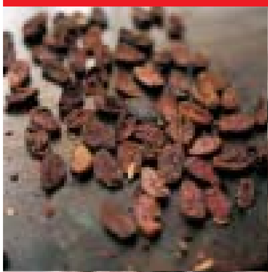
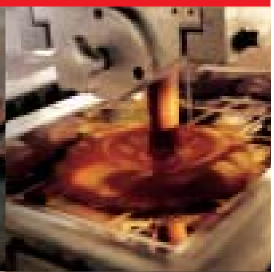
Barry Callebaut





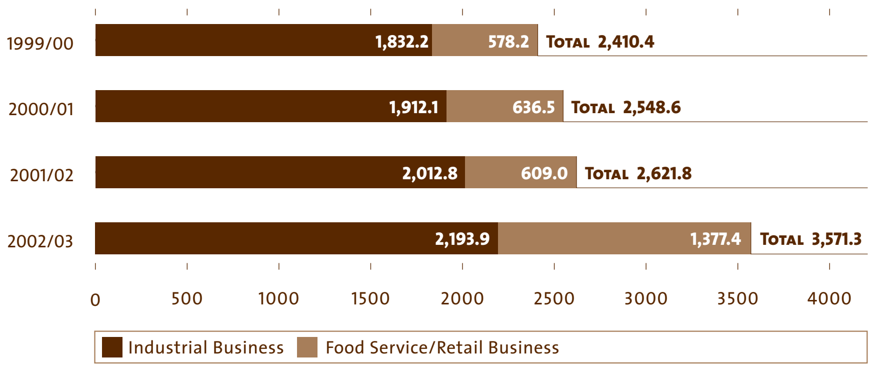
Annual report 2002/03

BARRY CALLEBAUT

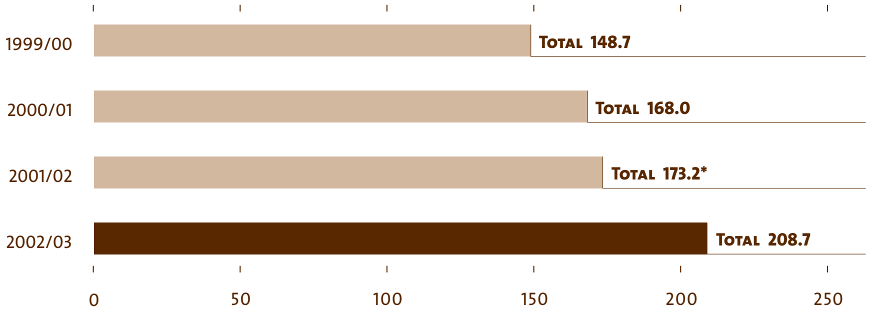
Contents

Key figures.

Development of sales revenue
IN CHF MILLION

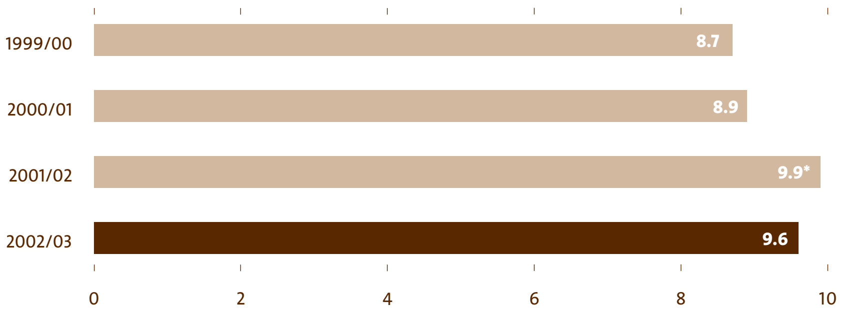


EBIT development
IN CHF MILLION



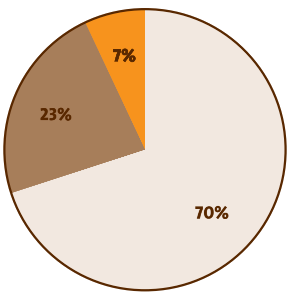
* EBIT for 2001/02 is based on a normalized result excl. restructuring provisions amounting to CHF 80 million

