounted to CHF 17.9 million, compared to CHF 17.7 million in the prior year.

Operating profit (EBIT) increased by 5.3% to CHF 341.1 million compared to CHF 324.0 million in the prior year. All business units and regions made a positive contribution to EBIT with the biggest absolute contributions coming from region Europe or from Food Manufacturers and Gourmet in terms of business units. The largest contributions to EBIT growth came from the regions Americas and Asia-Pacific/Rest of World and the business unit Cocoa respectively.

EBIT per tonne amounted to CHF 292.5, a decrease of 4.4% compared to last year's figure of CHF 305.9. The region Asia-Pacific/Rest of World improved its EBIT per tonne but this was more than offset by the decrease in the other regions.

Financial income amounts to CHF 9.1 million compared to CHF 30.3 million in the prior year. Last year's income was significantly affected by gains recorded on interest rate derivatives, which were not recurring this year. Net income from foreign exchange gains was also lower in the fiscal year under review.

Financial expenses decreased to CHF 101.9 million from CHF 113.9 million in the year before. The interest expenses for the year increased mainly as a consequence of the higher average debt drawings resulting from the increased net working capital due to higher raw material prices and the strong growth of sales volumes and capital expenditures. Financial expenses in total, however, decreased in the year under review, as the preceding year had been negatively impacted by non-recurring costs mainly related to the early redemption of the 9.25% EUR 165 million Senior Subordinated Notes.

Result from investment in associates and joint ventures amounted to CHF 0.4 million compared to CHF –0.1 million in the preceding year and contains the contribution of participations in companies, over which the Group has significant influence but not control.

Loss on disposal of financial assets in the amount of CHF 6.8 million fully relates to the sale of the former minority investment in Jacquot SA.

Income taxes decreased slightly by CHF 0.5 million to CHF 32.8 million despite the small increase of profit before taxes, resulting in a reduction in the Group's effective tax rate from 13.9% to 13.6% (excluding discontinued operations). This is mainly due to a minor improvement of the company mix with regard to profit before taxes.

Net profit from continuing operations grew by CHF 2.1 million or 1.0% to CHF 209.1 million, from CHF 207.0 million in the previous fiscal year. The increase in EBIT of CHF 17.1 million was almost entirely offset by the higher net financial expenses and the loss on the sale of the minority participation in Jacquot SA as explained above.

Net loss from discontinued operations (Brach's) amounts to CHF 3.6 million compared to CHF 83.0 million in the year before. This year's figure consists of the operational loss incurred until the closing of the transaction in November 2007, foreign currency effects and tax impacts realized upon close of transaction. Last year's amount in addition had included impairment charges, indemnities and transaction costs, that had been incurred as a consequence of the decision to dispose of the respective business.

Net profit for the year (including discontinued operations) increased to CHF 205.5 million from CHF 124.1 million. The last year was significantly impacted by the net loss from discontinued operations and impairment and other charges related to the discontinuation. Net profit for the year attributable to the shareholders of the parent company amounted to CHF 204.6 million, compared to the prior year's CHF 124.0 million.

Basic earnings per share from continuing operations increased to CHF 40.39, up 0.6% from CHF 40.15 last year. **Cash earnings per share,** defined as operating cash flow before working capital changes divided by diluted shares outstanding, increased by 6.7% to CHF 83.89, compared to CHF 78.61 in the previous year.

Consolidated Statement of Cash Flows

Net cash flow from operating activities before working capital changes improved to CHF 434.3 million by 6.8% or CHF 27.5 million compared to the prior year. This increase was more than offset by the impact of higher raw material prices on working capital and the decrease of deferred income and other current liabilities. Consequently, the net cash flow from operating activities (including working capital changes) decreased to CHF 164.9 million from CHF 234.7 million the year before.

Net cash flow from investing activities amounted to CHF –181.1 million, compared to CHF –151.0 million in the preceding year. This year's amount included the cash outflow for the acquisitions of subsidiaries in the Cocoa business unit in the U.S. and Malaysia as well as the cash inflow from the sale of subsidiaries related to the Consumer Products business unit in Germany, Africa and the Americas (Brach's), the latter was already reported as discontinued operations in the prior year. Both years' amounts contained investments in ongoing operations such as capacity expansions, replacements and modernizations.

Net cash flow from financing activities was CHF 16.3 million, compared to CHF –102.6 million in the previous fiscal year. Excluding the cash effects of the capital reduction of CHF –59.4 million (prior year CHF –54.2 million) and transactions in treasury shares of CHF –12.1 million (prior year CHF –18.2 million), net cash flow from financing activities for the year under review amounted to CHF 87.9 million (prior year CHF –30.2 million). This figure includes the net cash inflow from issuance and repayment of debt, which was used for the financing of the higher net working capital and investing activities.

Consolidated Balance Sheet and financing structure

Total assets at the end of August 2008 amounted to CHF 3,729.5 million, up 17.0% from CHF 3,186.7 million in the prior year. On the one hand, this is due to substantially higher carrying amounts of inventories of semi-finished and finished goods and derivative financial assets as a consequence of the steep increase of input prices, especially for raw materials and semi-finished products. On the other hand it is a consequence of the Group's volume growth and pursuit of geographical expansion reflected in capital expenditures in property, plant and equipment and in acquisitions.

Net working capital showed an increase of CHF 153.2 million or 17.3% to 1,037.1 million at the end August 2008 compared to CHF 883.9 million at the end of the prior fiscal year. This is mainly a consequence of higher inventories and trade receivables due to the sharp increase of input prices and the growth of the business. These effects were only partly offset by higher trade and other payables.

Net debt at the end of August 2008 amounts to CHF 1,041.2 million, up CHF 111.0 million or 11.9% compared with CHF 930.2 million at the end of the prior fiscal year, which is mainly a consequence of the higher financing needs for the increased net working capital as explained above. At the end of the fiscal year, the weighted average duration of the Group's total debt portfolio slightly decreased to 5.4 years compared to 6.1 years at the end of August 2007. From a liquidity perspective however, the Group benefits from committed facilities for a period of 7 years.

Equity – including equity attributable to the shareholders of the parent company and minority interests – increased by 10.7% or CHF 113.4 million from CHF 1,062.9 million as of the end of the prior year to CHF 1,176.3 million at the end of August 2008. Equity attributable to the shareholders of the parent company amounted to CHF 1,175.9 million, compared to last year's amount of CHF 1,059.1 million. The debt-to-equity ratio marginally deteriorated to 88.5%, down from 87.8%. The solvency ratio declined slightly to 31.5% from 33.2%. This is mainly the result of the increased total assets in light of the increased input prices. The return on invested capital (ROIC) decreased slightly to 14.0% from 14.3% in the prior year.

Consolidated Statement of Income

for the fiscal year ended August 31, in thousands of CHF	Notes	2007/08	2006/07
Revenue from sales and services		**4,815,424**	**4,106,768**
Cost of goods sold		(4,114,641)	(3,452,950)
Gross profit		**700,783**	**653,818**
Marketing and sales expenses		(134,762)	(123,462)
General and administration expenses		(256,686)	(243,494)
Other income	4	49,677	54,901
Other expenses	5	(17,901)	(17,741)
Operating profit (EBIT)		**341,111**	**324,022**
Financial income	6	9,060	30,272
Financial expenses	7	(101,869)	(113,868)
Loss on disposal of financial assets	16	(6,810)	–
Result from investments in associates and joint ventures		381	(60)
Profit before income taxes		**241,873**	**240,366**
Income taxes	8	(32,797)	(33,319)
Net profit from continuing operations		**209,076**	**207,047**
Net loss from discontinued operations, net of tax	28	(3,626)	(82,991)
Net profit for the year		**205,450**	**124,056**
of which attributable to the shareholders of the parent company		204,570	124,035
of which attributable to minority interests		880	21

Earnings per share from continuing and discontinued operations[1]

Basic earnings per share (CHF/share)		39.68	24.05
Diluted earnings per share (CHF/share)		39.52	23.97

Earnings per share from continuing operations[2] 9

Basic earnings per share (CHF/share)		40.39	40.15
Diluted earnings per share (CHF/share)		40.22	40.01

1 Based on the net profit for the year attributable to the shareholders of the parent company including the net loss from discontinued operations
2 Based on the net profit for the year attributable to the shareholders of the parent company excluding the net loss from discontinued operations

Consolidated Balance Sheet

Assets

as of August 31, in thousands of CHF	Notes	2008	2007
Current assets			
Cash and cash equivalents		35,172	35,714
Short-term deposits		947	5,424
Trade receivables	10	331,336	297,469
Inventories	11	1,414,601	1,102,137
Derivative financial assets	12	321,020	168,384
Current tax assets		2,914	1,787
Other current assets	13	199,796	241,079
Assets held for sale	28	–	123,417
Total current assets		**2,305,786**	**1,975,411**
Non-current assets			
Property, plant and equipment	14, 15	890,913	724,130
Financial assets	16	209	7,266
Investments in associates and joint ventures	17	3,528	484
Intangible assets	18	471,330	410,950
Deferred tax assets	19	45,326	43,731
Other non-current assets		12,371	24,700
Total non-current assets		**1,423,677**	**1,211,261**
Total assets		**3,729,463**	**3,186,672**

Liabilities and equity

as of August 31, in thousands of CHF	Notes	2008	2007
Current liabilities			
Bank overdrafts	20	59,736	60,874
Short-term debt	20	397,648	349,662
Trade payables		465,846	384,708
Current tax liabilities		32,926	36,247
Provisions	21	7,804	5,091
Derivative financial liabilities	12	299,310	74,259
Other current liabilities	22	428,524	408,249
Liabilities directly associated with assets held for sale	28	–	34,468
Total current liabilities		**1,691,794**	**1,353,558**
Non-current liabilities			
Long-term debt	23	621,892	564,527
Deferred tax liabilities	19	64,449	54,480
Employee benefit obligations	24	134,431	146,968
Provisions	21	1,717	1,879
Other non-current liabilities	26	38,866	2,326
Total non-current liabilities		**861,355**	**770,180**
Total liabilities		**2,553,149**	**2,123,738**
Equity	25		
Share capital		321,574	381,029
Retained earnings and other reserves		854,348	678,040
Total equity attributable to the shareholders of the parent company		**1,175,922**	**1,059,069**
Minority interests	25	392	3,865
Total equity		**1,176,314**	**1,062,934**
Total liabilities and equity		**3,729,463**	**3,186,672**

Consolidated Statement of Cash Flows

Cash flows from operating activities[1]

for the fiscal year ended August 31, in thousands of CHF	Notes	2007/08	2006/07[2]
Profit before income taxes from continuing operations		241,873	240,366
Loss before income taxes from discontinued operations	28	(2,211)	(76,669)
Adjustments for:			
Depreciation of property, plant and equipment		83,930	98,166
Amortization of intangible assets		20,518	17,184
Impairment of property, plant and equipment	5, 14	2,184	53,613
Impairment of intangible assets	5, 18	131	–
Recognition of negative goodwill on acquisitions	26	–	(25,444)
(Gain) on disposal of property, plant and equipment, net		(2,405)	(1,871)
(Gain) on sale of subsidiary	27	(27,345)	(1,280)
Foreign exchange (gain) loss		(4,192)	7,007
Fair value (gain) loss on derivative financial instruments		52,925	(48,986)
Fair value (gain) loss on hedged firm commitments		66,709	91,234
Fair value (gain) loss on inventories		(126,117)	(46,357)
Write-down of inventories	11	2,429	3,510
Increase (decrease) of allowance for doubtful receivables	10	(4,891)	3,917
Increase (decrease) of provisions		6,401	6,290
Increase (decrease) of employee benefit obligations		10,363	(5,077)
Equity-settled share-based payments	2	16,856	8,400
Loss on sale of financial assets	16	6,810	–
Result from investments in associates and joint ventures		(381)	60
(Interest income)		(3,952)	(3,553)
Interest expenses		94,655	86,263
Operating cash flow before working capital changes		**434,290**	**406,773**
(Increase) decrease in trade receivables		(18,834)	(61,734)
(Increase) decrease in inventories		(152,417)	(123,949)
(Increase) decrease in other current assets		42,040	(21,385)
Increase (decrease) in trade payables		65,868	74,538
Increase (decrease) in other current liabilities and use of provisions		(88,457)	94,145
Cash generated from operations		**282,490**	**368,388**
(Interest paid)		(80,221)	(91,105)
(Income taxes paid)		(37,339)	(42,555)
Net cash flow from operating activities		**164,930**	**234,728**

Consolidated Statement of Cash Flows

Cash flows from investing activities[1]

for the fiscal year ended August 31, in thousands of CHF	Notes	2007/08	2006/07[2]
Purchase of property, plant and equipment	14	(226,571)	(136,354)
Proceeds from sale of property, plant and equipment		16,327	10,112
Purchase of intangible assets	18	(23,343)	(16,722)
Proceeds from sale of intangible assets		1,275	–
Acquisition of subsidiaries, net of cash acquired	26	(89,234)	914
Acquisition of associates and joint ventures		(2,672)	(538)
Proceeds from disposal of subsidiaries		155,331	4,630
Proceeds from disposal of financial assets		183	–
(Increase) decrease of short-term deposits		4,336	1,757
(Purchase) sale of other non-current assets		(19,768)	(17,400)
Interest received		3,084	2,641
Net cash (outflow) inflow from investing activities		**(181,052)**	**(150,960)**

Cash flows from financing activities[1]

for the fiscal year ended August 31, in thousands of CHF		2007/08	2006/07[2]
Proceeds from the issue of short-term debt		195,132	103,242
Repayment of short-term debt		(158,214)	(105,978)
Proceeds from the issue of long-term debt		51,555	824,457
Repayment of long-term debt		(202)	(851,911)
Capital reduction and repayment	25	(59,431)	(54,209)
Purchase of treasury shares	25	(12,123)	(18,184)
Dividends paid to minority shareholders	25	(343)	(137)
Effect of change in minority interests	25	(35)	97
Net cash (outflow) inflow from financing activities		**16,339**	**(102,623)**
Effect of exchange rate changes on cash and cash equivalents		379	(433)
Net increase (decrease) in cash and cash equivalents		**596**	**(19,288)**
Cash and cash equivalents at the beginning of the fiscal year		(25,160)	(5,872)
Cash and cash equivalents at the end of the fiscal year		**(24,564)**	**(25,160)**
Net increase (decrease) in cash and cash equivalents		**596**	**(19,288)**
Cash, banks and checks		35,172	35,714
Bank overdrafts		(59,736)	(60,874)
Cash and cash equivalents as defined for the cash flow statement		**(24,564)**	**(25,160)**

1 The Statement of Cash Flows includes the cash flows from discontinued operations
2 Certain comparatives have been reclassified to conform with the current period's presentation

Consolidated Statement of Changes in Equity

in thousands of CHF	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustments	Total equity attributable to the shareholders of the parent company	Minority interests	Total equity
As of September 1, 2006	**435,314**	**(9,385)**	**580,583**	**14,939**	**(22,240)**	**999,211**	**4,237**	**1,003,448**
Currency translation adjustments					9,925	9,925	(353)	9,572
Effect of cash flow hedges (note 12)				(10,109)		(10,109)		(10,109)
Total gains and losses recognized directly in equity				**(10,109)**	**9,925**	**(184)**	**(353)**	**(537)**
Net profit for the year			124,035			124,035	21	124,056
Total recognized income and expenses			**124,035**	**(10,109)**	**9,925**	**123,851**	**(332)**	**123,519**
Capital reduction and repayment	(54,285)		76			(54,209)		(54,209)
Movements of minority interests (note 25)						0	(40)	(40)
Acquisition of treasury shares		(18,184)				(18,184)		(18,184)
Equity-settled share-based payments		10,873	(2,473)			8,400		8,400
As of August 31, 2007	**381,029**	**(16,696)**	**702,221**	**4,830**	**(12,315)**	**1,059,069**	**3,865**	**1,062,934**
Currency translation adjustments					(26,834)	(26,834)	(48)	(26,882)
Effect of cash flow hedges (note 12)				(6,049)		(6,049)		(6,049)
Total gains and losses recognized directly in equity				**(6,049)**	**(26,834)**	**(32,883)**	**(48)**	**(32,931)**
Net profit for the year			204,570			204,570	880	205,450
Total recognized income and expenses			**204,570**	**(6,049)**	**(26,834)**	**171,687**	**832**	**172,519**
Capital reduction and repayment	(59,455)		24			(59,431)		(59,431)
Movements of minority interests (note 25)						0	(4,305)	(4,305)
Acquisition of treasury shares		(12,123)				(12,123)		(12,123)
Equity-settled share-based payments		15,215	1,641			16,856		16,856
Taxes recognized in equity (note 19)			(136)			(136)		(136)
As of August 31, 2008	**321,574**	**(13,604)**	**908,320**	**(1,219)**	**(39,149)**	**1,175,922**	**392**	**1,176,314**

Summary of Accounting Policies

Organization and business activity

Barry Callebaut AG ("The Company") was incorporated on November 24, 1994 under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2008, Barry Callebaut's market capitalization based on issued shares was CHF 3,743 million (August 31, 2007: CHF 4,511 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.5% of the shares issued.

The Barry Callebaut Group ("The Group") is one of the world's leading cocoa and chocolate companies, serving the food industry, from food manufacturers to professional users of chocolate (such as chocolatiers, pastry chefs or bakers) to global retailers. The Group offers a broad and expanding range of chocolate and other cocoa-based products with numerous recipes. It also provides a comprehensive range of services in the fields of product development, processing, training and marketing. The Group is fully vertically integrated along the entire value chain: from sourcing of raw materials to finished products on the shelf.

The principal brands, under which the Group operates, are Barry Callebaut, Callebaut, Cacao Barry, Carma, Van Leer and Van Houten for chocolate products; Barry Callebaut, Bensdorp, Luijckx, Van Houten and Chadler for cocoa powder; Bensdorp, Van Houten, Caprimo and Ögonblinck for vending mixes; Sarotti, Alpia, Jacques and Alprose for consumer products.

The principal countries, in which the Group operates, include Belgium, Brazil, Cameroon, Canada, China, Côte d'Ivoire, France, Germany, Ghana, Italy, Japan, Malaysia, Mexico, the Netherlands, Poland, Russia, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the USA.

Basis of presentation

The consolidated financial statements of Barry Callebaut AG and its subsidiaries ("The Group") have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

For consolidation purposes, Barry Callebaut AG and its subsidiaries prepare financial statements using the historical cost basis, except for the measurement at fair value of derivative financial instruments, hedged firm commitments and inventories as disclosed in the accounting policies below.

Management assumptions and significant estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period, in which the estimate is revised, and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below:

Note 12	Derivative financial instruments and hedging activities
Note 18	Goodwill – measurement of the recoverable amounts of cash-generating units
Note 19	Utilization of tax losses
Note 24	Measurement of defined benefit obligation
Note 26	Acquisitions
Note 28	Discontinued operations, assets held for sale and liabilities directly associated with assets held for sale

Scope of consolidation/Subsidiaries

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 financial and operating policies of a subsidiary so as to obtain the benefits from its activities. Minority interests are shown as a component of equity in the balance sheet and the share of the net profit attributable to minority interests is shown as a component of the net profit for the period in the Statement of Income. Newly acquired companies are consolidated from the date control is transferred (the effective date of acquisition), using the purchase method. Subsidiaries disposed of are included up to the effective date of disposal.

All intragroup balances and unrealized gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates and jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Accounting Policies

Investments in associates and joint ventures
Associates are those companies, in which the Group has significant influence, but not control. This is normally presumed when the Group holds between 20% and 50% of the voting power of another entity. Joint ventures are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and joint ventures are accounted for using the equity method (equity accounted investees) and are recognized initially at cost. The Group's investment includes goodwill identified on acquisition, net of any impairment losses. The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees from the date that significant influence or joint control commences until the date significant influence or joint control ceases.

Foreign currency transactions
The functional currency of the Group's entities is the currency of their primary economic environment. In individual companies, transactions in foreign currencies are recorded at the rate of exchange at the date of transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective functional currencies at the exchange rate prevailing at the year-end date. Any resulting exchange gains and losses are taken to the statement of income. If related to commercial transactions or to the measurement of financial instruments in coverage of commercial transactions, such foreign currency gains and losses are classified as cost of goods sold. Otherwise, foreign currency gains and losses are classified as financial income and financial expense.

Foreign currency translation
For consolidation purposes, assets and liabilities of subsidiaries 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 financial statements using the above method are recorded as cumulative translation adjustments in equity.

Foreign exchange rates

	Closing rate	Average rate	Closing rate	Average rate
		2007/08		2006/07
EUR	1.6160	1.6258	1.6400	1.6201
GBP	2.0100	2.1591	2.4194	2.4019
USD	1.0994	1.0853	1.1992	1.2271

Cash and cash equivalents
Cash and cash equivalents comprise of cash on hand, checks, bank balances and unrestricted bank deposit balances with an original maturity of 90 days or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the Consolidated Statement of Cash Flows.

Trade receivables
Trade receivables are stated at amortized cost, less anticipated impairment losses. Allowances for doubtful receivables represent the Group's estimates of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are based on an individual basis, or on a portfolio basis, taking into account the aging of customers' balances, specific credit circumstances and the Group's historical default experience. In case the Group is satisfied that no recovery of the amount owing is possible, the receivable is written off and the allowance related to it is reversed.

The Group maintains an asset backed securitization program for trade receivables, transferring the contractual rights to the cash flows of third-party trade receivables at their nominal value minus a discount. These receivables are derecognized from the balance sheet. The net amount reported under other current assets (see note 13) or other current liabilities (see note 22) is the amount of the discount minus the receivables already collected at the balance sheet date but not yet remitted to the asset-purchasing company.

Derivative financial instruments and hedging activities
The nature of its business exposes the Group to a variety of risks. The Group's overall risk management program acknowledges volatility of markets and seeks to minimize the potential adverse effects on the financial performance of the Group in a cost-efficient manner. Further information on risk management can be found under note 29.

The Group uses derivative financial instruments in accordance with its risk management policies to hedge its exposure to commodity price risks, foreign exchange risks and interest rate risks arising from operational, financing and investment transactions. Following the Group's risk management policy, generally the operating group companies do not hold derivative financial instruments for trading purposes. All derivative financial instruments are accounted for at fair value.

The Sourcing business unit, the Group's purchasing and sourcing center, trades contracts for cocoa beans and other chocolate ingredients. The practice of cash settlement of commodity contracts results in these contracts qualifying as derivative financial instruments.

The Sourcing business unit also enters into trades with third parties. Consequently, the unit applies the broker-trader exemption per IAS 2.5 (Inventories). All their inventories and contracts are measured at fair value, as the inventories and portfolios are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Hence, no hedge accounting is applied for this business unit.

For manufacturing and selling of their products, the operating companies require commodity raw materials such as cocoa beans and semi-finished cocoa products as well as non-cocoa components such as dairy, sweeteners and nuts. 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, forward contracts and stocks to manage price risks associated with the open sales commitments.

Accounting Policies

The Group and its subsidiaries enter into sales and purchasing contracts denominated in various currencies and consequently are exposed to foreign currency risks, which are hedged by the Group's treasury department or – in case of legal restrictions – with local banks.

Hedge accounting is applied to derivatives that are effective in offsetting the changes in fair value or cash flows of the hedged items. The hedge relation is documented and the effectiveness of such hedges is tested at regular intervals, at least on a semi-annual basis.

Barry Callebaut Services, being the In-house Bank of the Group, fair values its financial instruments without applying hedge accounting (except for interest rate hedging done on behalf of the Group). Fair value changes of the financial instruments are recognized in the Statement of Income of the period under review.

Fair value hedging – for commodity price risks and foreign currency exchange risks related to the Contract Business

Fair value hedge accounting is applied to hedge the Group's exposure to changes in fair value of a recognized asset or liability or an unrecognized firm commitment or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk, e.g. commodity price risks, and that could affect profit or loss. For fair value hedges, the carrying amount of the hedged item is adjusted for gains and losses attributable to the risk being hedged, the derivative (hedging instrument) is re-measured at fair value and gains and losses from both are taken to the Statement of Income. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss in the Statement of Income. The changes in the fair value of the hedging instrument are also recognized in the Statement of Income.

For *the commodity price risk related to the Contract Business*, the firm sales commitments, including cocoa and non-cocoa components, such as sweeteners, dairy and nuts, are designated as the hedged items while the forward purchase commitments and contract business inventories related to cocoa and non-cocoa components as well as cocoa future contracts are designated as the hedging instruments. The hedging instruments (purchase side) as well as the hedged items (sales side) are measured at fair value at the balance sheet date. The mark-to-market valuation principles applied are structured to improve the matching of revenues and expenses as they are incurred. For all major components, the valuation is performed by comparing the current market forward price at the balance sheet date with the prevailing market forward price when the contract was entered into. The fair values thus calculated for the hedged items are recorded under the position "*Hedged firm commitments*" included in other current assets or other current liabilities depending on whether the resulting amount is positive or negative. The fair values thus calculated for the hedging instruments are recorded under the position "*Derivative financial assets*" or "*Derivative financial liabilities*" depending on whether the resulting amount is positive or negative.

For *foreign currency exchange risks related to the Contract Business,* fair value hedge accounting is also applied and consists of two hedge relationships. The first hedge relationship is between the physical sales contract (hedged item) and the foreign currency forward sales contract (hedging instrument). The second hedge relationship is between the physical purchase contract (hedged item) and the foreign currency forward purchasing contract (hedging instrument). The mark-to-market valution principle is applied to all contracts pertaining to both hedge relationships.

Cash flow hedging – for interest rate risks

In general, Barry Callebaut applies cash flow hedge accounting for interest rate derivatives, converting a portion of floating rate borrowings to fixed rate borrowings.

Interest rate derivatives hedging exposures to variability in cash flows of highly probable forecasted transactions are classified as cash flow hedges. For each cash flow hedge relationship, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. Gains or losses that are recognized in equity are transferred to the Statement of Income in the same period, in which the hedged exposure affects the Statement of Income. The ineffective part of any gain or loss is recognized immediately in the Statement of Income at the time hedge effectiveness is tested.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for 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 immediately transferred to the Statement of Income.

No hedge accounting designation

The Sourcing business unit and the In-house Bank of the Group fair value their financial instruments without applying hedge accounting.

Price List Business commodity risk hedging is based on forecasted sales volumes and excluded from fair valuation and hedge accounting, as no derivatives can be clearly designated to the forecasted price list sales. Inventories dedicated to the Price List Business are valued at cost.

Hedging of monetary assets and liabilities

Where a financial instrument is used to hedge economically the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognized in the Statement of Income thus compensating the gains and losses that arise from the revaluation of the underlying asset or liability.

Accounting Policies

Inventories

The Group actively trades cocoa beans, any semi-finished products resulting from cocoa beans (such as cocoa liquor, butter, cake or powder), other raw materials such as sugar, dairy and nuts and industrial chocolate to ensure the right quality or to take opportunities. The Group therefore acts as a broker-trader of such commodities and these inventories are measured at fair value less costs to sell in accordance to the broker-trader exemption per IAS 2.5 (Inventories).

Other inventories, such as finished consumer products and other items related to the Price List Business are stated at the lower of cost and net realizable value. The cost of inventories comprises the costs of materials, direct production costs including labor costs and an appropriate proportion of production overheads and factory depreciation. For movements in inventories the average cost or first-in-first-out method are applied. Net realizable value is defined as the estimated selling price less costs of completion and direct selling and distribution expenses.

Assets held for sale and liabilities directly associated with assets held for sale

Long-term assets and related liabilities are classified as held for sale and shown on the balance sheet in a separate line as “assets held for sale” and “liabilities directly associated with assets held for sale” if the carrying amount is to be realized by selling, rather than using, the assets. This is conditional upon the sale being highly probable to occur and the assets being ready for immediate sale. For a sale to be classified as highly probable, the following criteria must be met: management is committed to a plan to sell the asset, the asset is marketed for sale at a price that is reasonable in relation with its current fair value and the completion of the sale is expected to occur within 12 months.

Assets held for sale are measured at the lower of their carrying amount or the fair value less costs to sell. From the time they are classified as “held for sale”, depreciable assets are no longer depreciated or amortized.

Financial assets

Financial assets are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Accordingly, financial assets are classified into the following categories: held-to-maturity, at fair value through profit or loss, loans and receivables and available-for-sale. Financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity except for loans and receivables originated by the Group 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 at fair value through profit or loss. 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 fair value, which is the consideration given for them, plus in the case of financial assets and liabilities not at fair value through profit or loss transaction costs. Available-for-sale and fair value through profit or loss 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 Group 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, disposed of or impaired, at which time the gains or losses are recognized in net profit or loss for the period.

Held-to-maturity investments and loans and receivables 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 to the cash flows of the assets or when the Group sells or otherwise disposes of the contractual rights to the cash flows, including situations where the Group retains the contractual rights but assumes a contractual obligation to pay the cash flows to a third party that comprise the financial asset. Such control is lost when the rights and benefits specified in the contract are realized, expired, or are surrendered.

Intangible assets

Goodwill

Goodwill on acquisitions is initially measured at cost being the excess of the cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Negative goodwill is recognized directly in the Statement of Income. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination’s synergies.

Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Accounting Policies

Research and development costs

Research costs are expensed as incurred, whereas product development costs are only expensed as incurred when it is considered impossible to quantify the existence of a market or future cash flows for the related products or processes with reasonable assurance.

Development costs for projects mostly related to software 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 their expected useful life. The amortization periods adopted do not exceed five years.

Other intangible assets

Other acquired intangible assets include patents, trademarks, brand names and licenses. Patents and licenses are amortized over their period of validity. All other intangible assets are amortized on a straight-line basis over their anticipated useful life not exceeding 20 years.

Property, plant and equipment

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

Buildings, warehouses and installations	20 to 50 years
Plant and machinery	10 to 20 years
Office equipment and furniture	3 to 10 years
Motor vehicles	5 to 10 years

Maintenance and repair expenditures are charged to the Statement of Income as incurred.

The carrying amounts of property, plant and equipment are reviewed at least at each balance sheet date to assess whether they are recoverable in the form of future economic 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 risks and rewards of ownership to the lessee.

Assets held under finance leases are stated as assets of the Group at the lower of their fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs are charged to the Statement of Income 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 an operating lease are charged to the Statement of Income on a straight-line basis over the term of the lease.

Financial liabilities

Financial liabilities are initially recognized at fair value, 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. 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 and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate thereof can be made. Provisions are recorded for identifiable claims 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.

Accounting Policies

Employee benefit obligations/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 using the projected unit credit method.

Actuarial gains and losses are recognized in the Statement of Income over the remaining working lives of the employees to the extent that their cumulative amount exceeds 10% of the greater of the present value of the obligation and of the fair value of plan assets.

For defined benefit plans, the actuarial costs charged to the Statement of Income consist of current service cost, interest cost, expected return on plan assets and past service cost, gains or losses related to curtailments or early settlements 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 over the period that such benefits vest.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the Statement of Income 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 dependents. The cost of these benefits is actuarially determined and included in the related function expenses over the employees' working lives. The related liability is also included in the position employee benefits.

Employee stock option plan
The stock option plan has been discontinued. The last outstanding options have been exercised in fiscal year 2006/07.

Employee stock ownership program
For the employee stock ownership program, treasury shares are used. In accordance with IFRS 2, the compensation costs in relation with shares granted under the employee stock ownership program are recognized in the Statement of Income at their fair value as of the grant date.

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 actuarial basis in the Statement of Income. The related liability is included in other long-term liabilities.

Share capital/Purchase of own shares
Where the Company or its subsidiaries purchase the Company's shares, the consideration paid including any attributable transaction costs is deducted from equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in equity.

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

Taxes
Current income taxes are recognized based on taxable income, whereas other taxes such as non-recoverable taxes withheld on dividends, management fees and royalties received or paid are reported under other expense. Non-recoverable withholding taxes are only accrued if distribution by subsidiary companies is foreseen.

Income taxes are calculated in accordance with the tax regulations in effect in each country.

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

Revenue recognition
Revenues from sales and services consist of the net sales turnover of semi-processed and processed goods and services related to food-processing.

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, which is mainly upon shipment. Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the cost of returns. Additionally, gains and losses related to derivative financial instruments used for hedging purposes are recognized in revenues in accordance with the policies set out in this section.

Trading of raw materials which are fair valued does not give rise to a profit or loss; consequently related revenues and costs of goods sold are netted.

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.

Accounting Policies

Government grants

Provided there is reasonable assurance that they will be irrevocably received, grants relating to capital expenditure are deducted from the cost of property, plant and equipment and thus recognized in the Statement of Income 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 Statement of Income over the period necessary to match them with the costs they are intended to compensate.

Segment reporting

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, income tax assets and liabilities and corporate assets and expenses. Eliminations represent intercompany balances and transactions between the different segments. Segment assets and liabilities represent the situation at the end of the financial year.

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.

Segmental information is based on two segment formats.

Geographical segments

The geographical segment format – reflecting management responsibility and geographical area – is the Group's primary management and internal reporting structure. The Group manages its business through three geographic areas:

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

Americas, consisting of all countries of North America and South America.

Asia-Pacific/Rest of World consisting of all other countries.

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.

Business segments

The results reported in the business segments reflect total profitability throughout the value chain.

The first business segment, Industrial Business, comprises the business units Cocoa and Food Manufacturers, both asset and working capital-intensive activities dealing with the Group's industrial customers.

The second business segment, Food Service & Retail Business, combines the business units Gourmet & Specialties and Consumer Products, grouping the more value-added products and services in the Group's professional, gastronomy, artisanal and consumer products segment.

Changes in accounting policies

The accounting policies are the same as those applied in the consolidated financial statements for the year ended August 31, 2007, except for the fact that the Group adopted as of September 1, 2007, IFRS 7 "Financial instruments – Disclosures" and the amendment to IAS 1 "Presentation of financial statements – Capital Disclosures". The recently published, retroactively applicable amendment of IAS 39 and IFRS 7 and other new and revised standards and interpretations that were effective for the financial period starting on September 1, 2007, were not applicable to the Group, or did not have a significant impact on the Consolidated Financial Statements.

IFRS 7 and amendment to IAS 1

The adoption of IFRS 7 and the amendment to IAS 1 have an impact on the disclosures given, but not on the amounts recognized in the consolidated financial statements.

Accounting Policies

Standards that have been approved but not yet applied
The following new and revised standards and interpretations have been issued, but are not yet effective. They have not been applied early in these consolidated financial statements. Their impact on the Consolidated Financial Statements of Barry Callebaut has not yet been systematically analyzed. However, a preliminary assessment has been conducted by Group management and the expected impact of each standard and interpretation is presented in the table below.

Standard/Interpretation	Assessment	Effective date	Planned application by Barry Callebaut
IFRIC 12 – Service Concession arrangements	*	January 1, 2008	Reporting year 2008/09
IFRIC 14 – IAS 19 – The limits of defined benefit assets, minimum funding requirements and their interaction	*	January 1, 2008	Reporting year 2008/09
IFRIC 13 – Customer Loyalty Programmes	*	July 1, 2008	Reporting year 2008/09
IFRIC 16 – Hedges of a net Investment in a Foreign Operation	*	October 1, 2008	Reporting year 2009/10
IAS 1 Revised – Presentation of Financial Statements	**	January 1, 2009	Reporting year 2009/10
IAS 23 Revised – Borrowing Costs	*	January 1, 2009	Reporting year 2009/10
IFRS 8 – Operating Segments	**	January 1, 2009	Reporting year 2009/10
Amendments to IFRS 2 – Share-based payment – Vesting conditions and cancellations	*	January 1, 2009	Reporting year 2009/10
Amendments to IAS 32 – Financial Instruments: Presentation and IAS 1 – Presentation of Financial Statements – puttable Financial Instruments and Obligations arising on Liquidation	***	January 1, 2009	Reporting year 2009/10
Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards and IAS 27 – Consolidated and Separate Financial Statements	*	January 1, 2009	Reporting year 2009/10
IFRS 3 Revised – Business Combinations	*	July 1, 2009	Reporting year 2009/10
IAS 27 amended – Consolidated and Separate Financial Statements	*	July 1, 2009	Reporting year 2009/10
IAS 39 – Financial Instruments: Recognition and measurement – eligible hedged items	*	July 1, 2009	Reporting year 2009/10
Improvements to IFRSs	***	January 1, 2009/ July 1, 2009	Reporting year 2009/10
IFRIC 15 – Agreements for the Construction of Real Estate	***	January 1, 2009	Reporting year 2009/10

* No impact or no significant impact is expected on the consolidated financial statements
** The impact on the consolidated financial statements is expected to result in additional disclosures or changes in presentation
*** The impact on the consolidated financial statements can not yet be determined with sufficient reliability

Notes to the Consolidated Financial Statements

Changes in the scope of consolidation
The following companies were founded or acquired during the fiscal year 2007/08:
– FPI Food Processing International Inc. (Eddystone, U.S.)
– KL-Kepong Cocoa Products Sdn Bhd (Port Klang, Malaysia)
– Barry Callebaut Mexico S. de R.L. de C.V. (Monterrey, Mexico; established in October 2007)

As of December 17, 2007, the Group closed a transaction, in which it acquired 100% of Food Processing International, Inc. (FPI) in the United States. Subsequently, the company was merged into Barry Callebaut USA LLC.

As of April 30, 2008, the Group closed a transaction, in which it acquired 60% of KL-Kepong Cocoa Products Sdn Bhd in Port Klang, Malaysia (subsequently renamed to Barry Callebaut Malaysia Sdn Bhd). For details related to these acquisitions see note 26.

As of February 29, 2008, the Group disposed of its consumer products subsidiaries Wurzener Dauerbackwaren GmbH in Germany and Chocodi SA in Côte d'Ivoire. As of July 31, 2008 the Group sold its consumer products business Chococam SA in Cameroon including its subsidiary Chocogab SA in Gabon. For details related to these disposals see note 27.

The Group has decided to sell its U.S. sugar-candy business Brach's towards the end of the fiscal year 2006/07. On September 14, 2007, the Group signed an agreement for such a sale with Farley's & Sathers Candy Company Inc. and closing of the transaction took place on November 15, 2007. In this transaction the Group sold its subsidiary Vernell Holding SA de CV and the related assets/liabilities of Brach's Confection, Inc. Consequently, the related business is reported under discontinued operations in the Statement of Income for both years. In the prior-year figures of the Balance Sheet, the related assets and liabilities are reported under assets held for sale and liabilities directly associated with assets held for sale. In the Consolidated Statement of Cash Flows all cash flows related to the discontinued business and its disposal are included (details see note 28).

Notes

Information by segments

I – Business Segments
Segment Statement of Income

	Industrial Business		Food Service & Retail Business		Corporate/ unallocated		Eliminations		Consolidated	
in thousands of CHF	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07
Revenue from sales and services										
External sales	3,258,301	2,574,160	1,557,123	1,532,608					4,815,424	4,106,768
Inter-segment sales	440,280	424,286	1,162	1,314			(441,442)	(425,600)	–	–
Income from sales and services	**3,698,581**	**2,998,446**	**1,558,285**	**1,533,922**	**–**	**–**	**(441,442)**	**(425,600)**	**4,815,424**	**4,106,768**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**304,390**	**287,799**	**202,694**	**201,357**	**(63,420)**	**(62,050)**	**–**	**–**	**443,664**	**427,106**
Depreciation and amortization	(57,251)	(57,065)	(41,008)	(41,940)	(4,294)	(4,079)			(102,553)	(103,084)
Operating profit (EBIT)	**247,139**	**230,734**	**161,686**	**159,417**	**(67,714)**	**(66,129)**	**–**	**–**	**341,111**	**324,022**
Result from investments in associates and joint ventures									381	(60)
Loss on disposal of financial asset									(6,810)	–
Financial cost, net									(92,809)	(83,596)
Income taxes									(32,797)	(33,319)
Net profit from continuing operations									**209,076**	**207,047**
Net loss from discontinued operations									(3,626)	(82,991)
Net profit for the year									**205,450**	**124,056**
of which attributable to the shareholders of the parent company									204,570	124,035
of which attributable to minority interests									880	21

Segment asset and liabilities

as of August 31, in thousands of CHF	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Segment assets	2,739,864	2,221,330	950,347	804,072					3,690,211	3,025,402
Investment in associates					3,528	484			3,528	484
Corporate/unallocated assets					35,724	37,369			35,724	37,369
Assets held for sale					–	123,417			–	123,417
Total assets	**2,739,864**	**2,221,330**	**950,347**	**804,072**	**39,252**	**161,270**	**–**	**–**	**3,729,463**	**3,186,672**
Segment liabilities	943,854	623,774	202,109	181,725					1,145,963	805,499
Corporate/unallocated liabilities					1,407,186	1,283,771			1,407,186	1,283,771
Liabilities directly associated with assets held for sale					–	34,468			–	34,468
Total liabilities	**943,854**	**623,774**	**202,109**	**181,725**	**1,407,186**	**1,318,239**	**–**	**–**	**2,553,149**	**2,123,738**

Other segment information

in thousands of CHF	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07
Capital expenditure	175,547	105,956	57,296	42,445	17,071	3,276			249,914	151,677
Non-cash expenses other than depreciation, amortization and impairment					(16,856)	(8,400)			(16,856)	(8,400)
Impairment losses	(2,184)	–	(131)	–	–	–	–	–	(2,315)	–

Notes

II – Geographical Segments: Region

Segment Statement of Income

	Europe		Americas		Asia-Pacific/ Rest of World		Corporate/ unallocated		Eliminations		Consolidated	
in thousands of CHF	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07
Revenue from sales and services												
External sales	3,530,461	3,048,310	931,643	756,853	353,320	301,605					4,815,424	4,106,768
Inter-segment sales	65,125	61,001	3,122	302	–	–			(68,247)	(61,303)	–	–
Income from sales and services	**3,595,586**	**3,109,311**	**934,765**	**757,155**	**353,320**	**301,605**	**–**	**–**	**(68,247)**	**(61,303)**	**4,815,424**	**4,106,768**
Earning before interest, taxes, depreciation and amortization (EBITDA)	**356,456**	**363,238**	**94,442**	**83,694**	**56,186**	**42,224**	**(63,420)**	**(62,050)**	**–**	**–**	**443,664**	**427,106**
Depreciation and amortization	(78,820)	(73,003)	(14,916)	(16,635)	(4,523)	(9,367)	(4,294)	(4,079)			(102,553)	(103,084)
Operating profit (EBIT)	**277,636**	**290,235**	**79,526**	**67,059**	**51,663**	**32,857**	**(67,714)**	**(66,129)**	**–**	**–**	**341,111**	**324,022**
Result from investments in associates and joint ventures											381	(60)
Loss on disposal of financial assets											(6,810)	–
Financial cost, net											(92,809)	(83,596)
Income taxes											(32,797)	(33,319)
Net profit from continuing operations											**209,076**	**207,047**
Net loss from discontinued operations											(3,626)	(82,991)
Net profit for the year											**205,450**	**124,056**
of which attributable to the shareholders of the parent company											204,570	124,035
of which attributable to minority interests											880	21

Segment asset and liabilities

as of August 31, in thousands of CHF	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
Segment assets	2,476,474	2,264,539	631,816	437,590	581,921	323,273					3,690,211	3,025,402
Investment in associates							3,528	484			3,528	484
Corporate/unallocated assets							35,724	37,369			35,724	37,369
Assets held for sale							–	123,417			–	123,417
Total assets	**2,476,474**	**2,264,539**	**631,816**	**437,590**	**581,921**	**323,273**	**39,252**	**161,270**	**–**	**–**	**3,729,463**	**3,186,672**
Segment liabilities	930,567	655,564	117,856	82,732	97,540	67,203					1,145,963	805,499
Corporate/unallocated liabilities							1,407,186	1,283,771			1,407,186	1,283,771
Liabilities directly associated with assets held for sale							–	34,468			–	34,468
Total liabilities	**930,567**	**655,564**	**117,856**	**82,732**	**97,540**	**67,203**	**1,407,186**	**1,318,239**	**–**	**–**	**2,553,149**	**2,123,738**

Other segment information

in thousands of CHF	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07	**2007/08**	2006/07
Capital expenditure	93,316	79,004	67,344	39,347	72,183	30,050	17,071	3,276			249,914	151,677
Non-cash expenses other than depreciation, amortization and impairment							(16,856)	(8,400)			(16,856)	(8,400)
Impairment losses	(131)	–	(2,184)	–	–	–	–	–	–	–	(2,315)	–

Notes

2. Personnel expenses

in thousands of CHF	2007/08	2006/07
Wages and salaries	(391,377)	(362,642)
Compulsory social security contributions	(101,585)	(94,655)
Contributions to defined contribution plans	(127)	–
Expenses related to defined benefit plans	(10,363)	(12,096)
Increase in liability for long service leave	(11)	(10)
Equity-settled share-based payment transactions	(16,856)	(8,400)
Total personnel expenses	**(520,319)**	**(477,803)**

3. Research and development expenses

in thousands of CHF	2007/08	2006/07
Total research and development expenses	**(22,769)**	**(15,462)**

Research and development costs not qualifying for capitalization are directly charged to the Statement of Income and are reported under sales and marketing expenses and general and administration expenses.