ROIC development
IN %



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

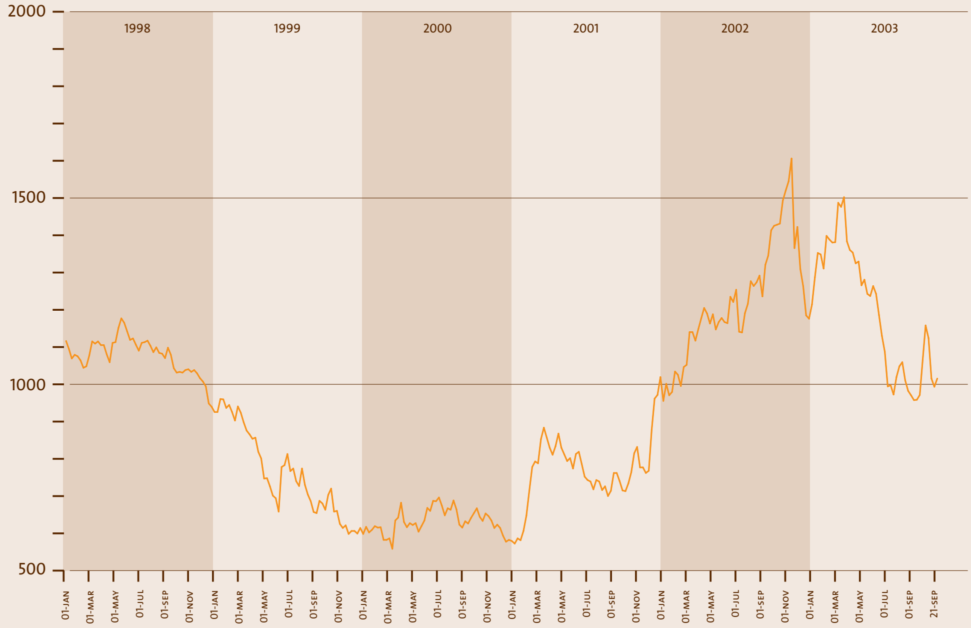
Sales volumes by region, 2002/03
IN TONNES



Europe:	618,364
Americas:	208,203
Asia-Pacific/Africa:	64,481
Total:	**891,048**

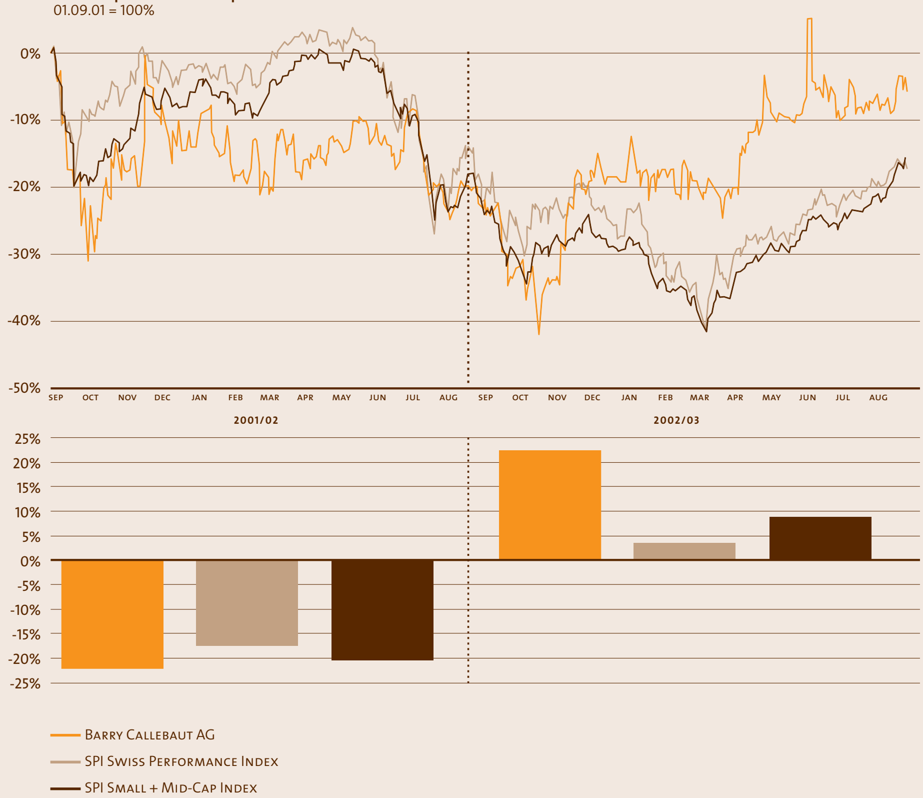
Cocoa price development

In GBP/tonne
(London terminal market, 6-month forward price)