4. Other income

in thousands of CHF	2007/08	2006/07
Release of unused provisions and accruals	7,754	4,233
Gain on disposal of property, plant and equipment	2,655	2,210
Gain on disposal of subsidiaries (note 27)	27,345	1,280
Commission income	–	324
Contract cancellations	–	2,105
Sales of shells of cocoa beans and waste	2,278	803
Tax credits for material purchases	–	1,256
Group training center, museums, outlets and rental income	4,274	3,773
Recognition of negative goodwill on acquisitions (note 26)	–	25,444
Other	5,371	13,473
Total other income	**49,677**	**54,901**

5. Other expenses

in thousands of CHF	2007/08	2006/07
Loss on sale of property, plant and equipment	(250)	(447)
Customer credit insurance	(961)	(1,844)
Impairment on property, plant and equipment (note 14)	(2,184)	–
Impairment on other intangible assets (excl. goodwill; note 18)	(131)	–
Litigations and claims	(892)	(4,757)
Restructuring costs	(7,050)	(4,650)
Costs related to chocolate museums	(697)	(528)
Other	(5,736)	(5,515)
Total other expenses	**(17,901)**	**(17,741)**

Notes

6. Financial income

in thousands of CHF	**2007/08**	2006/07
Interest income	3,952	3,384
Exchange gains, net	298	6,193
Gain on derivative financial instruments	4,810	20,695
Total financial income	**9,060**	**30,272**

Gain on derivative financial instruments amount to CHF 4.8 million (2006/07: CHF 20.7 million) and contains a portion of CHF 3.1 million (2006/07: CHF 20.3 million) transferred from Equity into Consolidated Statement of Income due to early termination of cash flow hedge relationships (note 12).

7. Financial expenses

in thousands of CHF	**2007/08**	2006/07[1]
Interest expenses	(94,655)	(81,908)
Structuring fees	(944)	(8,351)
Charges on undrawn portion of committed credit facilities	(2,572)	(2,600)
Costs related to early redemption of Senior Subordinated Notes	–	(17,769)
Total interest expenses	(98,171)	(110,628)
Bank charges and other financial expenses	(3,698)	(3,240)
Total financial expenses	**(101,869)**	**(113,868)**

1 Certain comparatives have been reclassified to conform with the current period's presentation

Interest expenses include the net cost of the interest rate swaps, being the result of paying fixed interest rates in exchange for receiving floating interest rates. Interest expenses for 2007/08 also include interests paid under the asset backed securitization program of trade receivables for an amount of CHF 10.0 million (2006/07: CHF 17.0 million).

The commitment fees on the undrawn portion of the EUR 850 million Revolving Credit Facility amount to CHF 2.6 million for 2007/08 (2006/07: CHF 2.6 million).

The structuring fees for 2007/08 are mainly attributable to the EUR 850 million Revolving Credit Facility and the EUR 350 million Senior Bond (see note 23) and represent the related amortization charges. The amount referred to under Structuring fees 2006/07 is impacted by the renegotiation and amendment of the EUR 850 million Revolving Credit Facility leading to an acceleration of amortization of the remaining capitalized costs into financial expenses. The net cost of paying back the Senior Subordinated Notes amounted to approximately CHF 8.0 million in 2006/07.

Notes

8. Income taxes

in thousands of CHF	2007/08	2006/07
Current income taxes	(32,336)	(35,555)
Deferred income taxes	(461)	2,236
Total income taxes	**(32,797)**	**(33,319)**

Reconciliation of income taxes

in thousands of CHF	2007/08	2006/07
Profit before income taxes	241,873	240,366
Expected taxes at the domestic rates applicable to profit/loss		
in the countries concerned	(33,692)	(36,888)
Weighted average applicable tax rate	13.93%	15.35%
Tax relief on losses carried forward formerly not recognized as deferred tax assets	2,781	3,376
Tax effect of losses carried forward not yet recognized as deferred tax assets	(9,320)	(16,479)
Tax effect of non-deductible expenses	(5,477)	(7,645)
Tax effect of income recognized for tax purposes only	(3,137)	(615)
Tax effect of expenses recognized for tax purposes only	15,822	22,400
Tax effect of income not subject to tax	2,369	10,006
Impact of tax rate changes on deferred taxes	(1,439)	(8,757)
Adjustments related to prior years	(704)	1,283
Total income taxes	**(32,797)**	**(33,319)**

The applicable expected tax rate per company is the domestic income tax rate applicable to the profits of the company for fiscal period 2007/08.

The weighted average applicable tax rate in fiscal year 2007/08 based on continuing operations is 13.9%, compared to last year's applicable tax rate of 15.4%. The decrease of the weighted average applicable tax rate is due to the companies mix of the profit before taxes.

9. Earnings per share from continuing operations

in CHF	2007/08	2006/07
Basic earnings per share for continuing operations (CHF/share)	40.39	40.15
Diluted earnings per share (CHF/share)	40.22	40.01

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

in thousands of CHF	2007/08	2006/07
Net profit for the year attributable to ordinary shareholders,		
excluding the net loss from discontinued operations		
used as numerator for basic earnings per share	208,196	207,026
After-tax effect of income and expenses on dilutive potential ordinary shares	–	–
Adjusted net profit for the year used as numerator for diluted earnings per share	208,196	207,026

Notes

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

	2007/08	2006/07
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares held	14,868	14,103
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,155,132	5,155,897
Equity-settled share-based payments	21,847	18,983
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	5,176,979	5,174,880

10. Trade receivables

as of August 31, in thousands of CHF	**2008**	2007
Not due	244,328	236,626
Past due 1–90 days	69,677	40,130
Past due more than 90 days	37,845	46,118
Total trade receivables before allowance for doubtful receivables	351,850	322,874
Allowance for doubtful receivables	(20,514)	(25,405)
Total trade receivables	**331,336**	**297,469**

The Group runs an uncommitted asset backed securitization program, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The net amount of the sold receivables is CHF 363.0 million as of August 31, 2008 (2007: CHF 367.9 million), and was derecognized from the balance sheet.

The trade receivables are contractually due within a period of one to 120 days.

Movements in allowance for doubtful receivables

in thousands of CHF	**2007/08**	2006/07
as of September 1,	25,405	21,488
Changes in Group structure – disposals	(4,025)	-
Allowances made in the period	6,109	5,500
Amounts used and reversal of unused amounts	(6,632)	(2,011)
Currency translation adjustment	(343)	831
Reclassified to assets held for sale	–	(403)
as of August 31,	**20,514**	**25,405**

Based on the historic trend and expected performance of the customers, the Group believes that the above allowance for doubtful receivables sufficiently covers the risk of default.

Notes

11. Inventories

as of August 31,	2008	2007
in thousands of CHF		
Cocoa bean stocks	453,569	299,876
Semi-finished and finished products	829,669	634,473
Other raw materials and packaging materials	131,363	167,788
Total inventories	**1,414,601**	**1,102,137**
Thereof stocks carried at fair value less costs to sell		
Cocoa bean stocks	441,417	278,539
Semi-finished and finished products	653,858	503,666
Other raw materials and packaging materials	60,343	66,026
Total stocks carried at fair value less costs to sell	**1,155,618**	**848,231**

As of August 31, 2008, inventories amounting to CHF 21.6 million (2007: CHF 7.7 million) are pledged as security for financial liabilities.

In fiscal year 2007/08, inventory write-downs of CHF 2.4 million were recognized as expenses (2006/07: CHF 3.5 million).

12. Derivative financial instruments and hedging activities

	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
as of August 31,		2008		2007
in thousands of CHF				
Cash flow hedges				
Interest rate risk				
Swaps	–	1,187	4,608	–
Fair value hedges				
Sales price risk (cocoa/other ingredients)				
Forward and futures contracts	1,924	30,907	80,684	52,205
Foreign exchange risk				
Forward and futures contracts	17,475	19,471	6,422	5,743
Other – no hedge accounting				
Raw materials				
Forward and futures contracts	268,023	184,465	59,187	6,410
Foreign exchange risk				
Forward and futures contracts	32,825	63,280	6,732	9,901
Interest rate risk				
Swaps	773	–	10,751	–
Total derivative financial assets	**321,020**		**168,384**	
Total derivative financial liabilities		**299,310**		**74,259**

Derivative financial instruments consist of items used in a cash flow hedging model, items used in a fair value hedging model and fair valued instruments, for which no hedge accounting is applied.

The fair value measurement of some items requires assumptions and management's assessment of certain market parameters. Whenever possible, fair valuation is based on market prices. If required, a valuation model is used which takes into account the specific characteristics of the underlying assets or commodities such as the cost of carry, differentials for the properties and technical ratios reflecting production yield.

Notes

In the absence of quoted prices, the Group estimates fair values of financial instruments based on widely accepted valuation techniques including discounted cash flows, dealer or supplier quotes for similar instruments or recent arm's length transactions.

Effect of cash flow hedges on equity

	Interest rate risk	**Total hedging reserve**
in thousands of CHF		
as of September 1, 2006	**14,939**	**14,939**
Movements in the period:		
Gains/(losses) taken into equity, net of tax	9,732	**9,732**
Transfer to the Statement of Income for the period	(20,315)	**(20,315)**
Currency translation adjustment	474	**474**
as of August 31, 2007	**4,830**	**4,830**
Movements in the period:		
Gains/(losses) taken into equity, net of tax	(2,913)	**(2,913)**
Transfer to the Statement of Income for the period	(3,100)	**(3,100)**
Currency translation adjustment	(36)	**(36)**
as of August 31, 2008	**(1,219)**	**(1,219)**

Cash flow hedges
In the course of fiscal year 2007/08, the Group entered into interest rate derivatives (exchanging floating into fixed interest rates) according to the guidelines stipulated in the Group's Treasury Policy (note 29). In order to avoid volatility in the Consolidated Statement of Income, the interest rate derivatives have been put in cash flow hedge relationship reflecting the underlying currency mix of the Group's debt portfolio. The following table provides an overview over the periods, in which the cash flow hedges are expected to impact the Consolidated Statement of Income:

	First year	Second to fifth year	After five years	**Expected cash flows**	First year	Second to fifth year	After five years	**Expected cash flows**
as of August 31,				**2008**				2007
in thousands of CHF								
Derivative financial assets	–	–	–	**–**	1,946	2,981	–	**4,927**
Derivative financial liabilities	115	(1,144)	–	**(1,029)**	–	–	–	**–**
Total net	**115**	**(1,144)**	–	**(1,029)**	**1,946**	**2,981**	–	**4,927**

Fair value hedges
Fair value hedges include forward purchase commitments and cocoa future contracts designated as the hedging instruments for commodities related to firm sales commitments as well as hedging instruments in relation to foreign currency risks.

For the fair value hedge relationship of the contract business, the Group also considers its related fair valued inventories as hedging instruments even though they are not reported as financial derivatives but as inventories. The amount of fair value adjustments to inventories on August 31, 2008, was CHF 142.5 million (2007: CHF 16.4 million).

Notes

For all major components, the valuation is performed by comparing the market forward price at the balance sheet date with the historical market forward price when the contract was entered into. All financial derivatives and the hedged items are marked at fair value. For fair value hedges the Group recorded for the year a gain on the hedging instruments of CHF 112.9 million for fiscal year 2007/08 (2006/07: CHF 50.3 million) and a loss on hedged items of CHF 104.1 million (2006/07: CHF 60.7 million). The fair value at balance sheet date of the hedged firm commitments under the fair value hedge accounting model – being the related firm sales commitments in respect of sales price risk (including cocoa components and non-cocoa components, such as sweeteners, dairy and nuts) and the related sales and purchase contracts with respect to foreign currency risks – is outlined in the table hedged firm commitments below. The balance of these items at balance sheet date is presented under other current assets (see note 13) and other current liabilities (see note 22).

Hedged firm commitments

in thousands of CHF	Assets	Liabilities	Assets	Liabilities
as of August 31,		**2008**		2007
Commodity price risks				
(cocoa/other ingredients) – sales contracts	30,907	144,416	36,028	80,565
Foreign exchange risks –				
sales and purchase contracts	5,125	8,488	945	2,667
Total fair value of hedged firm commitments	**36,032**	**152,904**	**36,973**	**83,232**

Other – no hedge accounting
This position contains the fair values of the instruments of the Sourcing & Cocoa business unit and the Group's treasury center, which are not designated for hedge accounting.

13. Other current assets

as of August 31,	**2008**	2007
in thousands of CHF		
Prepaid expenses	37,562	35,853
Accrued income	5,921	4,215
Prepaid taxes (value added tax and duties)	44,166	105,276
Receivables from governments	25,783	24,135
Margin calls paid/Broker ledger balance	15,046	295
Advances to cocoa suppliers	5,426	6,908
Hedged firm commitments (note 12)	36,032	36,973
Prepaid contributions to pension funds/insurance premiums	3,003	2,854
Other	26,857	24,570
Total other current assets	**199,796**	**241,079**

Notes

14. Property, plant and equipment

2007/08 in thousands of CHF	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	Total
At cost					
as of September 1, 2007	602,142	1,265,628	179,596	85,511	2,132,877
Change in Group structure – acquisitions	14,153	45,069	2,046	8,523	69,791
Change in Group structure – disposals	(16,657)	(52,301)	(6,000)	(1,576)	(76,534)
Additions	28,620	76,246	7,395	114,310	226,571
Disposals	(16,946)	(17,266)	(7,468)	(3,197)	(44,877)
Currency translation adjustments	(15,429)	(39,829)	(3,652)	(3,792)	(62,702)
Reclassifications from under construction	10,011	62,275	483	(72,769)	–
Other reclassifications[1]	15,853	(937)	(25,283)	(1,478)	(11,845)
as of August 31, 2008	**621,747**	**1,338,885**	**147,117**	**125,532**	**2,233,281**
Accumulated depreciation and impairment losses					
as of September 1, 2007	342,752	917,406	148,589	–	1,408,747
Change in Group structure – disposals	(14,392)	(38,653)	(5,030)	–	(58,075)
Depreciation charge	12,229	62,135	7,713	–	82,077
Impairment losses	–	2,133	51	–	2,184
Disposals	(8,897)	(14,757)	(7,301)	–	(30,955)
Currency translation adjustments	(6,949)	(29,682)	(3,105)	–	(39,736)
Other reclassifications[1]	(56)	(607)	(21,211)	–	(21,874)
as of August 31, 2008	**324,687**	**897,975**	**119,706**	**–**	**1,342,368**
Net as of August 31, 2008	**297,060**	**440,910**	**27,411**	**125,532**	**890,913**

1 Other reclassifications mainly include items reclassified to intangible assets (see note 18) and a reclassification of a prepayment in the amount of CHF 16.3 million related to the acquisition of a factory building, which was reported in prior year under other non-current assets.

Notes

2006/07	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of September 1, 2006	617,991	1,329,345	227,970	47,964	2,223,270
Change in Group structure – acquisitions	27,306	13,808	2,604	168	43,886
Change in Group structure – disposals	(1,572)	(2,624)	(2,273)	–	(6,469)
Additions	3,493	36,585	14,025	82,251	136,354
Disposals	(1,139)	(16,631)	(7,721)	(4,559)	(30,050)
Currency translation adjustments	15,658	30,742	5,577	1,224	53,201
Reclassified to assets held for sale	(64,637)	(154,090)	(24,024)	(214)	(242,965)
Other reclassifications[2]	5,042	28,493	(36,562)	(41,323)	(44,350)
as of August 31, 2007	**602,142**	**1,265,628**	**179,596**	**85,511**	**2,132,877**
Accumulated depreciation and impairment losses					
as of September 1, 2006	339,640	973,940	190,440	–	1,504,020
Change in Group structure – disposals	(295)	(1,237)	(1,703)	–	(3,235)
Depreciation charge	15,621	68,474	14,071	–	98,166
Impairment losses	30,514	18,986	4,113	–	53,613
Disposals	(61)	(15,561)	(6,674)	–	(22,296)
Currency translation adjustments	10,240	22,060	4,787	–	37,087
Reclassified to assets held for sale	(52,722)	(145,968)	(23,446)	–	(222,136)
Other reclassifications[2]	(185)	(3,288)	(32,999)	–	(36,472)
as of August 31, 2007	**342,752**	**917,406**	**148,589**	**–**	**1,408,747**
Net as of August 31, 2007	**259,390**	**348,222**	**31,007**	**85,511**	**724,130**

2 Other reclassifications mainly include items reclassified to intangible assets (see note 18)

As set out by IAS 16.51, the Group periodically reviews the remaining useful lives of assets recognized in property, plant and equipment. The outcome of those appraisals was accounted for as a change in estimates in accordance with IAS 8. As a result of the assessments, the depreciation charge for fiscal year 2007/08 was positively impacted by CHF 7.9 million.

The closure of the Swedesboro site resulted in an impairment loss of CHF 2.2 million; the production has been moved to the new production site in Eddystone following the acquisition of Food Processing International Inc. In the prior year, the impairment charges of CHF 53.6 million fully related to discontinued operations and include the effect of CHF 6.9 million for transaction and indemnity costs in relation with the discontinuation of the operations (note 28).

Repair and maintenance expenses for the financial year 2007/08 amounted to CHF 45.9 million (2006/07: CHF 49.9 million).

The fire insurance value of property, plant and equipment amounted to CHF 2,911.9 million as of August 31, 2008 (2007: CHF 2,530.9 million).

As of August 31, 2008, plant and equipment held under financial leases amount to CHF 0.7 million (2007: CHF 5.2 million). The related liabilities are reported under short-term and long-term debt (see notes 15, 20 and 23).

As of August 31, 2008, no financial liabilities are secured by means of mortgages on properties (2007: none).

Notes

15. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
as of August 31,	**2008**	2007	**2008**	2007
in thousands of CHF				
Amounts payable under finance leases				
within one year	498	2,292	486	2,214
in the second to fifth year inclusive	141	678	125	654
Total amounts payable under finance leases	**639**	**2,970**	**611**	**2,868**
less: future finance charges	(28)	(102)		
Present value of lease obligations	**611**	**2,868**	**611**	**2,868**
Amount due for settlement next 12 months (note 20)			486	2,214
Amount due for settlement after 12 months (note 23)			125	654

The Group entered into finance leasing arrangements for various assets. The weighted average term of finance leases entered into is 2.2 years (2006/07: 4.4 years). The average effective interest rate was 4.7% (2006/07: 4.9%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payment.