Share price development

01.09.01 = 100%



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

Key Figures		Change (%)	2002/03	2001/02
Sales revenue	CHF m	36.2%	3,571.3	2,621.8
Sales volumes	mt	17.1%	891,048	760,680
EBITDA[2]	CHF m	24.4%	333.1	267.8[1]
Operating profit (EBIT)	CHF m	20.5%	208.7	173.2[1]
Net profit (PAT)	CHF m	1.6%	103.2	101.6[1]
Cash flow[3]	CHF m	16.0%	227.7	196.2[1]
Balance sheet total	CHF m	2.3%	2,712.7	2,651.6
Net working capital	CHF m	15.2%	955.1	828.7
Non-current assets	CHF m	-1.9%	1,049.9	1,070.6
Net debt	CHF m	7.3%	1,030.1	960.1
Shareholders' equity	CHF m	9.5%	759.2	693.5
Return on capital employed (ROCE)[4]	%	-1.8%	15.0%	15.3%[6]
Return on equity (ROE)	%	-1.5%	13.6%	13.8%[6]
EBIT per tonne	CHF/mt	2.9%	234.2	227.7[1]
Debt to equity ratio	%	-2.0%	135.7%	138.4%
EBIT per share	CHF	20.5%	40.4	33.5[1]
Earnings per share	CHF	1.9%	20.0	19.6[1]
Dividend per share[5]	CHF	1.4%	7.0	6.9
Employees	Number	3.3 %	7,837	7,583

1 Key figures for 2001/02 are based on a normalized result excluding restructuring provisions amounting to CHF 80 million
2 EBIT + depreciation of tangible assets + amortization of goodwill and other intangibles
3 Net profit + depreciation of tangible assets + amortization of goodwill and other intangibles
4 EBITA / Average (Capital employed - Goodwill)
5 Based on a dividend proposal of CHF 7.00 per share for 2002/03
6 For 2001/02 the ratio is calculated based on a normalized result excluding restructuring provisions amounting to CH 80 million and based on a pro-forma balance sheet excluding Stollwerck

Company profile.

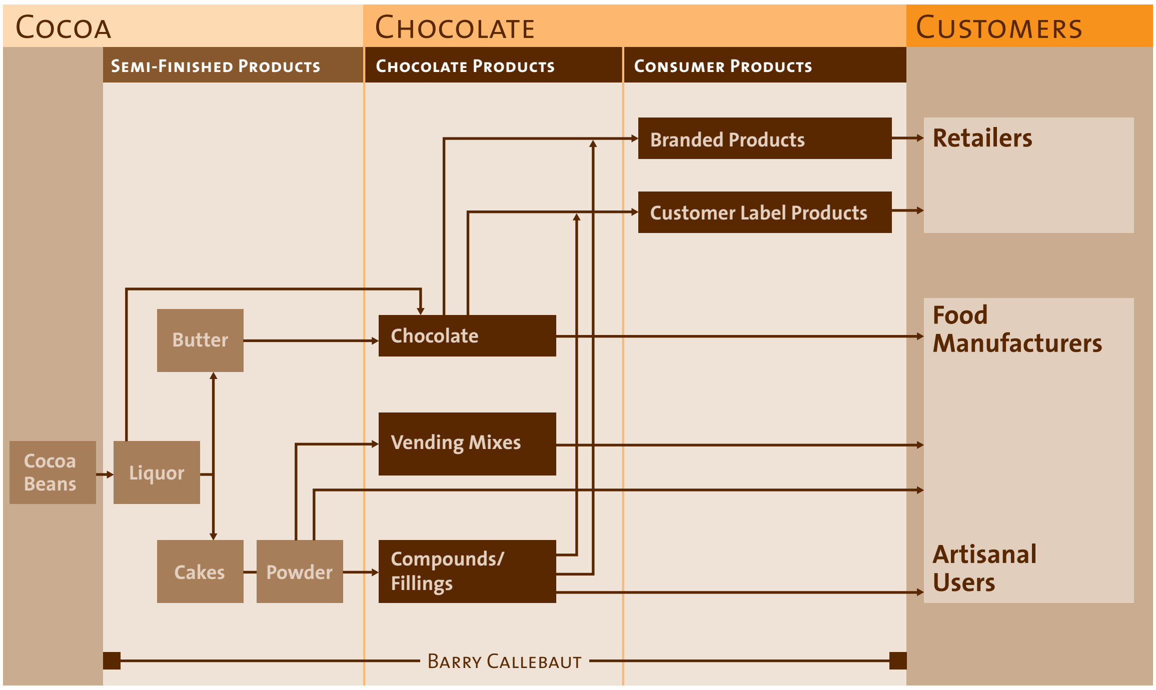
Barry Callebaut is the world's leading manufacturer of high-quality cocoa and chocolate products, with sales of around CHF 3.6 billion in the 2002/03 fiscal year (including Stollwerck). The company operates over 30 production sites in 16 countries and employs a workforce of approximately 7,800. If Brach's Confections, which Barry Callebaut acquired in September 2003, had been included in the annual results for 2002/03, this would have increased annual sales to CHF 4 billion and the number of employees to around 9,400.