	Net carrying amount of property, plant and equipment under finance lease	
as of August 31,	**2008**	2007
in thousands of CHF		
Plant and machinery	448	4,960
Furniture, equipment and motor vehicles	252	227
Total assets under finance lease	**700**	**5,187**

16. Financial assets

as of August 31,	**2008**	2007
in thousands of CHF		
Financial assets	**209**	**7,266**

The investment in Jacquot SA (25%),which amounted to CHF 7.0 million at the end of August 2007, was sold in December 2007 resulting in a loss on disposal of financial assets of CHF 6.8 million. The investment was previously held at acquisition costs less accumulated impairment losses. In the absence of significant influence, financial information in accordance with IFRS was not available to apply equity accounting. Also, the fair value of that investment could not be estimated reliably in prior periods.

Notes

17. Investments in associates and joint ventures

as of August 31, in thousands of CHF	2008	2007
Investment in associates and joint ventures	**3,528**	**484**

On April 16, 2008, the Group acquired a 49% stake in Biolands, Africa's largest exporter of certified organic cocoa beans, based in Tanzania.

On December 20, 2006, the Group acquired a 20% share of Pasteleria Totel S.L. and of Bombones y Chocolates Semar S.L. The two companies specialize in manufacturing deep frozen gourmet products.

18. Intangible assets

2007/08 in thousands of CHF	Goodwill	Brand names	Development costs (software)	Other	Total
At cost					
as of September 1, 2007	345,237	31,125	134,475	11,357	522,194
Change in Group structure – acquisitions	54,776	–	–	2,296	57,072
Change in Group structure – disposals	–	–	(647)	(872)	(1,519)
Additions	–	5,652	17,366	325	23,343
Disposals	–	(84)	(1,190)	(116)	(1,390)
Currency translation adjustments	(2,567)	(2)	(2,805)	(225)	(5,599)
Other reclassifications[1]	–	–	27,012	536	27,548
as of August 31, 2008	**397,446**	**36,691**	**174,211**	**13,301**	**621,649**
Accumulated amortization and impairment losses					
as of September 1, 2007	–	19,852	85,598	5,794	111,244
Change in Group structure – disposals	–	–	(424)	(872)	(1,296)
Amortization charge	–	2,819	16,797	860	20,476
Disposals	–	–	–	(115)	(115)
Impairment losses	–	–	131	–	131
Currency translation adjustments	–	–	(2,168)	(73)	(2,241)
Other reclassifications[1]	–	–	21,134	986	22,120
as of August 31, 2008	**–**	**22,671**	**121,068**	**6,580**	**150,319**
Net as of August 31, 2008	**397,446**	**14,020**	**53,143**	**6,721**	**471,330**

1 Other reclassifications mainly include items reclassified from property, plant and equipment (see note 14)

Notes

2006/07	Goodwill	Brand names	Development costs (software)	Other	Total
in thousands of CHF					
At cost					
as of September 1, 2006	341,605	30,080	74,057	12,119	457,861
Change in Group structure – acquisitions	–	165	–	–	165
Change in Group structure – disposals	(1,593)	–	–	(682)	(2,275)
Additions	3,572	878	16,722	1,387	22,559
Disposals	–	–	(176)	(602)	(778)
Currency translation adjustments	1,653	2	3,731	(151)	5,235
Reclassified to assets held for sale	–	–	–	(839)	(839)
Other reclassifications[1]	–	–	40,141	125	40,266
as of August 31, 2007	**345,237**	**31,125**	**134,475**	**11,357**	**522,194**
Accumulated amortization and impairment losses					
as of September 1, 2006	–	17,186	37,063	7,148	61,397
Change in Group structure – disposals	–	–	–	(657)	(657)
Amortization charge	–	2,666	13,544	974	17,184
Disposals	–	–	(62)	(145)	(207)
Impairment losses	–	–	–	–	–
Currency translation adjustments	–	–	2,200	(290)	1,910
Reclassified to assets held for sale	–	–	–	(792)	(792)
Other reclassifications[1]	–	–	32,853	(444)	32,409
as of August 31, 2007	**–**	**19,852**	**85,598**	**5,794**	**111,244**
Net as of August 31, 2007	**345,237**	**11,273**	**48,877**	**5,563**	**410,950**

1 Other reclassifications mainly include items reclassified from property, plant and equipment (see note 14)

Additions to development costs amounting to CHF 17.4 million in fiscal year 2007/08 mainly include costs relating to various projects for internally generated capitalized software development (2006/07: CHF 16.7 million mainly related to the Thalys project aiming at bringing the companies of the Consumer Products Europe business unit onto a central SAP platform and integrating them into the European Supply Company ESC).

The remaining amortization period for brand names varies between three and five years, for software between two and five years and for other including patents between four and fourteen years. The amortization charge is included in the position general and administration expenses in the Consolidated Statement of Income.

Notes

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 397.4 million (2006/07: CHF 345.2 million). The allocation to the segments is as follows:

in million of CHF	**2008**	2007
Geographical segments		
Europe	305.0	306.1
Americas	46.6	38.4
Asia-Pacific/Rest of World	45.8	0.7
Business segments		
Industrial business segment	231.5	178.1
Food Service and Retail business segment	165.9	167.1

For the purpose of impairment testing, the goodwill is assigned to business units that represent the lowest level within the Group, at which the goodwill is monitored for internal management purposes.

For the impairment test, the recoverable amount of a cash-generating unit is based on its value in use and is compared to the carrying amount of the corresponding cash-generating unit. Future cash flows are discounted using a pre-tax rate that reflects current market assessments based on the weighted average cost of capital (WACC) of 10%, which corresponds to an after-tax WACC of 8%.

The Group performs its impairment test during the fourth quarter of the fiscal year. This approach is chosen since the Mid-Term Plan covering the next three financial years is updated annually at the beginning of the fourth quarter. The Mid-Term Plan is based on assumptions that there will be no major changes with regard to the Group's organization. The residual value is calculated from an estimated continuing value, which is primarily based on the third year of the Mid-Term Plan. The perpetual growth rate for the residual value is not higher than the expected long-term growth rate of the industry. For the impairment test of fiscal year 2007/08, a long-term growth rate of 2% was used.

Key assumptions used for impairment testing

Business units within segment	Industrial	Food Service & Retail	Total	Industrial	Food Service & Retail	Total
			2007/08			2006/07
Carrying amount of goodwill in million CHF	231.5	165.9	397.4	178.1	167.1	345.2
Basis for recoverable amount	value in use	value in use		value in use	value in use	
Discount rate	10%	10%		10%	10%	
Projection period	3 years	3 years		3 years	3 years	
Long-term growth rate	2%	2%		2%	2%	

Based on the impairment tests, there was no need for the recognition of any impairment losses in fiscal year 2007/08.

The key sensitivities for the impairment test are the weighted average cost of capital (WACC) as well as the terminal growth rate. A sensitivity analysis for the business segments has been performed with the outcome that an increase of the WACC by 2% and a terminal growth rate of 0% in both segments would not change the conclusions of the impairment test.

Notes

19. Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities

in thousands of CHF	Inventories	Property, plant, equipment/intangible assets	Other assets	Provisions	Other liabilities	Tax loss carry-forwards	Total
As of September 1, 2006	(6,557)	(27,451)	(7,154)	1,268	2,401	39,872	**2,379**
Charged to the Statement of Income	1,819	2,232	1,989	1,763	(3,637)	(1,930)	**2,236**
Charged to equity							**–**
Effect of acquisitions		(13,387)			3,669		**(9,718)**
Reclass to held for sale		(1,488)	1	(391)		(3,508)	**(5,386)**
Currency translation effects	4	(1,242)	(322)	(201)	188	1,313	**(260)**
As of August 31, 2007	**(4,734)**	**(41,336)**	**(5,486)**	**2,439**	**2,621**	**35,747**	**(10,749)**
Charged to the Statement of Income	(5,325)	6,957	(2,433)	(1,746)	1,252	834	(461)
Charged to equity		(136)	31	(31)			(136)
Effect of acquisitions		(6,160)	(160)	0	234		(6,086)
Effect of disposals	(92)	(212)		(4)	(227)	(1,628)	(2,163)
Currency translation effects	(96)	1,734	118	(547)	(190)	(547)	472
As of August 31, 2008	**(10,247)**	**(39,153)**	**(7,930)**	**111**	**3,690**	**34,406**	**(19,123)**

The effect of acquisitions is mainly related to the fair value measurement at acquisition of BC Malaysia, resulting in a net deferred tax liability of CHF 6.1 million.

The sale of Wurzener Dauerbackwaren resulted also in a derecognition of net deferred tax liabilities of CHF 2.2 million.

Recognized deferred tax assets and liabilities

The recognized deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are attributable to the following:

	Assets	Liabilities	Net	Assets	Liabilities	Net
As of August 31,			**2008**			2007
in thousands of CHF						
Inventories	2,188	(12,435)	(10,247)	2,906	(7,640)	(4,734)
Property, plant & equipment/intangible assets	18,571	(57,724)	(39,153)	6,972	(48,308)	(41,336)
Other assets	5,409	(13,339)	(7,930)	8,988	(14,474)	(5,486)
Provisions	111	–	111	14,621	(12,182)	2,439
Other liabilities	20,239	(16,549)	3,690	6,035	(3,414)	2,621
Tax loss carry-forwards	34,406	–	34,406	35,747	–	35,747
Tax assets/(liabilities)	**80,924**	**(100,047)**	**(19,123)**	**75,269**	**(86,018)**	**(10,749)**
Set-off of tax	(35,598)	35,598	–	(31,538)	31,538	–
Reflected in the balance sheet	**45,326**	**(64,449)**		**43,731**	**(54,480)**	

Notes

Tax loss carry-forwards excluded from recognition of related deferred tax assets
Tax loss carry-forwards not recognized as deferred tax assets have the following expiry dates:

as of August 31,	**2008**	2007
in thousands of CHF		
Expiry		
Within 1 year	–	4,218
After 1 up to 2 years	2	2
After 2 up to 3 years	6	–
After 3 up to 10 years	91,809	8
After 10 years	182,823	272,293
Unlimited	372,555	309,474
Total unrecognized tax loss carry-forwards	**647,195**	**585,995**

Tax losses carried forward are assessed for future recoverability based on business plans and projections of the related companies. Those are capitalized only if the usage within a period of 3–5 years is probable.

Tax losses carried forward utilized during the year 2007/08 were CHF 34.1 million (2006/07: CHF 13.0 million). The tax relief hereon amounted to CHF 10.3 million, of which CHF 6.6 million were already recognized as a deferred tax asset in the prior year (2006/07: CHF 3.5 million which were entirely recognized as a deferred tax asset).

As of August 31, 2008, the Group had unutilized tax losses carried forward of approximately CHF 764.3 million (August 31, 2007: CHF 705.4 million) that are available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 117.1 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 34.4 million (2006/07: CHF 119.4 million recognized resulting in a deferred tax asset of CHF 35.7 million).

20. Bank overdrafts and short-term debt

	Carrying amounts		Fair values	
as of August 31,	**2008**	2007	**2008**	2007
in thousands of CHF				
Bank overdrafts	**59,736**	**60,874**	**59,736**	**60,874**
Commercial paper	312,843	198,938	312,843	198,938
Short-term bank debts	84,096	147,862	84,096	147,862
Short-term portion of long-term bank debts (note 23)	201	192	201	192
Interest-bearing loans from employees	22	456	22	456
Finance lease obligations (note 15)	486	2,214	486	2,214
Short-term debt	**397,648**	**349,662**	**397,648**	**349,662**
Total bank overdrafts and short-term debt	**457,384**	**410,536**	**457,384**	**410,536**

Notes

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

Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
as of August 31,			**2008**			2007
EUR	353,142	4.14%	5.65%	304,091	3.92%	6.00%
GBP	–	N/A	N/A	5,939	6.50%	7.12%
USD	38,804	2.40%	6.52%	40,997	5.50%	6.37%
CAD	1,842	3.00%	5.95%	1,185	5.50%	5.65%
CFA	22,934	5.00%	10.50%	42,345	5.00%	14.00%
MYR	31,926	3.70%	4.05%	–	N/A	N/A
Other	8,736	2.20%	6.92%	15,979	3.24%	7.24%
Total	**457,384**	**2.20%**	**10.50%**	**410,536**	**3.24%**	**14.00%**

as of August 31,	**2008**	2007
in thousands of CHF		
Split fixed/floating interest rate:		
Fixed	655	2,834
Floating	456,729	407,702
Total bank overdrafts and short-term debt	**457,384**	**410,536**

21. Provisions

2007/08	Restructuring	Litigation & claims	Other	Total
in thousands of CHF				
as of September 1, 2007	843	1,540	4,587	6,970
Change in Group structure – disposals	(216)	(171)	(756)	(1,143)
Additions	83	2,928	3,788	6,799
Usage	(176)	(309)	(3,186)	(3,671)
Release of unused provisions	–	(306)	(300)	(606)
Reclassified in relation to discontinued operation	–	1,194	–	1,194
Currency translation adjustments	(9)	54	(67)	(22)
as of August 31, 2008	**525**	**4,930**	**4,066**	**9,521**
of which:				
Current	525	3,959	3,320	7,804
Non-current	–	971	746	1,717

Notes

Provisions

2006/07	Restructuring	Litigation & claims	Other	Total
in thousands of CHF				
as of September 1, 2006	10,014	1,236	8,211	19,461
Change in Group structure – disposals	–	–	(42)	(42)
Additions	–	955	7,024	7,979
Usage	(9,191)	(692)	(6,628)	(16,511)
Release of unused provisions	–	–	(4,233)	(4,233)
Reclassified to liabilities directly				
associated with assets held for sale	–	(27)	–	(27)
Currency translation adjustments	20	68	255	343
as of August 31, 2007	**843**	**1,540**	**4,587**	**6,970**
of which:				
Current	843	265	3,983	5,091
Non-current	–	1,275	604	1,879

Restructuring

During fiscal year 2007/08, restructuring provisions in the amount of CHF 0.2 million have been used, mainly related to redundancy and severance payments (2006/07: CHF 9.2 million). The remaining restructuring provision in the amount of CHF 0.5 million covers several smaller items not yet effected as of August 31, 2008.

Litigation & claims

The amount includes provisions for certain litigations and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. 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 as of August 31, 2008.

Other provisions

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

22. Other current liabilities

as of August 31,	**2008**	2007
in thousands of CHF		
Accrued wages and social charges	82,085	81,462
Advertising and promotion	2,255	1,883
Pension liabilities	1,032	856
Interests accrued	7,679	5,882
Year-end rebates and commissions	26,379	29,736
Other taxes	5,760	4,863
Margin calls received/broker ledger balance	14,035	12,486
Payables to asset-purchasing company	26,893	56,016
Hedged firm commitments (note 12)	152,904	83,232
Payables to governments	10,817	7,051
Accrued expenses for outstanding invoices	9,728	18,276
Deferred income	35,589	63,858
Amount due for purchase of property, plant and equipment	–	8,869
Other payables	53,368	33,779
Total other current liabilities	**428,524**	**408,249**

Notes

As disclosed in note 10, the Group participates in a program where receivables are sold to a financial institution and derecognized from the balance sheet. The amounts reported as of August 31, 2008, as "Payable to asset-purchasing company" represent the balance of receivables collected before the next roll-over date, amounting to CHF 45.0 million (2007: CHF 81.9 million) less discounts on receivables sold of CHF 18.1 m (2007: CHF 25.9 million).

23. Long-term debt

	Carrying amounts		Fair values	
as of August 31,	**2008**	2007	**2008**	2007
in thousands of CHF				
Senior Notes	554,358	561,680	496,113	548,689
Long-term bank debts	67,593	2,378	68,547	2,378
Less current portion (note 20)	(201)	(192)	(201)	(192)
Interest-bearing loans from employees	17	7	17	7
Finance lease obligation (note 15)	125	654	125	654
Total long-term debt	**621,892**	**564,527**	**564,601**	**551,536**

In March 2007, the Group exercised the early repayment option embedded in the EUR 165 million 9.25% Senior Subordinated Notes, at a fixed price of 104.625%. On July 13, 2007, the Group issued a 6% Senior Note with maturity in 2017 for an amount of EUR 350 million. The Senior Notes have been issued at a price of 99.005%, and include a coupon step-up clause of 0.25% (limited to 1.00%) per downgraded notch by one or more rating agencies and rank completely pari passu with the Group's Senior Debt. The Senior Notes being issued by Barry Callebaut Services NV are guaranteed by Barry Callebaut AG and certain of its subsidiaries.

On July 12, 2007, the Group amended and restructured the syndicated EUR 850 million Revolving Credit Facility, leading to a 5-year multi-purpose single tranche facility with two extension options (in 2008 and 2009) to be agreed upon by the participating banks at their sole discretion. The first extension option has been exercised successfully for 83% of the total amount leading to a prolongation of the maturity date by one year to 2013, whereas the remaining 17% has been kept at the initial maturity date in 2012. The Revolving Credit Facility being issued by Barry Callebaut Services NV is guaranteed by Barry Callebaut AG and certain of its subsidiaries.

As a result, the maturity profile of the long-term debt can be summarized as follows:

as of August 31,	**2008**	2007
in thousands of CHF		
2008/09	–	747
2009/10	3,176	253
2010/11	3,199	259
2011/12	3,215	284
2012/13 and thereafter (for 2006/07)	53,911	562,984
2013/14 and thereafter (for 2007/08)	558,391	–
Total long-term debt	**621,892**	**564,527**

The weighted average maturity of the total debt slightly decreased from 6.1 years to 5.4 years. Considering that the short-term debt is fully covered with the committed Revolving Credit Facility, the average maturity of the total debt stands at 7 years from a liquidity point of view.

Notes

Long-term financial liabilities are to a major extent denominated in EUR at fixed interest rates as shown in the tables below:

Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
as of August 31,			2008			2007
EUR	556,417	5.00%	6.14%	564,327	4.00%	6.14%
CAD	50,735	3.72%	4.32%	–	N/A	N/A
MYR	14,615	4.03%	4.03%	–	N/A	N/A
Other	125	4.50%	8.50%	200	4.50%	8.50%
Total long-term debt	**621,892**	**3.72%**	**8.50%**	**564,527**	**4.00%**	**8.50%**

as of August 31,	2008	2007
in thousands of CHF		
Split fixed/floating interest rate:		
Fixed rate	556,407	564,388
Floating rate	65,485	139
Total long-term debt	**621,892**	**564,527**

24. Employee benefit obligations

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.

Employee benefit assets recognized in the balance sheet

as of August 31,	2008	2007
in thousands of CHF		
Pension assets		
for funded schemes in surplus	442	–
Total employee benefit assets recognized in the balance sheet[1]	**442**	**–**

1 Recognized in other non-current assets

Employee benefit obligations recognized in the balance sheet

as of August 31,	2008	2007
in thousands of CHF		
Pension funds		
defined benefit plans in deficit	112,414	125,888
Other post-retirement benefit plans	10,245	8,802
Other long-term employee benefits	11,772	12,278
Total employee benefit obligations recognized in the balance sheet	**134,431**	**146,968**

Notes

Reconciliation of assets and employee benefit obligations recognized in the balance sheet

	Defined benefit pension plans	Other non-current employee benefits	Total	Total
as of August 31,			**2008**	2007
in thousands of CHF				
Present value of funded obligations	204,203	–	204,203	218,861
Fair value of plan assets	(167,121)	–	(167,121)	(182,024)
Excess of liabilities (assets) of funded obligations	37,082	–	37,082	36,837
Present value of unfunded obligations	75,160	21,186	96,346	104,879
Net unrecognized actuarial gains (losses)	(270)	831	561	4,819
Unrecognized assets	–	–	–	433
Net employee benefit obligations recognized in the balance sheet	**111,972**	**22,017**	**133,989**	**146,968**

Movements of defined benefit obligations, net

	Defined benefit pension plans	Other non-current employee benefits	Total	Total
in thousands of CHF			**2007/08**	2006/07
as of September 1,	125,888	21,080	146,968	136,102
Employer's contributions	(7,989)		(7,989)	(8,302)
Benefits paid	(7,847)	(2,422)	(10,269)	(8,271)
Total defined benefit expenses excluding curtailment loss on defined benefit obligations for discontinued operations	7,687	2,676	10,363	12,096
Curtailment loss on defined benefit obligations for discontinued operations	–	–	–	6,606
Reclassifications	(1,751)	2,135	384	(600)
Changes in Group structure	(655)	(953)	(1,608)	4,388
Currency translation adjustments	(3,361)	(499)	(3,860)	4,949
as of August 31,	**111,972**	**22,017**	**133,989**	**146,968**

Movements in the present value of defined benefit obligations

in thousands of CHF	**2007/08**	2006/07
Funded defined benefit obligations as of September 1,	218,861	213,184
Unfunded defined benefit obligations as of September 1,	104,879	104,041
Present value of defined benefit obligations as of September 1,	**323,740**	**317,225**
Current service cost	10,416	9,010
Past service cost	280	(387)
Interest expenses	15,195	15,802
Benefits paid (funded and unfunded plans)	(17,207)	(8,666)
Curtailment loss on defined benefit obligations	870	–
Curtailment loss on defined benefit obligations for discontinued operations	–	6,606
Reclassifications	384	(600)
Movement in unrecognized actuarial (gains) losses	(10,756)	(16,955)
Recognized actuarial (gains) losses	(2,326)	(106)
Effect of changes in Group structure	(1,608)	4,388
Currency translation adjustments	(18,439)	(2,577)
Total present value of defined benefit obligations as of August 31,	**300,549**	**323,740**

Notes

Movement in the fair value of plan assets

in thousands of CHF	2007/08	2006/07
Plan assets as of September 1,	182,024	165,606
Employer's contributions	7,989	8,302
Employees' contributions	3,150	1,612
Expected return on plan assets	10,493	10,611
Benefits paid (funded plans)	(6,938)	(395)
Movement in unrecognized actuarial gains/(losses)	(15,018)	3,381
Unrecognized plan assets	–	433
Currency translation adjustments	(14,579)	(7,526)
Total fair value of plan assets as of August 31,	**167,121**	**182,024**

The actual return on plan assets in 2007/08 was negative for an amount of CHF 4.5 million (2006/07: positive return of CHF 14.0 million).

Composition of plan assets

as of August 31, in thousands of CHF	2008	2007
Equities	52,900	99,419
Bonds	12,903	27,356
Cash and other assets	101,318	55,249
Total value of plan assets	**167,121**	**182,024**

The plan assets do not include ordinary shares issued by the Company nor any property occupied by the Group or one of its affiliates.

Expenses recognized in the Statement of Income

in thousands of CHF	Defined benefit pension plans	Other non-current employee benefits	Total 2007/08	Total 2006/07
Current service cost	8,936	1,480	10,416	9,010
Interest expenses	14,615	580	15,195	15,802
Expected return on plan assets	(10,493)	–	(10,493)	(10,611)
Net actuarial (gain)/loss recognized in the year	(2,187)	(139)	(2,326)	(106)
Loss/(gain) in early retirement, curtailments, settlements	–	870	870	–
Past service cost	395	(115)	280	(387)
Employees' contributions	(3,150)	–	(3,150)	(1,612)
First-time recognition of pension assets	(429)	–	(429)	
Total defined benefit expenses	**7,687**	**2,676**	**10,363**	**12,096**
Total defined contribution expenses			**127**	**–**

Notes

The defined benefit expenses are recognized in the following line items in the Statement of Income

in thousands of CHF	**2007/08**	2006/07
Cost of goods sold	(4,966)	(5,868)
Marketing and sales expenses	(1,070)	(1,023)
General and administration expenses	(4,529)	(5,586)
Research and development expenses	(300)	(194)
Other income	1,613	1,281
Other expenses	(1,111)	(706)
Total defined benefit expenses recognized in the Statement of Income	**(10,363)**	**(12,096)**

Principal actuarial assumptions used (weighted averages)

in %	**2007/08**	2006/07
Discount rate	6.0%	5.6%
Expected rate of salary increase	1.6%	2.4%
Expected return on plan assets	6.2%	6.4%
Medical cost trend rates	5.0%	5.0%

The relevant assumptions as outlined in the above table reflect the situation of the individual plans and the parameters applicable in the respective company or country related to the plans. The assumptions are assessed on a yearly basis and actuarial valuations are prepared accordingly. The overall expected rate of return on plan assets is 6.2% (2006/07: 6.4%). This rate is based on the expected returns on the individual asset categories.

Additional information

in thousands of CHF	**2008**	**2007**
Present value of defined benefit obligations	300,549	323,740
Fair value of plan assets	(167,121)	(182,024)
Funding deficit of the plans	133,428	141,716
Experience adjustment arising from plan liabilities	6,573	5,151
Experience adjustment arising from plan assets	(15,018)	(338)

B. Equity compensation benefits

Stock option plan

The Group operated a stock option plan until fiscal year 2006/07. Under this plan, a specific limited group of executives and some of the members of the Board of Directors were granted options to acquire registered shares of Barry Callebaut AG at a predetermined strike price. The options vested on the basis of 20% per year over five years. Once vested, the options could be exercised over a period of five years.

The number of options granted depended on the performance of the individuals. No expenses related to the stock option plan were recorded in the Statement of Income. The plan has been discontinued after the last portion of 1,000 options at a strike price of CHF 234.50 was exercised during fiscal year 2006/07.

Notes

Employee Stock Ownership Program
Shares are granted to participants according to individual contracts and the current Employee Stock Ownership Program. The Nomination & Compensation Committee determines the number and price of shares granted at its discretion. In the past, the price for the granted shares has been zero. The shares granted are entitled to full shareholders rights upon vesting. In case of resignation or dismissal, the initially granted but not yet vested shares become forfeited. The Group currently uses treasury shares for this program.

The fair value of the shares granted is measured at the market price at grant date. 25,030 shares were granted in fiscal year 2007/08 (13,230 shares in 2006/07). The fair value of the shares at grant date is recognized over the vesting period as a personnel expense. For 2007/08 the amount recognized (before taxes) was CHF 16.9 million with a corresponding increase in equity (2006/07: CHF 8.4 million). The average fair value for the shares granted during the fiscal year 2007/08 amounted to CHF 835.

25. Equity

Share capital

as of August 31,	**2008**	2007	2006
in thousands of CHF			
Share capital is represented by 5,170,000 authorized			
and issued shares of each CHF 62.20 fully paid in			
(in 2007: CHF 73.70; in 2006: CHF 84.20)	**321,574**	381,029	435,314

The issued share capital amounts to CHF 321.6 million (previous year CHF 381.0 million), divided into 5,170,000 registered shares with a nominal value of CHF 62.20 each (CHF 73.70 as of August 31, 2007). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind.

Instead of a dividend, the Annual General Meeting held on November 29, 2007 decided on a share capital reduction and repayment of CHF 11.50 per share resulting in a total share capital reduction of CHF 59.5 million (2006/07: capital reduction and repayment of CHF 10.50 per share resulting in a total share capital reduction of CHF 54.3 million). After the repayment effected in March 2008, the share capital is represented by 5,170,000 authorized and issued shares of CHF 62.20 nominal value each, fully paid in.

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

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The fair value of the treasury shares as of August 31, 2008, amounted to CHF 11.9 million (2007: CHF 17.0 million).

As of August 31, 2008, the number of outstanding shares amounted to 5,153,546 (2007: 5,150,512) and the number of treasury shares to 16,454 (2007: 19,488). During this fiscal year 14,798 shares have been purchased and 17,832 transferred to employees under the Employee Stock Ownership Program (2006/07: 20,540 purchased and 24,770 transferred). In both years, no treasury shares have been sold.

Retained earnings
As of August 31, 2008, retained earnings contain legal reserves of CHF 77.9 million (2007: CHF 92.0 million), which are not distributable to the shareholders pursuant to Swiss law.

Hedging reserves comprise the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred.

Cumulative translation adjustments comprise all foreign currency differences arising from the translation of the financial statements of foreign operations.

Notes

Movements in minority interests

in thousands of CHF	2007/08	2006/07
as of September 1,	3,865	4,237
Minority share of profits/(losses)	880	21
Purchase of minority shares	(35)	–
Sale of minority shares [1]	–	97
Dividends paid to minority shareholders	(343)	(137)
Change in Group structure - disposal [2]	(3,927)	–
Currency translation adjustment	(48)	(353)
as of August 31,	**392**	**3,865**

1 Minority interests in BC Iberica Pastry Manufacturing in 2006/07
2 Related to sale of Chococam SA

26. Acquisitions

In fiscal year 2007/08 the following acquisitions/business combinations took place:

As of December 17, 2007, the Group closed a transaction, in which it acquired 100% of Food Processing International, Inc. (FPI) in the United States. Subsequently the company was merged into Barry Callebaut USA LLC.

As of April 30, 2008, the Group closed a transaction, in which it acquired 60% of KL-Kepong Cocoa Products Sdn Bhd in Kuala Lumpur, Malaysia. Subsequent to the transaction, the company has been renamed to Barry Callebaut Malaysia Sdn Bhd.

These acquisitions including transaction costs of CHF 1.0 million resulted in a cash outflow of CHF 89.2 million for acquisition of subsidiaries, net of cash and bank overdrafts acquired, and in the recognition of a goodwill of CHF 54.8 million.

At the balance sheet date, the seller of the acquired stake in KL-Kepong Cocoa Products Sdn Bhd, KL-Kepong Industrial Holdings Sdn Bhd, had a put option exercisable between the second and the fifth birthday of the closing of the acquisition of KL-Kepong Cocoa Products Sdn Bhd (i.e. April 30, 2008), which, if exercised, would require Barry Callebaut to purchase the remaining 40% of KL-Kepong Cocoa Products Sdn Bhd (renamed to Barry Callebaut Malaysia Sdn Bhd subsequently to the closing of the transaction). The put exercise price is fixed in USD. The agreement also gives Barry Callebaut a call option, exercisable in the identical time frame, to acquire the remaining 40% of the shares at fair value. The call option has a fair value close to zero.

As a result of the put option agreement, the Group has not recorded any minority interests. Instead, a liability on the remaining 40% minority interest in Barry Callebaut Malaysia Sdn Bhd was recognized. The liability was recorded at the redemption value of the put option under other non-current liabilities, discounted to the net present value using best estimate for the anticipated exercise date and assuming the put will be exercised.

The acquisitions in fiscal year 2006/07 included the acquisition of a business from Nestlé on June 29, 2007, comprising a chocolate factory in Dijon (France) and the cocoa liquor and liquid chocolate production assets in San Sisto (Italy). For this purpose the Group founded a new 100% subsidiary named Barry Callebaut Manufacturing Bourgogne SA in Dijon, France, to take over the Dijon activities and acquired 100% of Dolphin Srl., into which Nestlé had previously transferred the business related to the site in San Sisto, Italy. In both sites the business acquired comprises employees, business-related contracts and the production-related assets. Additionally, the Group acquired the German part of the Bensdorp business related to consumer products with contract date as of December 12, 2006.

Notes

Acquisitions

in thousands of CHF	Pre-acquisition carrying amounts 2007/08	Fair value adjustments 2007/08	Recognized values on acquisition 2007/08	Recognized values on acquisition 2006/07
Inventories	50,626	7,247	57,873	10,591
Trade receivables and other assets	16,780	(35)	16,745	–
Derivative financial assets	–	4,139	4,139	–
Property, plant and equipment	57,463	12,328	69,791	43,886
Intangible assets	–	2,296	2,296	165
Financial liabilities	(5,965)	–	(5,965)	–
Other current liabilities and deferred income	(39,517)	(189)	(39,706)	(19,369)
Derivative financial liabilities	–	(11,300)	(11,300)	–
Employee benefit obligations	–	–	–	(4,597)
Deferred tax, net	(2,206)	(3,880)	(6,086)	(9,718)
Other non-current liabilities	(14,721)	–	(14,721)	–
Fair value of assets and liabilities acquired			**73,066**	**20,958**
Goodwill on acquisition			54,776	3,572
Negative goodwill on acquisition			–	(25,444)
Consideration, recognized as non-current liability			(36,820)[2]	–
Consideration, paid in cash[1]			**91,022**	**(914)**
Cash and cash equivalents less bank overdrafts (net) acquired			(1,788)	–
Cash outflow/(inflow) for acquisition of subsidiaries, net of cash and bank overdrafts acquired			**89,234**	**(914)**

1 Includes legal and consultancy fees of CHF 1.0 million
2 Included in the position of other non-current liabilities amounting to CHF 38.9 million

Since the valuation of the assets and liabilities of businesses acquired during 2007/08 is still in progress, the above values are determined provisionally. Values determined provisionally in 2006/07 have not changed.

The goodwill amounting to CHF 54.8 million reflects the value of highly skilled staff, the immediate access to manufacturing resources, supply chain and profound knowledge of the regional market characteristics. The acquisitions allow the Group to leverage on these factors and use related synergies for its strategically targeted regional expansion path.

The negative goodwill recognized in the prior year on the acquired factories from Nestlé is mainly the result of differences between the value, at which property, plant and equipment were acquired and their fair value assessed by the Group and reflecting the business plan underlying the acquisition.

The effect of the acquisitions on the Group's sales were approximately CHF 90 million (2006/07: CHF 35 million) on net sales revenue and CHF 2.5 million on net profit from continuing operations (2006/07: CHF 0.2 million). Had the acquisition occurred on September 1, 2007 (2006 respectively), the Group's net sales revenue would have been approximately CHF 4,940 million (2006/07: CHF 4,250 million) and the net profit from continuing operations approximately CHF 213 million (2006/07: CHF 211 million).

Notes

27. Disposals

in thousands of CHF	2007/08	2006/07
Current assets	46,388	6,398
Property, plant and equipment	18,459	3,234
Intangible assets	223	25
Other non-current assets	2,163	–
Goodwill from acquisitions	–	1,593
Financial liabilities	(4,701)	(1,085)
Employee benefit obligations	(2,390)	(209)
Other liabilities	(23,466)	(7,669)
Net assets disposed of	**36,676**	**2,287**
Costs to sell	2,180	–
Profit/(loss) on current year's disposals	27,345	1,280
Total disposal consideration	**66,201**	**3,567**
Cash and cash equivalents and bank overdrafts (net) disposed of	1,139	1,063
Cash inflow on disposals	**67,340**	**4,630**

As of February 29, 2008, the Group disposed of its consumer products subsidiaries Wurzener Dauerbackwaren GmbH in Germany and Chocodi SA in Côte d'Ivoire.

The Group's consumer business in Cameroon, Chococam SA, including it's subsidiary Chocogab SA in Gabon was sold as of July 31, 2008.

As of February 28, 2007, the Group disposed of its consumer products business in Senegal by selling its subsidiary Chocosen SA.

Notes

28. Discontinued operations and assets held for sale and liabilities related to assets held for sale

The Group has decided to sell its U.S. sugar-candy business Brach's towards the end of the fiscal year 2006/07. On September 14, 2007, the Group signed an agreement for such a sale with Farley's & Sathers Candy Company Inc. The sale included all of the business and all the assets of Brach's and its affiliates, including three factories in Chattanooga (Tennessee, U.S.), Winona (Minnesota, U.S.) and Linares (Mexico). The transaction was closed on November 15, 2007. The figures for fiscal year 2007/08 and 2006/07 respectively, include the result of the operations until closing as well as costs in connection with the discontinuation of the business.

Result and cash flows of the discontinued operations

in thousands of CHF	**2007/08**	2006/07
Revenue from sales and services	**61,952**	**331,433**
Operating expenses	(62,413)	(343,753)[1]
Operating loss before impairment on assets and disposal costs	**(461)**	**(12,320)**
Impairment on assets	–	(46,670)
Pensions, indemnities and transaction costs	(999)	(13,375)
Operating loss (EBIT)	**(1,460)**	**(72,365)**
Financial items	(751)	(4,304)
Loss before income taxes from discontinued operations	**(2,211)**	**(76,669)**
Income taxes	(1,415)	(6,322)[2]
Net loss from discontinued operations	**(3,626)**	**(82,991)**
Earnings per share from discontinued operations		
Basic earnings per share (CHF/share)	(0.71)	(16.10)
Diluted earnings per share (CHF/share)	(0.71)	(16.04)
Cash flows from discontinued operations		
Net cash flow from operating activities	727	4,551
Net cash flow from investing activities	(35)	(2,986)
Net cash flow from financing activities	1,481	(1,863)

1 Includes depreciation and amortization of CHF 12.3 million for fiscal year 2006/07
2 Of which CHF 5.4 million write-off on deferred tax assets (note 19) for fiscal year 2006/07

Assets held for sale and liabilities directly associated with assets held for sale

as of August 31, in thousands of CHF	**2008**	2007
Total current assets	**–**	**102,527**
Property, plant and equipment	–	20,829
Intangible assets	–	47
Other non-current assets	–	14
Total non-current assets	**–**	**20,890**
Total assets held for sale	**–**	**123,417**
Total current liabilities	**–**	**34,408**
Provisions and other non-current liabilities	–	60
Total non-current liabilities	**–**	**60**
Total liabilities associated with assets held for sale	**–**	**34,468**

Notes

29. Financial risk management

The nature of its business exposes the Group to a variety of financial risks including the effects of changes in market prices (commodity prices, foreign currency exchange rates, interest rates) as well as credit risks and liquidity risks.

The Group's overall strategy for managing these risks is consistent with the Group's objectives to maintain cost leadership, reduce earnings volatility in a cost-effective manner and minimize the potential adverse effects of such market exposures on the financial performance of the Group. The Group's risk management continuously monitors the entities' exposures to commodity price risk, interest rate risk and foreign currency risk as well as their use of derivative instruments.

The Group manages its business based on the following two business models:
– *Contract Business:* Sales contracts for industrial, gourmet or consumer chocolate, where Barry Callebaut has entered into contracts with customers to deliver fixed quantities at fixed prices. These contractually fixed prices are generally based on the forward market prices of the raw material components valid at the contract date for the forward delivery date, at which the chocolate is planned to be delivered to the customers.
– *Price List Business:* Barry Callebaut sets price lists for certain gourmet and consumer products. These price lists are normally updated in intervals of six to twelve months. Customers buy products based on the issued price lists without fixed commitments on quantities.

Commodity price risks

The manufacturing of the Group's products requires raw materials such as cocoa beans, sweeteners, dairy and nuts. Therefore the Group is exposed to commodity price risks; in particular, the timing of sales versus the timing of purchases as well as the market price risks of cocoa components and non-cocoa raw materials such as dairy, sweeteners and nuts.

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 inventories and with open commitments. The related accounting treatment is explained in the section Summary of Accounting Policies under the caption "Derivative financial instruments and hedging activities".

The Group Commodity Risk Committee (GCRC) is a committee, where key risk management stakeholders of the Group meet on a regular basis (at least every six weeks) to discuss Group Commodity Risk Management issues. The GCRC monitors the Group's Commodity Risk Management activities and acts as the decision-taking body for the Group in this respect. The Members of the GCRC include the Group's Chief Executive Officer (CEO), the Group's Chief Financial Officer (CFO) – acting as Chairman of the committee – the President of Global Sourcing & Cocoa and the Group's Head of Risk Management (GRM).

The GCRC reports via the GRM to the Group's Audit, Finance, Risk, Quality & Compliance Committee (AFRQCC) and must inform the latter on key Group Commodity Risk issues and on key mitigation decisions taken. The AFRQCC reviews and approves GCRC requests and makes sure that the commodity risk management strategy is consistent with the Group's objectives. The AFRQCC makes recommendations to the Board of Directors if deemed necessary and advises the Board of Directors on important risk matters and/or asks for approval.

In order to quantify and manage the Group's consolidated exposure to commodity price risks, the concept of Value at Risk ("VaR") is applied. The VaR concept serves as the analytical instrument for assessing the Group's commodity price risk incurred under normal market conditions. The VaR indicates the loss which, within a time horizon of 10 days, will not be exceeded at a confidence level of 95%. The VaR is complemented through the calculation of the expected shortfall as well as the use of stress test scenarios. However, liquidity and credit risks are not included in the calculation and the VaR is based on a static portfolio during the time horizon of the analysis. The GCRC breaks down the Group VaR limit into a VaR limit for the Sourcing unit as well as limits in metric tonnes for the other risk reporting units. The Board of Directors is the highest approval authority for all Group Commodity Risk Management matters and approves the GCRC Policy as well as the Group VaR limit.

Notes

The VaR framework of the Group is based on the standard historical value at risk methodology; taking 2,000 of the most recent prices, based on which the day-to-day relative price changes are calculated. This simulation of past market conditions is not predicting the future movement in commodity prices. It is therefore not representing actual losses and only represents an indication of the future commodity price risks. As of August 31, 2008, the Group had a VaR of CHF 14.4 million (2007: CHF 7.8 million). The nominal exposure to commodity price risks is shown under liquidity risks.

Foreign currency risks

The Group operates across the world and consequently is exposed to multiple foreign currency risks, however primarily in EUR, GBP and USD. The Group actively monitors its transactional currency exposures and consequently enters into currency hedges with the aim of preserving the value of assets, commitments and anticipated transactions. The related accounting treatment is explained in the section "Summary of Accounting Policies" under the caption "Derivative financial instruments and hedging activities".

Subsidiaries use internal forward contracts, primarily transacted with the Group's In-house Bank, to hedge the foreign currency exposures of assets and liabilities, certain unrecognized firm commitments and highly probable forecasted purchases and sales.

The Group's In-house Bank hedges the net consolidated currency exposures in accordance with the Group's Treasury Policy, mainly by means of forward currency contracts entered into with high credit quality financial institutions. The Group's Treasury Policy imposes a dual risk control framework of both open position limits and near-time fair valuation of the net currency exposures. Both levels of control are substantially interlinked, avoiding excessive net currency exposures and substantial volatility in the Consolidated Statement of Income.

The Group's Treasury department is supervised by the Group Treasury Committee, which meets on at least a monthly basis to discuss Group Treasury risk management issues. The Group Treasury Committee monitors the Group's foreign currency risk position and acts as a decision-taking body for the Group in this respect. The Group Treasury Committee consists of the Group's CFO, the Group's Head of Risk Management, the Group's Head of Treasury and other stakeholders of Group Finance.

The Group's Treasury Policy giving guidance on treasury risk management including foreign currency and interest rate risks is approved and annually reviewed by the AFRQCC. The Group's Risk Management department reviews the consistency of the Group's treasury management strategy with the Group's Treasury Policy and reports the status to the Group's CFO periodically. The AFRQCC is informed by the CFO about the status and important matters in their quarterly meetings and approves requests of the Group's Treasury Committee on important treasury risk matters including foreign currency risks for recommendation to the Board of Directors. The Board of Directors is the highest approval authority for all Group Treasury Risk Management matters.