Barry Callebaut is divided into two strategic business segments: Industrial Business and Food Service/Retail Business. Our customers range from industrial processors such as world-famous branded consumer goods manufacturers who produce chocolate, confectionery, snacks, dairy products, ice cream and breakfast cereals incorporating our ingredients, through artisanal users such as hotels, gastronomists, chocolatiers, confiseurs and bakers, to partners in the food retailing industry for whom the Barry Callebaut Group produces branded as well as customer label products. We also offer a comprehensive range of services in the fields of product development, processing, training and marketing.

With the acquisition of Stollwerck in 2002 and Brach's in September 2003, Consumer Products has become an important business for the Group in terms of both volume and geographical coverage. This is reflected in the creation of a new area of business and the substantial shift to higher-margin products at the end of the value chain.

The core competence of Barry Callebaut, which has been developed and continually refined over the past 150 years, is its comprehensive know-how in the art of chocolate – ranging from global sourcing of cocoa beans to the creation and production of top-of-the-line chocolate products. Around 30% of our sales volume is from products developed over the last three years. Our Group masters every step from the sourcing of cocoa beans to the products for end consumers. We are driven by our core values: Customer focus – Service – Quality – Cost efficiency – Innovation – Integrity.

Our vision: As a chocolate expert, we are the world-wide supplier of choice to our partners in the food industry, from food manufacturers to professional users of chocolate to retailers. Our goal is to become the Number One chocolate and cocoa company in all attractive customer segments and in all major world markets.



Letter to Shareholders.

Dear Shareholders,

Your company, Barry Callebaut, increased its sales revenue, operating profit (EBIT) and net profit once more, despite geopolitical uncertainties and a weak economic environment in key regions throughout the world.

We successfully completed our transformation from an industrial company to a fully integrated provider of high-quality cocoa and chocolate solutions to the food industry. Today we offer cocoa and chocolate products in virtually every possible form and vertical range of manufacture – from the cocoa bean to the finished product on the store shelf.

We pursued three main objectives in fiscal 2002/03 that can be summarized as follows:

1. We expanded our range of convenience products and decorations in the Gourmet & Specialties business unit through the acquisition of Luijckx.
2. We strengthened our distribution power and our market position in the US through the acquisition of Brach's Confections Holding, Inc., in September 2003.
3. We improved our debt profile by reducing our short-term debt exposure and strengthened our overall liquidity through a five-year senior loan facility and the raising of funds on the capital market.

After expanding our consumer products business, we grouped our activities into two clearly defined strategic business segments as of September 1, 2003: the Industrial Business Segment and the Food Service/Retail Business Segment. The segment reporting in the current annual report reflects this new structure.

- The Industrial Business Segment is composed of the Sourcing & Risk Management and the Food Manufacturers business units and thus comprises all asset- and capital-intensive activities. This business segment offers a broad range of custom-tailored solutions, from semi-finished products to finished chocolate products in liquid and solid form. In this business, we managed to continually grow margins as well as operating profit (EBIT) per tonne in past years thanks to a differentiated pricing and service model and thanks to innovation.

  We intend to further grow in the Industrial Business Segment in the coming year by taking advantage of the outsourcing trend underway in the food manufacturing industry. This trend manifests itself in two ways. More and more food companies are outsourcing production processes so they can focus on marketing the finished products, or they are even seeking new owners for their production facilities. Barry Callebaut is well positioned to benefit from both forms of outsourcing, however, very strict assessment criteria are applied to the latter. Furthermore, we expect our proven innovation power to lead to further growth.