The table below provides an overview of the net exposure of EUR, GBP and USD against each functional currency in the Group. According to the Group's Treasury Policy, foreign exchange exposures are hedged as from identification on an intra-day basis in line with the approved exposure limits. In case of deviation from the agreed FX exposure limits, approval has to be sought from the Group's Treasury Committee. Companies with the same functional currency are shown in one group.

Notes

Net foreign currency exposures

as of August 31,			**2008**			2007
Net exposure in thousands of	EUR	GBP	USD	EUR	GBP	USD
Functional currency						
EUR		406	442		(1,961)	(41)
CHF	(1,184)	(353)	(151)	(2,616)	4	(95)
CAD			(7,403)	(27)		(1,558)
USD	(677)	(10)		(62)		
BRL			8,176			(3,316)
SGD			(3,923)			(5,722)
CNY	(912)		(19,023)			
Total	**(2,773)**	**43**	**(21,882)**	**(2,705)**	**(1,957)**	**(10,732)**

Sensitivity analysis on currency risks

The following table shows the impact of a strengthening or weakening of GBP, USD or EUR against all other currencies on the Group's Consolidated Statement of Income, net of tax. This sensitivity analysis indicates the potential impact on the Consolidated Statement of Income based upon the foreign currency exposures recorded at August 31 (see table "Net foreign currency exposures"). The effect of the sensitivity analysis per major transaction currency (GBP, USD or EUR) is calculated first against each functional currency and then converted into the consolidation currency (CHF) at closing rates. Consequently, it does not represent actual or future gains or losses, as the respective risks are strictly managed by the dual control framework as described above. As of August 31, the Group did not apply cash flow hedging for foreign currency exposures. The sensitivity analysis is based on the highest daily volatility per currency pair recorded in the course of the respective financial year.

as of August 31,			**2008**			2007
in thousands of CHF	% change	Statement of Income impact: strengthening	Statement of Income impact: weakening	% change	Statement of Income impact: strengthening	Statement of Income impact: weakening
GBP	± 11%	15	(1)	± 5%	(185)	167
USD	± 11%	(2,045)	2,056	± 5%	(479)	479
EUR	± 6%	(195)	195	± 5%	(166)	166

Interest rate risks

The Group is exposed to changes in interest rates through its short- and long-term debt obligations mainly located in and centralized at the Group's In-house Bank. The Group's In-house Bank provides the necessary liquidity in the required functional currency towards all companies of the Group. Consequently, the Group's debt obligations are adjusted with the real currency mix of the Group's liabilities in order to reflect the correct exposure to interest rates.

The Group's policy is to manage its interest cost using an optimal mix of fixed and variable rate debt. This optimal mix is primarily determined by the level of the Group's interest cover ratio and is achieved by entering into interest rate derivative instruments, in which it exchanges fixed and variable interest rates. From a risk-mitigating point of view, a low interest cover ratio requires a substantially higher level of fixed debt, whereas a high interest cover ratio allows a higher level of floating debt.

As described in the caption "Foreign currency risks", the Group's Treasury Committee, which meets on a monthly basis, monitors the Group's interest risk positions and acts as a decision-taking body for the Group in this respect.

Notes

The Group's Treasury Policy also covers the management of interest rate risks. As for foreign currency risks, the Group's Risk Management department supervises the compliance of the treasury interest rate risk management strategy with the Group's Treasury Policy and reports the status periodically to the Group's CFO, who informs the AFRQCC in their quarterly meetings. The AFRQCC approves requests from the Group Treasury Committee on important treasury matters including interest rate risks and provides recommendations thereon to the Board of Directors, which is the highest approval authority for all Group treasury matters.

The following schedule provides an overview of all interest-bearing items per year-end closing.

as of August 31,	**2008**	2007
in thousands of CHF		
Fixed interest bearing items		
Carrying amount of financial assets	–	–
Carrying amount of financial liabilities	557,062	567,222
Reclassification due to interest rate derivatives	214,570	324,020
Net fixed interest position	**771,632**	**891,242**
Floating interest bearing items		
Carrying amount of financial assets	(38,045)	(44,883)
Carrying amount of financial liabilities	522,214	407,841
Reclassification due to interest rate derivatives	(214,570)	(324,020)
Net floating interest position	**269,599**	**38,938**

Sensitivity analysis on interest rate risks

The following table shows the impact of a parallel shift of interest rates by 100 basis points (bp) up/down on the Group's equity and Consolidated Statement of Income, net of tax. The calculation is performed on both the portion of the outstanding debt (excluding the asset-backed securitization program; see note 7 and 10) at floating interest rates and the outstanding derivatives exchanging floating into fixed interest rates at the respective year end. This sensitivity analysis only indicates the potential impact for the respective financial year at the prevailing conditions in the financial markets. Consequently, it does not represent actual or future gains or losses being strictly managed and controlled as clearly indicated in the Group's Treasury Policy. The sensitivity analysis is based on the last years' interest rate volatility of the Group's main borrowing currencies.

as of August 31,				**2008**				2007
Impact on in thousands of CHF	Statement of Income		Equity		Statement of Income		Equity	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Floating rate bearing items	(3,651)	3,651	–	–	(2,764)	2,764	–	–
Interest rate swaps	513	(535)	4,628	(4,833)	3,937	(4,155)	2,250	(2,343)
Total interest rate sensitivity	**(3,138)**	**3,116**	**4,628**	**(4,833)**	**1,173**	**(1,391)**	**2,250**	**(2,343)**

Credit risk and concentration of credit risk

Credit risk, i.e. the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. As of August 31, 2008, the largest customer represents 4% (2007: 7%) whereas the 10 biggest customers represent 11% (2007: 17%) of trade receivables. Due to the diverse geographic base and the large customer base, the Group has no material credit risk concentration.

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 773.2 million as of August 31, 2008 (2007: CHF 576.3 million). The credit insurance policy relates to a selected number of customers with important outstanding amounts.

Notes

Liquidity risk

Liquidity risk arises through a surplus of financial obligations over available financial assets due at any point in time. The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity coordinated by the In-house Bank. For extraordinary financing needs, adequate credit lines with financial institutes have been arranged (see note 23).

Contractual maturities

The table below provides an overview over contractual maturities for financial liabilities and derivatives.

as of August 31, 2008	In the first year	In the second to the fifth year	After five years	**Contractual amount**
in thousands of CHF				
Non-derivative financial liabilities				
Bank overdrafts	(59,736)			**(59,736)**
Short-term debt	(397,648)			**(397,648)**
Trade payables	(465,846)			**(465,846)**
Long-term debt	(35,938)	(195,379)	(701,344)	**(932,661)**
Other liabilities	(104,741)			**(104,741)**
Derivatives				
Interest rate derivatives	689	(2,168)		**(1,479)**
Currency derivatives				
Inflow	5,682,823	106,195		**5,789,018**
Outflow	(5,705,746)	(109,689)		**(5,815,435)**
Commodity derivatives				
Inflow	1,560,922	76,689		**1,637,611**
Outflow	(1,788,796)	(553,269)		**(2,342,065)**
Total net	**(1,314,017)**	**(677,621)**	**(701,344)**	**(2,692,982)**

as of August 31, 2007	In the first year	In the second to the fifth year	After five years	Contractual amount
in thousands of CHF				
Non-derivative financial liabilities				
Bank overdrafts	(60,874)			**(60,874)**
Short-term debt	(349,662)			**(349,662)**
Trade payables	(384,708)			**(384,708)**
Long-term debt	(34,440)	(137,760)	(746,200)	**(918,400)**
Other liabilities	(172,438)			**(172,438)**
Derivatives				
Interest rate derivatives	6,358	9,321		**15,679**
Currency derivatives				
Inflow	1,752,189	119,163		**1,871,352**
Outflow	(1,746,601)	(118,622)		**(1,865,223)**
Commodity derivatives				
Inflow	1,228,599			**1,228,599**
Outflow	(1,425,516)	(475,788)		**(1,901,304)**
Total net	**(1,187,093)**	**(603,686)**	**(746,200)**	**(2,536,979)**

Notes

Fair value of financial instruments

Carrying amount and fair value for each class of financial asset and liability is presented in the table below.

as of August 31, 2008	Loans and receivables	Fair value through profit and loss – trading[1]	Financial liabilities at amortized costs	Available for sale	Derivatives used in hedging	Total carrying amount	Fair value
in thousands of CHF							
Cash equivalents	35,172					35,172	35,172
Short-term deposits	947					947	947
Trade receivables	331,336					331,336	331,336
Derivative financial assets		301,621			19,399	321,020	321,020
Financial assets				209		209	209
Other assets	48,676				36,032	84,708	84,708
Total assets	**416,131**	**301,621**	**–**	**209**	**55,431**	**773,392**	**773,392**
Bank overdrafts			59,736			59,736	59,736
Short-term debt			397,648			397,648	397,648
Trade payables			465,846			465,846	465,846
Derivative financial liabilities		247,745			51,565	299,310	299,310
Long-term debt			621,892			621,892	564,601
Other liabilities			104,741		152,904	257,645	257,645
Total liabilities	**–**	**247,745**	**1,649,863**	**–**	**204,469**	**2,102,077**	**2,044,786**

1 The category "fair value through profit and loss – trading" mainly includes derivatives held in subsidiaries with the broker/trader status and does not mean that they are held for trading.

as of August 31, 2007	Loans and receivables	Fair value through profit and loss – trading[1]	Financial liabilities at amortized costs	Available for sale	Derivatives used in hedging	Total carrying amount	Fair value
in thousands of CHF							
Cash equivalents	35,714					35,714	35,714
Short-term deposits	5,424					5,424	5,424
Trade receivables	297,469					297,469	297,469
Derivative financial assets		76,670			91,714	168,384	168,384
Financial assets				7,266		7,266	7,266
Other assets	32,390				36,973	69,363	69,363
Total assets	**370,997**	**76,670**	**–**	**7,266**	**128,687**	**583,620**	**583,620**
Bank overdrafts			60,874			60,874	60,874
Short-term debt			349,662			349,662	349,662
Trade payables			384,708			384,708	384,708
Derivative financial liabilities		16,311			57,948	74,259	74,259
Long-term debt			564,527			564,527	551,536
Other liabilities			172,438		83,232	255,670	255,670
Total liabilities	**–**	**16,311**	**1,532,209**	**–**	**141,180**	**1,689,700**	**1,676,709**

1 The category "fair value through profit and loss – trading" mainly includes derivatives held in subsidiaries with the broker/trader status and does not mean that they are held for trading.

Capital management

It is the Group's policy to maintain a sound capital base to support the continued development of the business. The Board of Directors seeks to maintain a prudent balance between debt and equity. In compliance with bank covenants, the minimal target solvency ratio (equity in % of total assets, adjusted for derivative financial instruments on a netted basis) is set at 20%.

Notes

The target payout ratio to shareholders currently amounts to approximately 30% of the net profit for the year in the form of a share capital reduction and repayment or dividend. The target ratio and the form of the payout recommended by the Board is reviewed on an annual basis and is subject to the decision of the Annual General Meeting of Shareholders.

The Group's subsidiaries have complied with local statutory capital requirements as appropriate.

30. Related parties

In accordance with Art. 20 of the SIX Swiss Exchange regulations, Barry Callebaut AG discloses the following shareholders holding a participation of more than 3% of the issued share capital of the Company:

as of August 31,	2008	2007
Jacobs Holding AG, Zurich, Switzerland	50.50%	50.50%
Renata Jacobs	8.43%	8.43%
Nicolas and Philippe Jacobs[1]	6.14%	N/A
Nathalie Jacobs	3.07%	N/A

1 Form a group of shareholders according to SIX Swiss Exchange regulations as published in the Swiss Official Gazette of Commerce of February 4, 2008

Significant transactions and balances between the Group and related parties are as follows:

in thousands of CHF	Nature of cost/revenue	2007/08	2006/07
Sales to related parties		**14,881**	**36,796**
Jacquot SA[1]	Revenue from sales and services	14,609	35,302
DKSH Group[2]	Revenue from sales and services	–	1,365
Pastelería Totel, S.L.	Revenue from sales and services	272	129
Purchases from related parties		**(4,560)**	**–**
African Organic Produce AG	Cost of goods sold	(4,560)	–
Operating expenses charged by related parties		**9,050**	**7,116**
Jacobs Holding AG	Management services	1,656	1,820
Adecco Group	Human resources services	6,896	5,035
Pastelería Totel, S.L.	Management services	363	108
Biolands International Ltd.	Management services	60	–
Other		75	153
Accounts receivable related parties		**35**	**6,254**
Jacquot SA[1]		–	6,166
Pastelería Totel, S.L.		35	–
DKSH Group[2]		–	88
Accounts payable related parties		**1,982**	**1,722**
Jacobs Holding AG		295	283
Adecco Group		1,613	1,404
Pastelería Totel, S.L.		14	35
Biolands International Ltd.		60	–

1 Company ceased to be a related party during fiscal year 2007/08
2 Company ceased to be a related party during fiscal year 2006/07

Transactions with related parties were carried out on commercial terms and conditions at market prices. All receivables from related parties are non-interest bearing and their collection is expected within the next twelve months.

Notes

Compensation of key management personnel

The key management personnel are defined as the Board of Directors and the Senior Management Team. Key management compensation consists of the following:

in million of CHF	**2007/08**	2006/07
Short-term employee benefits	7.3	7.6
Post-employment benefits	0.6	0.8
Share-based payments	12.0	4.8

Further details related to the requirements of the Swiss transparency law (Art. 663b^{bis} and 663c Swiss Code of Obligations) are disclosed in note 6 in the Financial Statements of Barry Callebaut AG on pages 111–112.

31. Commitments and contingencies

Commitments

Capital commitments

as of August 31, in thousands of CHF	**2008**	2007
Property, plant and equipment	2,065	26,703
Intangible assets	785	–
Total capital commitments	**2,850**	**26,703**

Operating lease commitments

Operating lease commitments represent rentals payable by the Group for certain vehicles, equipment, buildings and offices. Equipment and vehicle leases were negotiated for an average term of three years.

The future aggregate minimum lease payments under non-cancellable operating leases are due as follows:

as of August 31, in thousands of CHF	**2008**	2007
No later than 1 year	13,643	13,923
Later than 1 year and no later than 5 years	40,499	34,184
Later than 5 years	41,071	33,300
Total future operating lease commitments	**95,213**	**81,407**

in thousands of CHF	**2007/08**	2006/07
Lease expenditure charged to the Statement of Income	13,491	13,485

Contingencies

Group companies are involved in various legal actions and claims as they arise in the ordinary course of the business. 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.

Notes

32. Group companies

The principal subsidiaries of Barry Callebaut as of August 31, 2008, are the following:

Country	Subsidiary	Ownership in %	Currency	Capital
Switzerland	Barry Callebaut Sourcing AG	100	CHF	2,000,000
	Barry Callebaut Schweiz AG	100	CHF	4,600,000
	Chocolat Alprose SA	100	CHF	7,000,000
Belgium	Barry Callebaut Services N.V.	100	EUR	463,710,000
	Barry Callebaut Belgium N.V.	100	EUR	62,700,000
	Pierre Iserentant SA	100	EUR	260,908
Brazil	Barry Callebaut Brasil SA	100	BRL	26,114,993
Cameroon	Société Industrielle Camerounaise des Cacaos SA	99.95	CFA	1,147,500,000
	SEC Cacaos SA	100	CFA	10,000,000
Canada	Barry Callebaut Canada Inc.	100	CAD	2,000,000
China	Barry Callebaut Suzhou Chocolate Ltd	100	USD	27,000,000
	Barry Callebaut Suzhou Chocolate R&D Center	100	USD	600,000
Côte d'Ivoire	Société Africaine de Cacao SACO SA	100	CFA	8,570,470,000
	Barry Callebaut Négoce SA	100	CFA	3,700,000,000
Denmark	Barry Callebaut Danmark APS	100	DKK	125,000
Ecuador	Barry Callebaut Ecuador SA	100	USD	50,000
France	Barry Callebaut Manufacturing France SAS	100	EUR	6,637,540
	Barry Callebaut France SAS	100	EUR	50,000,000
	Barry Callebaut Manufacturing Bourgogne SAS	100	EUR	2,000,000
Germany	Barry Callebaut Deutschland GmbH	100	EUR	51,129
	Van Houten GmbH & Co KG	100	EUR	15,338,756
	C.J. van Houten & Zoon Holding GmbH	100	EUR	72,092,155
	Van Houten Beteiligungs AG & Co KG	100	EUR	100,000,000
	Stollwerck GmbH	100	EUR	20,500,000
	Stollwerck Schokoladenvertriebs GmbH	100	EUR	7,184,000
	Van Houten Beteiligungs GmbH	100	EUR	25,000
	Schloss Marbach GmbH	100	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd.	100	USD	9,204,219
Great Britain	Barry Callebaut Manufacturing (UK) Ltd.	100	GBP	15,467,852
	Barry Callebaut UK Ltd.	100	GBP	3,200,000
Hong Kong	Van Houten (Asia Pacific) Ltd.	100	HKD	2
India	Barry Callebaut India	100	INR	10,000,000
Italy	Barry Callebaut Italia S.p.A.	100	EUR	104,000
	Barry Callebaut Manufacturing Italy Srl.	100	EUR	2,646,841
	Dolphin Srl.	100	EUR	110,000
Japan	Barry Callebaut Japan Ltd.	100	JPY	10,000,000
Malaysia	Barry Callebaut Malaysia Sdn Bhd	60	MYR	36,000,000
	Selbourne Food Services Sdn Bhd	60	MYR	2,000,000
Mexico	Barry Callebaut Mexico Distributors SA de CV	100	MXN	117,196,530
	Barry Callebaut Servicios SA de CV	100	MXN	50,000
	Barry Callebaut Mexico, S. de RL de CV	100	MXN	3,000
Poland	Barry Callebaut Manufacturing Polska Sp. z o.o.	100	PLN	10,000,000
	Barry Callebaut Polska Sp. z o.o.	100	PLN	50,000
Russia	Barry Callebaut Netherlands Russia LLC	100	RUB	1,000,000
	Gor Trade LLC	100	RUB	685,000,000

Notes

Country	Subsidiary	Ownership in %	Currency	Capital
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd.	100	SGD	63,000,000
	Van Houten (Singapore) Pte. Ltd.	100	SGD	500,000
Spain	Barry Callebaut Ibérica SL	100	EUR	25,000
	Barry Callebaut Pastry Manufacturing Ibérica SL	80	EUR	300,000
Sweden	Barry Callebaut Sweden AB	100	SEK	100,000
The Netherlands	Barry Callebaut Nederland B.V.	100	EUR	21,435,000
	Luijckx B.V.	100	EUR	18,242
	Hoogenboom Benelux BV	100	EUR	18,152
	Dings Décor B.V.	70	EUR	22,689
Turkey	Barry Callebaut Eurasia Gida Sanayi VE Ticaret Ltd. Sti	100	TRL	40,000
USA	Barry Callebaut Cocoa USA Inc.	100	USD	7,663
	Brach's Confections Holding, Inc.	100	USD	100,001,000
	Barry Callebaut USA LLC	100	USD	100,190,211

The following companies are dormant and for this reason are not displayed as principal subsidiaries:
Van Houten Service AG, Barry Callebaut Holding (UK) Ltd., Adis Holding Inc., Barry Callebaut USA Holding, Inc., Omnigest SAS, Alliance Cacao SA

33. Subsequent events

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 4, 2008, and are subject to approval by the Annual General Meeting of Shareholders on December 4, 2008.

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Report of the Group Auditors to the General Meeting of

Barry Callebaut AG, Zurich

As Group Auditors, we have audited the Consolidated Financial Statements (Statement of Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and Notes on pages 52 to 104) of Barry Callebaut AG for the year ended August 31, 2008.

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 Swiss Auditing Standards 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 of 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 the International Financial Reporting Standards (IFRS) and comply with Swiss law.

We recommend that the Consolidated Financial Statements submitted to you be approved.

KPMG AG

Roger Neininger
Auditor in Charge

Marc Ziegler

Zurich, November 4, 2008

5-Year Overview

Key Figures Barry Callebaut Group		CAGR (%)[15]	2007/08	2006/07	2005/06[16]	2004/05[17]	2003/04
Income Statement							
Sales volumes	Tonnes	3.6%	1,166,007	1,059,200	976,661	1,052,467	1,011,358
Sales revenue	CHF m	4.4%	4,815.4	4,106.8	3,713.2	4,061.1	4,048.9
EBITDA[1]	CHF m	5.0%	443.7	427.1	392.5	372.2	364.8
Operating profit (EBIT)	CHF m	10.6%	341.1	324.0	295.0	258.3	228.3
Net profit from continuing operations[2]	CHF m	15.7%	209.1	207.0	189.7	155.3	116.3
Net profit for the year	CHF m	15.3%	205.5	124.1	183,5	155.3	116.3
Cash flow[3]	CHF m	14.6%	434.3	406.8	347.9	312.6	252.2
EBIT/sales revenue	%	5.9%	7.1%	7.9%	7.9%	6.4%	5.6%
EBIT per tonne	CHF	6.7%	292.5	305.9	302.0	245.5	225.7
Balance Sheet							
Total assets	CHF m	7.8%	3,729.5	3,186.7	2,811.8	2,734.1	2,760.5
Net working capital[4]	CHF m	3.2%	1,037.1	883.9	920.9	830.8	914.1
Non-current assets	CHF m	6.7%	1,423.7	1,211.3	1,184.9	1,168.2	1,099.9
Net debt	CHF m	2.5%	1,041.2	930.2	906.9	953.5	943.0
Shareholders' equity[5]	CHF m	10.1%	1,175.9	1,059.1	999.2	833.4	800.9
Capital expenditure[6]	CHF m	29.1%	249.9	153.1	114.7	102.2	90.0
Ratios							
Economic Value Added (EVA)	CHF m	23.8%	126.3	122.9	105.4	87.3	53.8
Return on invested capital (ROIC)[7]	%	6.2%	14.0%	14.3%	13.7%	12.9%	11.0%
Return on equity (ROE)	%	5.2%	17.7%	19.5%	19.0%	18.7%	14.4%
Debt to equity ratio	%	(6.9%)	88.5%	87.8%	90.8%	114.4%	117.7%
Solvency ratio[8]	%	2.1%	31.5%	33.2%	35.5%	30.5%	29.0%
Interest coverage ratio[9]		4.9%	4.8	5.1	5.3	4.5	3.9
Net debt/EBITDA		(2.4%)	2.3	2.2	2.3	2.6	2.6
CAPEX/sales revenue	%	23.6%	5.2%	3.7%	3.1%	2.5%	2.2%
Shares							
Share price at fiscal year end	CHF	32.5%	724	873	548	370	235
EBIT per share (issued)	CHF	10.6%	66.0	62.7	57.1	50.0	44.2
Basic earnings per share[10]	CHF	15.9%	40.4	40.2	36.7	30.3	22.4
Cash earnings per share[11]	CHF	6.1%	83.9	78.6	66.9	60.8	66.3
Payout per share[12]	CHF	10.2%	11.5	11.5	10.5	8.0	7.8
Payout ratio	%	(5.1%)	28%	29%	29%	27%	35%
Price-earnings ratio at year end[13]		14.3%	17.9	21.7	14.9	12.2	10.5
Market capitalization at year end	CHF m	32.5%	3,743.1	4,510.8	2,833.2	1,912.9	1,215.0
Number of shares issued		0.0%	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total capital repayment/dividend paid[14]	CHF m	13.2%	59.5	54.3	41.4	40.3	36.1
Other							
Employees		(5.0%)	7,281	7,592	7,028	8,542	8,933
Beans processed	Tonnes	4.6%	471,149	442,378	435,825	416,659	393,500
Chocolate & compound production	Tonnes	9.0%	947,387	885,372	838,940	788,582	669,930

1 EBIT + depreciation of property, plant and equipment + amortization of intangible assets
2 Net profit from continuing operations (before minorities)
3 Operating cash flow before working capital changes
4 Includes current assets and liabilities related to continuing commercial activities and current provisions
5 Total equity attributable to the shareholders of the parent company
6 Capital expenditure for property, plant and equipment and intangible assets (excl. acquisitions)
7 EBIT x (1-effective tax rate)/average capital employed
8 Total equity attributable to the shareholders of the parent company/total assets
9 EBITDA/net financial expense
10 Based on the net profit for the period attributable to the shareholders of the parent company excluding the net loss from discontinued operations/basic shares outstanding
11 Operating cash flow before working capital changes/basic shares outstanding
12 Par value reduction instead of a dividend; 2007/08 as proposed by the Board of Directors to the Annual General Meeting
13 Share price at year end/basic earnings per share
14 Capital reduction and repayment as from FY 2004/05. In prior years, dividend payment, net of dividends on treasury shares. Amount shown in fiscal year when payment occurs.
15 Compound annual growth rate
16 Certain comparatives have been restated or reclassified to conform to the current period's presentation
17 Key figures for 2004/05 haven been calculated on a pro forma basis excluding the impact of restructuring charges amounting to CHF 94 million

Contents

Statement of Income

for the fiscal year ended August 31,	2008	2007
in CHF		
Income		
Dividend income	409,762,430	109,230,000
Financial income	53,356,260	61,369,389
Gain on sale of participations	–	1,510,214
License income	39,819,048	39,014,345
Management fees	23,816,909	15,601,956
Other income	6,086,761	2,353,146
Total income	**532,841,408**	**229,079,050**
Expenses		
Personnel expenses	(34,326,106)	(40,478,913)
Financial expenses	(40,606,244)	(35,138,761)
Depreciation of fixed assets	(674,667)	(675,363)
Amortization of intangible assets	(12,294,897)	(38,087,166)
License expenses	(2,254,416)	(1,838,794)
Unrealized loss on treasury shares	(1,753,151)	–
Other expenses	(28,727,475)	(16,596,891)
Total expenses	**(120,636,956)**	**(132,815,888)**
Profit before taxes	**412,204,452**	**96,263,162**
Income taxes	(881,288)	(938,885)
Net profit	**411,323,164**	**95,324,277**

Retained earnings

for the fiscal year ended August 31,	2008	2007
in CHF		
Balance, beginning of fiscal year	427,462,105	339,372,871
(Increase) decrease of reserve for treasury shares	3,092,450	(7,310,885)
Capital reduction on treasury shares	24,885	75,842
Net profit	411,323,164	95,324,277
Balance, end of fiscal year	**841,902,604**	**427,462,105**

Balance Sheet

Assets

as of August 31, in CHF	2008	2007
Current assets		
Cash and cash equivalents	56,655	31,375
Treasury shares	11,850,148	16,695,748
Accounts receivable from Group companies	27,719,549	29,903,999
Short-term loans granted to Group companies	3,864,975	141,214,147
Other current assets	2,598,202	2,926,678
Total current assets	**46,089,529**	**190,771,947**
Non-current assets		
Property, plant and equipment	2,087,121	2,340,094
Financial assets		
Investments	1,596,349,978	975,465,754
Intangible assets		
Trademarks	16,894,823	25,196,059
Patents/Product development costs	1,004,925	747,973
Other	759,962	1,070,262
Total non-current assets	**1,617,096,809**	**1,004,820,142**
Total assets	**1,663,186,338**	**1,195,592,089**

Liabilities and shareholders' equity

as of August 31, in CHF	2008	2007
Current liabilities		
Bank overdrafts	1,535,051	359,039
Accounts payable to third parties	1,813,316	1,676,179
Accounts payable to Group companies	7,965,424	3,900,443
Accounts payable to shareholders	294,636	282,880
Short-term loans from Group companies	298,936,114	188,291,142
Accrued liabilities	16,928,474	18,116,288
Accrued taxes	1,614,027	759,871
Total liabilities	**329,087,042**	**213,385,842**
Shareholders' equity		
Share capital[1]	321,574,000	381,029,000
Legal reserves	157,019,393	157,019,393
Reserve for treasury shares	13,603,299	16,695,749
Retained earnings	841,902,604	427,462,105
Total shareholders' equity	**1,334,099,296**	**982,206,247**
Total liabilities and shareholders' equity	**1,663,186,338**	**1,195,592,089**

1 The share capital as of August 31, 2008, consists of 5,170,000 fully paid-in shares at a nominal value of CHF 62.20 (August 31, 2007: CHF 73.70)

Notes to the Financial Statements

1. Liens, guarantees and pledges in favor of third parties:

The Company is a co-debtor for bank loans of max. EUR 850 million (CHF 1,374 million; 2006/07: CHF 1,394 million) obtained by Barry Callebaut Services N.V., Belgium, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 841.9 million less 35% withholding tax). Furthermore, the Company is also a co-debtor for the Senior Notes of EUR 350 million (CHF 566 million; 2006/07: CHF 574 million) issued by Barry Callebaut Services N.V., Belgium. Additionally, the Company issued several corporate guarantees for various credit facilities granted to direct and indirect subsidiaries for an amount of up to CHF 669 million (2006/07: CHF 506 million).

As of September 1, 2003, the Swiss Barry Callebaut entities form a VAT subgroup and, hence, every company participating in the subgroup is liable for VAT debt of other subgroup participants.

2. Fire insurance value of property, plant and equipment

as of August 31,	**2008**	2007
in CHF		
Fire insurance value of property, plant and equipment	5,200,000	4,500,000

3. Investments

Name and domicile	Share capital		Purpose	Percentage of investment	
as of August 31,				**2008**	2007
ADIS Holding Inc., Panama	CHF	41,624,342	Dormant	100%	100%
Barry Callebaut Belgium N.V., Belgium	EUR	62,700,000	Sales & Production	100%	0%
Barry Callebaut Nederland B.V., The Netherlands	EUR	21,435,000	Holding	100%	100%
Barry Callebaut Nigeria Ltd, Nigeria	NGN	10,000,000	Sales	1%	1%
Barry Callebaut Schweiz AG, Switzerland	CHF	4,600,000	Sales & Production	100%	100%
Barry Callebaut Services N.V., Belgium	EUR	463,710,000	Group Treasury	100%	100%
Barry Callebaut Sourcing AG, Switzerland	CHF	2,000,000	Sourcing	100%	100%
Chocolat Alprose SA, Switzerland	CHF	7,000,000	Sales & Production	100%	100%
C.J. van Houten & Zoon Holding GmbH, Germany	EUR	72,092,155	Holding	100%	100%
Luijckx B.V., The Netherlands	EUR	18,242	Sales & Production	100%	0%
Van Houten Service AG, Switzerland	CHF	100,000	Dormant	100%	100%

Investments are stated at cost less any provision for impairment.

4. Treasury shares

The Company holds 16,454 treasury shares as of August 31, 2008 (2007: 19,488). In 2007/08, the Company bought 14,798 shares at an average price of CHF 819.21 per share (2005/06: 20,540 shares at an average price of CHF 885.31) and transferred 17,832 shares at an average price of CHF 853.25 per share (2006/07: 24,770 shares transferred at an average price of CHF 438.97). As of August 31, 2008, the treasury shares have been valued at average costs of CHF 720.20 per share (2006/07: average price of CHF 856.72 per share).

5. Significant shareholders

as of August 31,	**2008**	2007
Jacobs Holding AG, Zurich, Switzerland	50.50%	50.50%
Renata Jacobs	8.43%	8.43%
Nicolas and Philippe Jacobs[1]	6.14%	N/A
Nathalie Jacobs	3.07%	N/A

1 Form a group of shareholders according to SIX Swiss Exchange regulations as published in the Swiss Official Gazette of Commerce of February 4, 2008

6. Disclosures according to Art. 663b^{bis} and 663c Code of Obligations

Remuneration of key management[1] for the fiscal year 2007/08

in thousands of CHF **Board of Directors (BoD)**	Compensation fix	Compensation variable	Other compensation[2]	Number of shares[3]	Value of shares[4]	**Total remuneration**
Andreas Jacobs Chairman/Delegate	300.0	–	1.4	400	365.6	**667.0**
Andreas Schmid Vice Chairman Member of the AFRQCC[5]	416.7	–	182.9	750	273.2	**872.8**
Rolando Benedick Chairman of the NCC[6]	115.0	–	11.5	200	182.8	**309.3**
Markus Fiechter[7] Member of the AFRQCC	–	–	–	–	–	**–**
Stefan Pfander Member of the NCC	100.0	–	10.0	200	182.8	**292.8**
Urs Widmer Chairman of the AFRQCC	115.0	–	11.5	200	182.8	**309.3**
Total remuneration Board of Directors	**1,046.7**	**–**	**217.3**	**1,750**	**1,187.2**	**2,451.2**
Remuneration Senior Management Team (SMT)[8]	**2,731.7**	**2,598.2**	**1,263.7**	**10,850**	**9,414.9**	**16,008.5**
Total remuneration of key management	**3,778.4**	**2,598.2**	**1,481.0**	**12,600**	**10,602.1**	**18,459.7**
Highest individual remuneration within SMT: **Patrick De Maeseneire** CEO Barry Callebaut Group	1,000.0	915.3	211.1	3,750	3,000.0	5,126.4

There were no termination payments nor payments to former members of the Board of Directors or Senior Management Team during the fiscal year under review.

As of August 31, 2008, no loans or credits to members of the Board of Directors or Senior Management Team or parties closely related to them are outstanding.

Holdings of shares and options[9]

	Number of Shares
Board of Directors	
Andreas Jacobs (Chairman)[10]	1,200
Andreas Schmid (Vice Chairman)	11,400
Rolando Benedick	1,920
Markus Fiechter	–
Stefan Pfander	400
Urs Widmer	600
Senior Management Team	
Patrick De Maeseneire, CEO Barry Callebaut Group[11]	3,750
Victor Balli, CFO Barry Callebaut Group	210
Onno Bleeker, President Western Europe	–
Massimo Garavaglia, President Americas	1,500
Steven Retzlaff, President Global Sourcing & Cocoa	–

1 Key management is defined as Board of Directors (BoD) and Senior Management Team (SMT)
2 Including social security and pension contributions, as well as other benefits
3 Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service and/or performance conditions
4 Value defined as closing share price at grant date, which might be historical rates before the fiscal year under review
5 Audit, Finance, Risk, Quality & Compliance Committee
6 Nomination & Compensation Committee
7 No compensation paid. Services rendered by Markus Fiechter as a member of the BoD are covered by the service fee charged by Jacobs Holding AG (see note 30 in the Consolidated Financial Statements of Barry Callebaut Group)
8 Including those members of SMT who have left the company during the fiscal year under review
9 Including shares of related parties to the individual BoD/SMT
10 Excluding the 50.5% participation held by Jacobs Holding AG
11 As of August 31, 2008, Patrick De Maeseneire held 5,674 put options issued by Patrick De Maeseneire, i.e. eight different instruments with strike prices from CHF 780 to CHF 950 and expiry dates from September 10, 2008, to January 15, 2010; outstanding were 5,864 call options, i.e. nine different instruments with strike prices from CHF 814 to CHF 1,020 and expiry dates from September 10, 2008, to January 15, 2010

7. Subsequent events

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

Appropriation of available earnings

The Board of Directors proposed to carry forward the balance of retained earnings of CHF 841,902,604.

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Report of the Statutory Auditors to the General Meeting of

Barry Callebaut AG, Zurich

As Statutory Auditors, we have audited the accounting records and the Financial Statements (Statement of Income, Balance Sheet and Notes on pages 108 to 112) of Barry Callebaut AG for the year ended August 31, 2008.

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 Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the Financial Statements are free of 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.

KPMG AG

Roger Neininger
Auditor in Charge

Marc Ziegler

Zurich, November 4, 2008

Contents

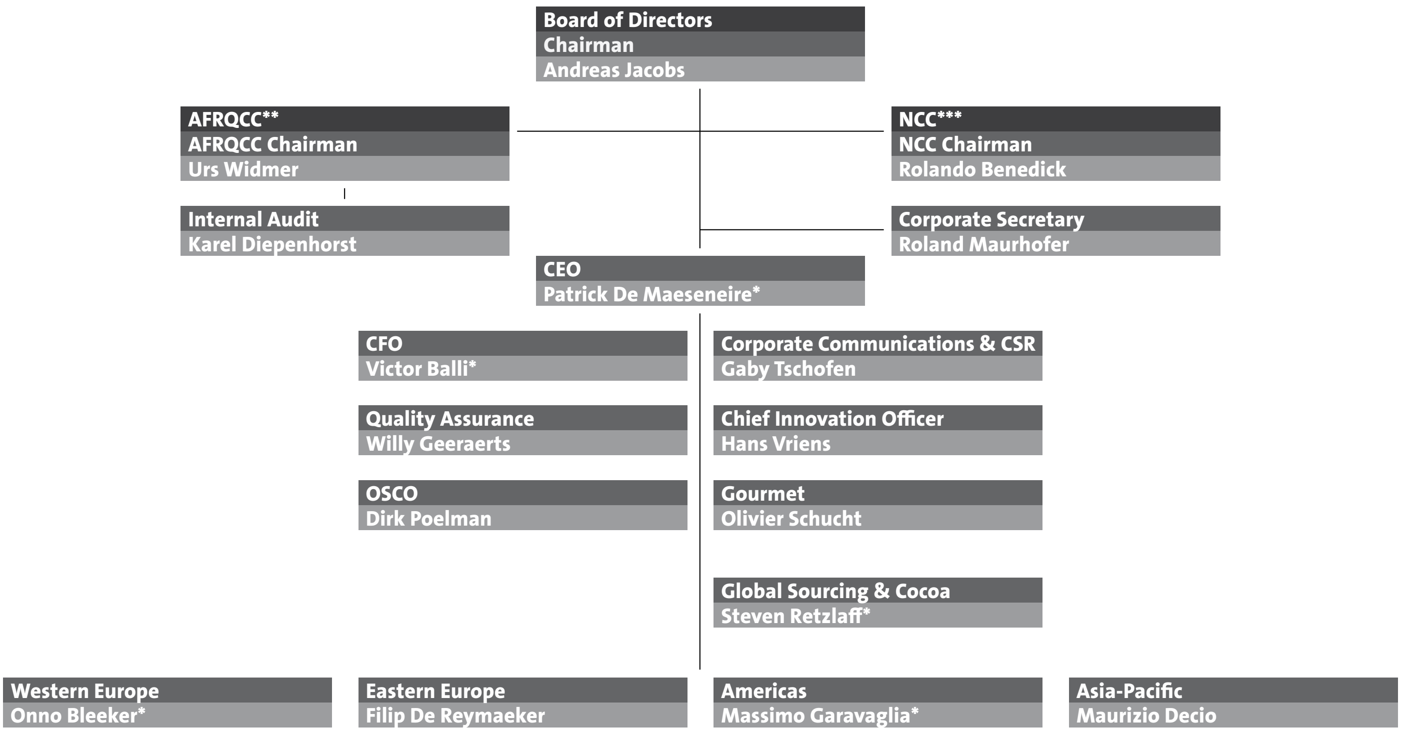
Corporate Governance

Additional information:
www.barry-callebaut.com/corporate_governance and www.barry-callebaut.com/organization

The information that follows is provided in accordance with the Directive on Information Relating to Corporate Governance issued by the SIX 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 organization of the Barry Callebaut Group has a regional focus and is divided into four strategic business units. The following chart provides an overview of the operational Group structure as of August 31, 2008:



* Member of the Senior Management Team
** AFRQCC: Audit, Finance, Risk, Quality & Compliance Committee (see page 119)
*** NCC: Nomination & Compensation Committee (see page 119)

The Barry Callebaut Group reports by regions and by business segments. Information about the stock listing, principal subsidiaries and significant shareholders of Barry Callebaut is given on pages 57, 65, 101, 103 and 104 of the Consolidated Financial Statements and on pages 111 and 112 of the Financial Statements of Barry Callebaut AG. There are no cross-shareholdings equal to or higher than 5% of the issued share capital.

Capital structure

The information required by the SIX Corporate Governance Directive regarding the capital structure is given in note 25 (share capital, movements in the share capital) of the Consolidated Financial Statements. The company has no convertible bonds outstanding. In the past three years, the Group's capital structure has not been changed.

Additional information:
www.barry-callebaut.com/board and www.barry-callebaut.com/regulations

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, to which the Board of Directors has delegated the operational management of Barry Callebaut. Besides its non-transferable and inalienable duties, the Board has retained certain competencies as set forth in the Company's Internal Regulations, which are publicly accessible via the Barry Callebaut website.

As of August 31, 2008, the Board of Directors consisted of six non-executive members. Each Director is elected by the shareholders of Barry Callebaut AG at the General Meeting for a term of office of one year and may be re-elected to successive terms.

Name	Nationality	Function	Member since
Andreas Jacobs	German	Chairman	2003
Andreas Schmid	Swiss	Vice Chairman	1997
Rolando Benedick	Swiss	Director	2001
Markus Fiechter	Swiss	Director	2004
Stefan Pfander	German	Director	2005
Urs Widmer	Swiss	Director	2004

Andreas Jacobs
Chairman of the Board since 2005, member of the Board since 2003, German national

In December 2005, Andreas Jacobs (1963) was appointed Chairman of the Board of Barry Callebaut AG. He has served as a member of the Board since 2003.

Since 1992, Andreas Jacobs has been an independent entrepreneur with a stake in several companies (Minibar AG, Baar; and Acentic GMBH) plus minority interests in several other companies. From 1991 to 1993, Andreas Jacobs worked as a consultant and project manager at The Boston Consulting Group in Munich.

He is also Chairman of Jacobs Holding AG, Vice Chairman of Infront Sports & Media AG and member of the Board of Adecco SA.

Andreas Jacobs studied law at the Universities of Freiburg im Breisgau, Munich and Montpellier and subsequently obtained a post-graduate degree in European competition law (Dr. iur.) from the University of Freiburg im Breisgau. Afterwards he obtained a Master of Business Administration from INSEAD in Fontainebleau.

Andreas Schmid
Vice Chairman, member of the Board since 1997, Swiss national

Andreas Schmid (1957) was appointed CEO of Jacobs Holding AG (Adecco SA, Barry Callebaut AG, Brach's Confections Holding INC.) in 1997. In 1999 he became Chairman of the Board and CEO of Barry Callebaut AG. In June 2002, he handed over the CEO function but continued to assume the responsibility of Chairman until December 2005. Since then he has been Vice Chairman of the Board.