- The Food Service/Retail Business Segment consists of the Gourmet & Specialties and the Consumer Products business units. We are also a solutions provider in this business segment. Professional users – chocolatiers, confectioners, bakers, restaurant chefs – are confronted with mounting competition and it is becoming increasingly difficult for them to find qualified personnel; moreover, their labor costs are rising due to the reduction in working hours per week in many countries. The best business opportunities for professional users include exclusive premium products at the top of the quality pyramid as well as convenience and ready-to-sell products. We have gone to great lengths to create a bridge to these opportunities and have developed new, ready-to-use and ready-to-sell products for professional users. We also extended our line of convenience products through the acquisition of Luijckx. These efforts are bringing us closer to end consumers, which is why we brought together the Gourmet & Specialties and Consumer Products business units into one business segment.

With regard to the level of processing, the Consumer Products business unit goes one step further. Here as well, comprehensive solutions and differentiation are becoming increasingly important. These two aspects will serve as guidelines for us in shaping this segment. We plan to continue raising the quality and value, and hence the margins, of our consumer products. This will require accelerating the pace of innovation and offering an exciting range of products in the fast-growing market for seasonal, health enhancing, origin and organic products, as well as distinct flavors and other differentiators such as product freshness. These insights played a major role in the acquisition of Brach's. Brach's "Fresh Candy Shoppes", for example, is a promising marketing concept for selling fresh candy and chocolate products through a store-in-the-store retailing model.

We aim to position ourselves in the Consumer Products business unit as a service provider to retailers in the confectionery category. As one of the few suppliers offering retailers both branded and customer label products, we already have an appropriate portfolio of both brands and products. We will further streamline our product range and brand portfolio in the second phase of restructuring now underway at Stollwerck to enhance our profitability.

There will be some changes to the Board of Directors on December 10, 2003, the date of our Annual General Meeting of shareholders. Mr. Pierre Vermaut will resign after more than 20 years of service to Barry Callebaut. Pierre Vermaut initially held various top-level executive positions at Callebaut, including that of Chief Executive Officer, and then presided over Barry Callebaut's first phase of expansion as Chairman of the Board of Directors. He ultimately served as a member of the Board of Directors. Pierre Vermaut's vast experience in the chocolate industry was of great value to the company and we are deeply grateful for the services rendered. After the acquisition of Brach's Confections Holding, Inc., in September 2003, Mr. Walther Andreas Jacobs, Chairman of the Board of Directors of Brach's, will be proposed for election to the Board of Directors at the forthcoming Annual General Meeting.

Sustained growth in mature markets remains one of our top priorities. One section of this year's annual report is dedicated to this issue. It highlights how we intend to generate future growth through innovation and by focusing on our customers, while fulfilling our responsibilities to consumers, to our employees and to society.

Growth is contingent on trust. We sincerely appreciate the continued trust of our customers and our shareholders. We also extend our sincere thanks and appreciation to all of our employees throughout the world. Without their collective talent, dedication and support, the gratifying results of the past fiscal year would not have been possible.

Andreas Schmid
Chairman of the Board

Patrick G. De Maeseneire
Chief Executive Officer

Board of Directors and Management.

Board of Directors

Andreas Schmid
Chairman

Johann Christian Jacobs
Vice Chairman

Rolando Benedick
Director

Andreas W. Keller
Director

Pierre Vermaut
Director

Corporate Secretary

Ute Zeller

Senior Management Team

Patrick G. De Maeseneire
Chief Executive Officer

Onno J. Bleeker
Food Manufacturers

Richard Crux
Consumer Products
Europe

Dieter A. Enkelmann
Chief Financial Officer

Terence O'Brien
Consumer Products
North America

Dirk Poelman
Operations and R&D

Rudolf Schwab
Sourcing &
Risk Management

Benoît Villers
Gourmet & Specialties

As of September 1, 2003

Overview of business performance.

In 2002/03 Barry Callebaut achieved again a good result with strong operational improvements in its Food Manufacturers and Gourmet & Specialties business units. Net profit increased slightly even despite higher financial costs due to the refinancing transaction.