He started his career in 1984 at Union Bank of Switzerland. Following a position as assistant to a Swiss industrialist, he was CEO 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. Between 2002 and 2006, he chaired the Board of Kuoni Travel Holding AG. He was a member of the Board of Adecco SA from 1999 to 2004 and a member of the Advisory Board of the Credit Suisse Group from 2001 to 2007, before the Advisory Board was dissolved.

Andreas Schmid is Chairman of Oettinger Imex AG (Davidoff Group) and Unique Zurich Airport AG. He is Chairman of the Supervisory Board of Symrise AG, Vice Chairman of the Board and Lead Independent Director of Gate Gourmet Group Holding and Member of the Board of Directors of Karl Steiner AG.

Andreas Schmid holds a Master's degree in law and studied economics at the University of Zurich.

Rolando Benedick
Director since 2001, Swiss national

Rolando Benedick (1946) is a member of the Board and Chairman of the Nomination & Compensation Committee of Barry Callebaut.

In 1989, Rolando Benedick was appointed CEO of the Manor Group, which includes Manor department stores, FLY Switzerland and Athleticum Sportmarkets – three chains belonging to Maus Frères Holding – as well as China-based Herma LTD. In 2000, he was appointed Chairman of the Board. From 2006 to December 2007, he served as Executive Chairman. In January 2008, he passed on his responsibilities as Executive Chairman to his successor and is now Chairman of the Board.

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

Rolando Benedick is Chairman of the Board of Directors of the Manor Group, Manor Sud SA and Valora Holding AG. He is a non-executive Board member of Jacobs Holding AG, of MCH Messe Switzerland AG and Chairman of the "Leopard Club" in Locarno. In addition, he serves as Board member of the Basel Chamber of Commerce, Swiss Sport Aid and the Gottlieb Duttweiler Institute (GDI).

Markus Fiechter
Director since 2004, Swiss national

Markus Fiechter (1956) has been CEO of Jacobs Holding AG since September 2004.

He started his career as Assistant Professor in Chemistry at the University of Applied Sciences in Horw/Lucerne. From 1984 until 1991, he held various managerial positions at Mettler Toledo AG. From 1991 to 1994, he worked for The Boston Consulting Group as Consultant, Project Manager and Manager at the Zurich office. From 1994 to 2004, he was CEO of the Minibar Group. Markus Fiechter is a member of the Board of Directors of Minibar AG and of Valora Holding AG.

Markus Fiechter holds a Master in Chemical Engineering from the Federal Institute of Technology in Zurich (ETH) and an MBA from the University of St. Gallen.

Stefan Pfander
Director since 2005, German national

Stefan Pfander (1943) started his career in 1971 as Product Manager with General Foods GmbH in Elmshorn, Germany, and later worked for Mars Inc. (as Marketing Manager for Effem GmbH, Verden, Germany, and as Marketing Director for Kal Kan Foods Inc., Los Angeles). In 1981, he joined Wrigley GmbH in Germany, where he held various executive positions in several countries within the Wrigley Group. Until January 2006, he was Chairman Europe of the Wm. Wrigley Jr. Company in Chicago, USA, and Vice President of the Wm. Wrigley Jr. Company.

Stefan Pfander is Supervisory Board Member of Tchibo GmbH, functioning currently as a delegated Executive Board Member. He is a member of the Board of Directors of Sweet Global Network e.V. (German trade association), a member of the Supervisory Boards of GfK AG (market research institute) and Beiersdorf AG, and President of the ICGA (International Chewing Gum Association) in Brussels.

Stefan Pfander holds a degree in economics from the University of Hamburg.

Urs Widmer
Director since 2004, Swiss national

Urs Widmer (1941) is an attorney at law with a practice in Küsnacht, Zurich.

Urs Widmer's professional career began as an assistant to the Executive Board of Alusuisse. In 1974, he joined ATAG Ernst & Young, where he held various positions. From 1974 to 1980, he worked in the legal department and was promoted to Department Head in 1980. In 1984, he was appointed a member of the Executive Board of ATAG debis Informatik AG. In 1986, he was appointed General Manager of ATAG Wirtschaftsinformation Holding AG and member of the Group Executive Board of ATAG Ernst & Young AG. He was elected a member of the Board of Directors of ATAG Ernst & Young AG in 1988 and the Delegate of the Board of Directors in 1990. He joined the Executive Board of Ernst & Young Europe in Brussels in 1991 and the Global Executive Board of Ernst & Young International, New York and London, in 1994. In 1995, he assumed the position of Delegate and Chairman of the Board of Directors of ATAG Ernst & Young Holding AG. From 1998 to 2002, Urs Widmer was Chairman of the Board of Directors of ATAG Ernst & Young AG.

Urs Widmer has served as Chairman of the Board of Directors of Vontobel Holding AG and Bank Vontobel AG since 2005. He is also a member of the Board of Directors of Helvetia Holding AG. He is a trustee of various foundations such as Technopark Foundation and Zoo Zurich.

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

Functioning of the Board

The Board of Directors constitutes itself at its first meeting subsequent to the Annual General Meeting. The Board elects its Chairman and its Vice Chairman. It meets as often as business required, but at least four times per fiscal year. The duration of the Board meetings is usually six hours, but varies from meeting to meeting, depending on the agenda.

The Chairman invites the members to the meetings in writing, indicating the agenda and the motion for resolution thereto. 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, for example external consultants, may attend part or all of the meeting. In the past fiscal year, members of the Senior Management Team were present at all Board and Committee meetings.

Resolutions are adopted by simple majority of the Board members present or represented. Members may only be represented by a fellow Board member. In the event of a tie vote, 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 seven times for regular Board meetings and three times in the context of a strategy review project.

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 Board of Directors has formed the following committees:

Audit, Finance, Risk, Quality & Compliance Committee

Urs Widmer (Chairman), Andreas Schmid and Markus Fiechter

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

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 qualifications and independence, approving the audit fees, overseeing the external audit coverage, specifying how the external auditors report to the Board and/or the Audit Committee, assessing additional "non-audit" services, reviewing accounting policies and policy decisions, and reviewing the annual financial statements and related notes.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The internal audit function reports to the Chairman of the AFRQCC. Significant findings of internal audits are presented and reviewed in the meetings of the AFRQCC. In the last fiscal year, no internal audit task was carried out by a third party.

The external auditors attended one meeting of the Audit, Finance, Risk, Quality & Compliance Committee in fiscal year 2007/08.

The AFRQCC meets as often as business requires, but at least three times per fiscal year. In the last fiscal year, the committee met four times. The length of the meetings is usually two hours, but varies from meeting to meeting, depending on the agenda.

Nomination & Compensation Committee

Rolando Benedick (Chairman) and Stefan Pfander

The responsibilities of the Nomination & Compensation Committee (NCC) are to make recommendations to the Board in respect of the selection, nomination, compensation, evaluation, and, when necessary, the replacement of key executives. The NCC establishes jointly with the CEO a general succession planning and development policy. 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.

The NCC meets as often as business requires, but at least three times per fiscal year. In the last fiscal year, the committee met four times. The length of the meetings is usually two hours, but varies from meeting to meeting, depending on the agenda.

Additional information:
www.barry-callebaut.com/smt

Senior Management Team

The Senior Management Team is headed by the Chief Executive Officer and consists of five persons. The members of the Senior Management Team do not have significant activities outside of the Barry Callebaut Group.

Name	Nationality	Responsibility	Member since
Patrick G. De Maeseneire	Belgian	Chief Executive Officer	2002
Victor Balli	Swiss	Chief Financial Officer	2007
Onno J. Bleeker	Dutch	Western Europe	2002
Massimo Garavaglia	Italian	Americas	2004
Steven Retzlaff	U.S./Swiss	Global Sourcing & Cocoa	2008

Patrick G. De Maeseneire
Chief Executive Officer, Belgian national

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

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

In 2007, Patrick De Maeseneire was granted the title of Baron by King Albert II of Belgium.

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.

Victor Balli
Chief Financial Officer, Swiss national

Victor Balli (1957) was appointed Chief Financial Officer and member of the Senior Management Team of Barry Callebaut AG in February 2007.

Before joining Barry Callebaut, Victor Balli was with Minibar since 1996. He began his career at Minibar as CFO and additionally held the position of CEO EMEA as of 2005. During this time he also served as CFO and Board member of several Niantic group companies. From 1991 to 1995, he worked as a Principal with Adinvest AG, a corporate finance advisory company with offices in Zurich, San Francisco, New York and London. From 1989 to 1991, Victor Balli served as Director of Corporate Finance with Marc Rich & Co. Holding in Zug. He started his professional career in 1985, working as a Financial Analyst & Business Development Manager with EniChem International SA in Zurich.

Victor Balli holds a Master's degree in Economics from the University of St. Gallen and a Master's degree as a Chemical Engineer from the Swiss Federal Institute of Technology in Zurich.

Onno J. Bleeker
President Western Europe, Dutch national

Onno J. Bleeker (1957), member of the Senior Management Team of Barry Callebaut AG, was appointed President Western Europe in December 2007.

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

In 2002, Onno Bleeker was appointed President Cocoa and Food Manufacturers and member of the Senior Management Team of Barry Callebaut AG. From September 2004 to April 2005, Onno Bleeker served as Chief Operations Officer at Barry Callebaut responsible for global production and supply chain. From May 2005 until August 2006, he was President Consumer Products Europe. From 2006 until 2007, he was President for the Region Europe.

Onno Bleeker studied business at the London Business School.

Massimo Garavaglia
President Americas, Italian national

Massimo Garavaglia (1966), member of the Senior Management Team of Barry Callebaut AG, was named President Americas in December 2007.

From 1990 to 1992, Massimo Garavaglia was sales manager for an Italian food products importer. Joining Callebaut Italia S.p.A. in 1992, he served as country manager for Italy. After the merger between Callebaut and Cacao Barry in 1996, he was Barry Callebaut's country manager for Italy until 2003. From 2003 until September 2004, he was Manager Mediterranean countries/Middle East/Eastern Europe. From September 2004 until 2006 he was President Food Manufacturers. He was President Food Manufacturers and Gourmet & Specialties North America from September 2006 until December 2007.

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

Steven Retzlaff
President Global Sourcing & Cocoa, U.S. and Swiss national

Steven Retzlaff (1963) was appointed President Global Sourcing & Cocoa and member of the Senior Management Team of Barry Calle baut AG in January 2008.

Steven Retzlaff started his career in 1987 at KPMG Peat Marwick, San Francisco, as an auditor. From 1990 to 1993, he 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.

Steven Retzlaff joined Barry Callebaut as CFO of Barry Callebaut Sourcing AG in 1996. From 1999 to 2001, he served as CFO Swiss Operations (Barry Callebaut Sourcing AG and Barry Callebaut Switzerland AG). From 2001 to 2003, he was CFO of the business unit Cocoa, Sourcing & Risk Management and from 2003 to 2004, he worked as the Cocoa Division Head. In 2004, he was appointed President Sourcing & Cocoa and member of the Senior Management Team in Zurich. From September 2006 until January 2008, he focused on developing the Group's global compound business.

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 and at INSEAD in Fontainebleau.

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 (NCC) assists the Board in fulfilling this 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 for the Board is based on fixed directors' fees and the granting of blocked Barry Callebaut AG shares. Executive management compensation consists of a fixed base salary, a performance-related cash bonus and the granting of blocked Barry Callebaut AG shares.

Since 2007 Barry Callebaut works with an executive remuneration framework, which consists of four elements: fixed base salary, short-term cash-based incentives (50–100% of base salary), long-term incentives in the form of share allotments (70–125%) and benefits (10–20%). The allotment of shares is based on a deferred share plan. Participants are granted a number of shares, of which 80% will be given without being linked to performance criteria. The shares will vest as follows: 30% after one year, 30% after two years and 40% after three years, half of which (20%) are subject to achieving the performance criteria defined by the Nomination & Compensation Committee. The performance criteria for the grants made in the fiscal year under review are the earnings per share. This new remuneration scheme has been applied to the eligible top executives who have joined the company since 2007. The participants of the former remuneration scheme are being transferred to the new scheme after a transition period.

On a yearly basis, usually prior to the December Board meeting, the NCC 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 of Directors.

For details regarding the compensation of the members of the Board of Directors and the Senior Management Team see note 6 in the Financial Statements of Barry Callebaut AG.

Barry Callebaut and Jacobs Holding AG, Zurich, have agreed to execute administrative services agreements, under which Jacobs Holding AG offers to Barry Callebaut certain management, consultancy and other services as well as training facilities. In the last fiscal year, the total compensation paid by Barry Callebaut under these agreements amounted to CHF 1.66 million. The contract is yearly renewable.

Shareholders' participation

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

No shareholder holding more than 5% of the share capital may be registered as a shareholder with voting rights with respect to the shares such shareholder holds in excess thereof. For purposes of the 5% rule, groups of companies and groups of shareholders acting in concert or otherwise related are considered to be one shareholder.

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 the nominee 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. 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. In fiscal year 2007/08, no such exception has been granted by the Board of Directors.

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

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

The Articles of Incorporation follow the majority rules and the provisions on convocation prescribed by the Swiss law concerning general meetings of shareholders.

Shareholders with voting rights holding shares with a nominal value of at least CHF 1 million have the right to request in writing – giving 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 receive an invitation to the Annual General Meeting.

Additional information:
www.barry-callebaut.com/documentation

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 full compensation. Three members of the Senior Management Team have an employment contract for a fixed time period, not exceeding three years.

External auditors

The statutory auditors and the group auditors are appointed by the General Meeting for a one-year term of office. KPMG LTD, Zurich, have acted as the statutory auditors of Barry Callebaut AG, Zurich, and as the group auditors of the consolidated financial statements since fiscal year 2005/06. The auditor in charge of KPMG has exercised this function since fiscal year 2005/06.

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 tax and other advisory services KPMG received a total of CHF 0.7 million. No internal audit or other services were rendered by KPMG during the period under review.

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.

The Group provides detailed information on its business activities and financial performance in its annual and quarterly reports and press releases, at the conferences for media and financial analysts as well as at the Annual General Meeting. Further, representatives of the Group regularly meet (potential) investors in personal meetings as well as present Barry Callebaut at industry events and investor conferences.

Presentations are also made available on the Group's website, which is updated continuously.

The agenda for the current fiscal year and contacts are given on page 126.

Chocolate Glossary

A

ACTICOA™
A process developed by Barry Callebaut which conserves to a very high degree the polyphenols naturally present in the cocoa bean, but may be destroyed during the chocolate production process.

B

Butter
Refers to cocoa butter, the fat of the cocoa bean.

C

Compound
Tastes like chocolate but cannot be called chocolate as it does not meet the legal requirements. Consists of a blend of sugar, vegetable oil, cocoa liquor, powder and/or butter and other products. Vegetable oil is substituted for cocoa butter to reduce the product cost and to develop special melting profiles.

Conche
A large tank with a powerful stirring device inside that kneads the chocolate mixture slowly over a long time. Contact with air, heat and friction results in several different physical and chemical processes, necessary for the final taste and mouthfeel of the chocolate.

Criollo
Criollo is known as the prince among cocoa trees. This variety is fragile and produces small harvests. It grows primarily in South and Central America, and accounts for only 10% of the world crop. The cocoa has a pale color and a unique aroma. It is used in the production of high-quality chocolate and for blending.
See also: Forastero, Trinitario.

D

Dark chocolate
Dark chocolate is chocolate that contains more than 43% cocoa solids coming from cocoa liquor, powder and/or butter. This is the chocolate most often used for premium chocolate confections. Besides cocoa ingredients it contains sugar, vanilla, and often lecithin.

Drying
After fermentation, the beans still contain 60% moisture, which must be reduced to 8% or less in order to ensure optimum conservation during storage and transportation. Drying can either be done by spreading the beans out in the sun or by placing them on a heated surface or by hot air. Thorough drying avoids the formation of molds, which would spoil the cocoa butter, and prevents over-fermentation.

Dutching
A treatment used during the making of cocoa powder in which cocoa solids are treated with an alkaline solution to neutralize acidity. This process darkens the cocoa and develops a milder chocolate flavor.

F

Fairtrade
The Fairtrade Labelling Organizations International (FLO) arranges direct contracts with thousands of small manufacturers, traders, importers and exporters of foodstuffs, and ensures that they are paid a higher price for their products. Barry Callebaut is certified by the FLO-CERT to produce a range of Fairtrade cocoa and chocolate products. These products are manufactured with raw materials purchased from Fairtrade manufacturers.

Fermentation
Fermentation is an essential and delicate stage in cocoa bean processing. Beans and pulp are heaped in piles, covered with banana leaves or put in boxes and left to ferment for several days. During fermentation the beans lose their natural bitterness and astringency.

Flavanol
A specific type of polyphenol, known for its anti-oxidant activity.

Forastero
Forastero are the most commonly grown and used cocoa beans. Compared to Criollo, Forastero is a stronger tree that is easier to cultivate and produces larger yields. They make up about 90% of the world's production and are grown mainly in West Africa. The cocoa has a pungent aroma.

H

HACCP
HACCP stands for Hazard Analysis and Critical Control Point. It is a management plan that follows a systematic and preventive approach to ensure quality and safety of Barry Callebaut products and the environment in which they are produced.

I

Industry Protocol
Also known as Cocoa Protocol or Harkins-Engel Protocol. The Protocol was signed in 2001 by cocoa and chocolate manufactuers, industry and trade associations, government organizations and NGOs in response to reports of children working under abusive labor conditions on cocoa farms in West Africa. The signers condemned abusive labor practices, in particular the worst forms of child labor as defined by the International Labor Organization (ILO), and committed to work together to address the issue. The final milestone of the Protocol calls for the certification of 50% of the cocoa sector in Côte d'Ivoire and Ghana by July 2008 and independent verification by year end 2008. Barry Callebaut is a signer of the Protocol.

K

Kosher
Foods certified as "Kosher" comply with Jewish dietary laws. The certification is done by Orthodox Jewish Kashrut dietary law specialists.

L

Liquor
Also known as cocoa liquor or cocoa mass. The thick liquid paste that is produced in the grinding process. The heat produced by the pressure and grinding of the process liquifies the cocoa butter in the beans, and a thick liquid paste appears, the cocoa liquor.

M

Milk chocolate
Chocolate with at least 25% cocoa solids coming from cocoa liquor, powder and/or butter to which powdered milk, sugar, vanilla, and lecithin has been added. Good milk chocolate contains 30% chocolate liquor. Premium milk chocolate contains even more.

Millésime plantation chocolate
Chocolate made from beans from the harvest of a single plantation of a single year. Barry Callebaut offers three millésime plantation chocolates in its range: Alto El Sol (Peru), Madirofolo (Madagascar) and Oropucce (Trinidad).

Molding
The process of creating figures and shapes out of chocolate. Chocolate is melted to 45 °C, then cooled below its crystallization point, then heated again to 30°C. Following this tempering process, the chocolate is poured onto the inner surface of the molds, also heated to 30°C. After cooling, the final product is unmolded to reveal a glossy chocolate figure.

N

Nib
The center of the cocoa bean.

O

Origin chocolate
Chocolate made from beans from one single-origin country or region.

P

Polyphenols
Cocoa beans contain polyphenols of unusually high quality and effectiveness. Polyphenols are antioxidants. By inhibiting oxidation, they protect body cells from damage caused by the oxidative effects of free radicals, which contribute to the aging process and to certain heart and brain diseases.

Powder
Refers to cocoa powder and is the product that remains when a big part of the cacao butter is removed from the cocoa liquor.

Q

Quality Partner program
Barry Callebaut's program with cocoa cooperatives in Côte d'Ivoire. The goal is to provide farmers with access to better training in agricultural techniques and how to manage their business and personal finances, as well as access to healthcare for themselves and their families, and sensitization about child labor issues and the importance of schooling for their children. The training enables farmers to improve the quality of their farms and business practices and to deliver more and better-quality cocoa beans.

R

Roasting
Roasting is a heating process aimed at developing the chocolate aroma. Roasting certain foods not only makes them more digestible, but also more aromatic. Cocoa beans are roasted to a greater or lesser extent depending on what they are being used for. Cocoa powder needs more intense roasting, whereas chocolate requires finer roasting.

S

Sugar
Sugar is the largest commodity on the world market, followed by coffee and cocoa. It is used as one of the main ingredients for chocolate (up to 55%).

Semi-finished products
Examples include cocoa liquor, cocoa butter and cocoa powder. Also called cocoa products.

T

Trinitario
Trinitario beans are a cross of Criollo and Forastero cocoa. It has characteristics of both: the trees are easy to cultivate and the cocoa beans have a strong, but relatively refined aroma.

V

Viscosity
The measure of the flow characteristics of a melted chocolate.

Vegetable fats
Sometimes used as a less expensive alternative to cocoa butter in chocolate products.

W

White chocolate
White chocolate is made from cocoa butter (at least 20%), powdered milk, sugar, and vanilla. It contains no cocoa liquor or powder.

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Agenda

	Date	
Annual General Meeting 2007/08, Zurich	December	4, 2008
3-month key sales figures 2008/09	January	21, 2009
Half-year results 2008/09, Zurich	April	2, 2009
9-month key sales figures 2008/09	June	25, 2009
Year-end results 2008/09, Zurich	November	12, 2009
Annual General Meeting 2008/09, Zurich	December	8, 2009

Forward-looking statements

Certain statements in this Annual Report 2007/08 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 4, 2008. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

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2007/08

Annual Report

to melt

to enjoy

ady

to mix

BARRY CALLEBAUT