Economic conditions

The global economy remained weak throughout the 2002/03 fiscal year. Chocolate sales therefore stagnated in most countries, even falling in some cases. In Western Europe, the German consumer market was affected particularly severely, but developments in Eastern Europe were more positive. Momentum did not come from North America until the second half of the year. In Asia-Pacific, the tourism and gastronomy sectors suffered a massive setback as a result of the SARS epidemic. The difficult economic and political situation in various Middle Eastern countries also had a negative effect. Business with consumer products in Africa, on the other hand, was promisingly robust.

Barry Callebaut nevertheless posted encouraging volume growth in the year under review and succeeded in strengthening its market shares in the business with industrial and artisanal customers. This enabled Barry Callebaut to reinforce its strong position as the world's leading manufacturer of high-quality cocoa and chocolate products.

Financial reporting

Income statement

Sales volume rose by 17% to 891,048 tonnes, with the sales increase in the Consumer Products business unit at a disproportionately high 288% due to the first-time consolidation of Stollwerck.

Sales revenue reached CHF 3.57 billion, corresponding to an increase of 36%. The strong Swiss franc, primarily compared to the US dollar, Canadian dollar and British pound, negatively influenced sales revenue. Excluding currency fluctuations, sales revenue rose by 42%. Contributing to the increase were the first-time consolidation of Stollwerck for the entire fiscal year and of Luijckx for six months. High cocoa prices and organic growth in the Food Manufacturers and Gourmet & Specialties business units also contributed to the increase, though the overall increase was moderated somewhat by the intentional scale-back of sales in semi-finished products. Whereas fluctuations in cocoa prices have an effect on sales revenue and material consumed as a result of our business model, they make little difference to margins.

Operating profit (EBIT) rose by 20% to CHF 208.7 million (plus 25% excluding currency fluctuations). We thus managed to even slightly exceed our target of at least CHF 200 million in operating profit communicated at the start of the business year. EBIT per tonne, as an indicator of profitability, improved by 3% to CHF 234.2 (by 7% excluding currency fluctuations). On the cost side, the initial consolidation of Stollwerck as a consumer goods business had an influence on the cost structure with relatively higher personnel and marketing expenses. CHF 31.4 million of the total of CHF 80 million in restructuring provisions set aside in the 2001/02 fiscal year in connection with the acquisition of Stollwerck have been used so far. The integration and restructuring process is progressing according to plan, from both an operational and financial perspective.

The average tax rate has increased somewhat compared to the previous year, but has been maintained at a moderate 19%. The higher finance costs reflect the higher proportion of medium- and long-term debt, but also the reduced risk profile of the financing structure.

At CHF 103.2 million, net profit was 1.6% above the previous year's level. Earnings per share are CHF 20.00.

At the Annual General Meeting, shareholders will be asked to approve a dividend increase from CHF 6.90 to CHF 7.00 per registered share.

Balance sheet and finance structure

The balance sheet total rose slightly by 2% to CHF 2.71 billion whereas shareholders' equity increased strongly by CHF 65.7 million to CHF 759.2 million. Debt-to-equity ratio improved to 135.7% (previous year: 138.4%) and the solvency ratio was up to 28.0% (previous year: 26.2%). Thanks to a new senior loan facility over five years and long-term subordinated debt raised on the capital market, Barry Callebaut succeeded in reducing its short-term liabilities. Total net debt slightly increased from CHF 960.1 million to CHF 1,030.1 million due to the increased level of cocoa prices and the Luijckx acquisition.

Industrial Business.

The Industrial Business Segment encompasses the asset- and capital-intensive activities of our Group. It is composed of the two business units Sourcing & Risk Management and Food Manufacturers. The Food Manufacturers unit supplies the food industry worldwide with chocolate and, more recently, with cocoa and semi-finished products, while the Sourcing & Risk Management unit primarily secures our in-house requirements for top-quality raw materials.

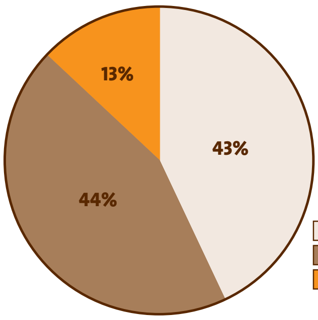
Industrial Business Segment[1]

		Change in %	2002/03	2001/02
Sales revenue	CHF m	9.0%	2,193.9	2,012.8
Cocoa	CHF m	-1.0%	614.2	620.3
Food Manufacturers	CHF m	13.4%	1,579.7	1,392.5
Sales volume	mt	1.5%	631,146	621,953
Cocoa	mt	-11.1%	120,827	135,914
Food Manufacturers	mt	5.0%	510,319	486,039
Operating profit (EBIT)	CHF m	13.9%	142.3	125.0
EBITDA	CHF m	6.5%	214.8	201.7
Segment assets	CHF m	2.6%	1,815.4	1,769.6
EBIT/Segment assets	%	11.0%	7.8%	7.1%

1 Information is based an Note 25, page 106

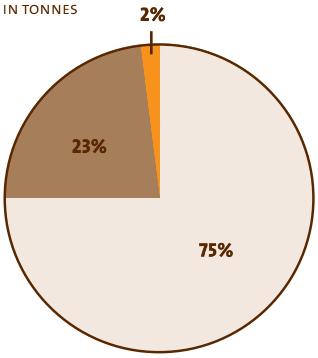
Barry Callebaut generated sales revenue growth of 9.0% to CHF 2,193.9 million in the Industrial Business Segment in fiscal 2002/03. Sales volumes amounted to 631,146 tonnes, up +1.5%. Whereas Cocoa's sales volume was intentionally decreased by 11.1%, Food Manufacturers achieved a sales volume increase of 5.0%, mostly organically. Operating profit after depreciation and amortization (EBIT) rose by 13.9% to CHF 142.3 million. Food Manufacturers saw a very strong increase in EBIT coming from the organic volume growth as well as from further margin extensions. This increase was somewhat offset by the profit development in Cocoa & Sourcing. The latter

Cocoa
Sales volumes by region, 2002/03
in tonnes



Europe:	51,719
Americas:	52,761
Asia-Pacific/Africa:	16,347
Total:	**120,827**

Food Manufacturers
Sales volumes by region, 2002/03
in tonnes



Europe:	381,997
Americas:	118,970
Asia-Pacific/Africa:	9,352
Total:	**510,319**

contributed a lower but still satisfactory operating profit in 2002/03 from its centrally managed sourcing activities of cocoa beans, milk powder, sugar, other ingredients and packaging material. The restructuring of the Pennsauken factory in the US from an integrated to a pure liquid chocolate and compounds manufacturer was realized at much lower costs than expected. Total segment assets amounted to CHF 1,815.4 million including current assets, which were influenced by the higher average price of cocoa during the past fiscal year. EBIT over total segment assets amounted to 7.8%, up from 7.1% in the previous year.

Sourcing & Risk Management

The past fiscal year was characterized by extremely volatile cocoa prices. Our group-wide centralized sourcing and risk management operations systematically minimize risks of any kind. Cocoa beans are centrally sourced, as are sugar, milk powder, nuts, dried fruit, packaging material and logistics services.

The dramatic increase in cocoa bean prices beginning in November 2001 came to an end in March 2003, but the brief correction was followed by a renewed upturn in the second half of the fiscal year.

The majority of the cocoa analysts are predicting that the global cocoa harvest in 2002/03 will show a slight surplus and that there could be a harvest deficit in the 2003/04 season. This forecast was one of the reasons for the above-mentioned price fluctuations during the first six months of 2003.

Barry Callebaut's business models are structured in such a way that any fluctuations in the prices of raw materials on the up- or downside are largely neutralized in the income statement. This business unit's primary objective is to systematically limit risks of any kind – be it with regard to price, quality, availability or supplier. Nevertheless, the sourcing activities allow the Group to take advantage of its purchasing power in the market place and to achieve substantial savings on raw material costs. To this end, our highly qualified specialists deploy a number of appropriate tools and strategies, such as hedging raw materials prices and foreign exchange rates, geographically diversifying our sources of supply and systematically assessing the suppliers we do business with. Barry Callebaut thus has the necessary structures and instruments to successfully meet the challenges posed by volatile commodity markets.

Cocoa

Barry Callebaut processes around 15% of the global cocoa harvest. It mainly produces cocoa liquor, cocoa butter and branded cocoa powder. Around two-thirds of these processed products are destined for in-house use while the rest is sold to select third parties. Our strategy here is to scale back exposure to the often hectic cocoa markets and to focus external sales, primarily branded cocoa powder, on selected customers.

Sales revenue in fiscal 2002/03 declined by 1% from the previous year's level to CHF 614.2 million, due to the reduction in sales volumes, but almost offset by the increased pricing levels, corresponding now to 17% of total sales revenue. Total volumes declined by 11.1%, in line with our strategic intention to narrow our sales of semi-finished products to a select group of customers or, rather, to certain higher-margin products. In light of an optimal utilization of the factories, the unit does not consider a further decrease in volume. In order to further enhance profitability, sales of semi-finished products and the chocolate products were harmonized and organizationally merged, with effect of September 1, 2003.

After peaking in the first quarter of 2003, cocoa powder prices backtracked and were 15-20% off their peak by the end of the fiscal year. Prices for cocoa butter also retreated during the same period, but not as much.

Sales volumes were scaled back the most in Europe, followed by North America, while volumes in Latin America and in Asia-Pacific/Africa were held only slightly below previous-year levels. The current level is based on our assessment of regional markets and customers, their margin efficiency and their strategic risks and opportunities, also with regard to synergies in marketing chocolate products. This deliberately selective approach on the sales side was instrumental in raising the business unit's margin and will be steadfastly pursued in the future.

Due to overcapacity in the market, several companies have shut down cocoa processing plants in Europe, the US and West Africa. Barry Callebaut closed its factory in Bussum, the Netherlands. The total processing capacity that was withdrawn worldwide amounts to some 80,000 to 100,000 tonnes, or 5% of global pressing capacity, which accordingly led to a gradual improvement in margins.

Despite the political turmoil that embroiled Ivory Coast in September 2002, the world's most important supplier of cocoa beans, Barry Callebaut was able to constantly maintain full supply readiness. Although the situation in Ivory Coast has stabilized in the meantime, the country is still vulnerable to political instability. In order to spread potential risks, Barry Callebaut has scaled up its procurement of large quantities of beans from Ghana, Indonesia and Nigeria, installed an additional cocoa liquor facility in Ghana and established strategic stockpiles for both cocoa beans and finished products in locations outside the region.

In West Africa, we are actively involved in initiatives aimed at preventing abusive working practices and child labor on cocoa plantations which have been put forward by an international coalition of trade associations, cocoa and chocolate companies as well as non-governmental organizations. Several pilot projects on awareness-raising and in the field of education and technology have already been launched. The aim is to achieve a sustained improvement in production and labor conditions in cocoa-growing countries. Another initiative that Barry Callebaut actively supports is the "Sustainable Tree Crops Program", which is designed to improve the economic and social conditions of local, small-scale cocoa farmers and to promote environmentally sound, sustainable cocoa farming.

Working together closely with local cocoa farmers in Brazil and an independent advisory company, we also launched a project for the production of certified organic cocoa in November 2001, in response to growing consumer demand for organic products. These farmers will ultimately use no chemical fertilizers whatsoever to grow their crops. The conversion period from conventional to organic farming lasts about 18 months to 36 months, and the initial experiences and results are quite encouraging.

Food Manufacturers

Food Manufacturers, the largest business unit at Barry Callebaut, is focused on customer solutions for the entire food manufacturing industry, particularly for world-famous branded food companies. Its customers manufacture chocolate, sugar confectionery, dairy products, ice cream, biscuits, breakfast cereals and snacks using ingredients supplied by Barry Callebaut, and they have shown a tendency toward producing more health-oriented, premium indulgence products and convenience products. Barry Callebaut ranks as the global market and cost leader in this business and it offers food manufacturers a broad spectrum of products ranging from semi-finished and chocolate products to ready-to-use fillings, coatings and custom-tailored services. Barry Callebaut has benefited from the continuing outsourcing trend in the food industry.

The Food Manufacturers business unit can look back on a very successful year. Sales volumes advanced 5% to 510,319 tonnes, an increase of more than 24,000 tons – despite the flat, and in some cases contracting, international markets. This increase was mainly achieved organically. Sales revenues rose by 13.4% to CHF 1,579.7 million, more than sales volumes because selling prices were higher due to the increased underlying price of cocoa and because of the greater focus on higher-margin products.

Volumes increased 6% in Europe, 3% in North America and 6% in Asia-Pacific/Africa. Growth in Europe was primarily fueled by the buoyant course of business in the traditional markets such as the Benelux, France, Germany and Italy. In addition there was a clearly higher-than-average sales growth of 18% in Eastern Europe. The extreme hot weather conditions in Europe boosted the sales of products used in the production of ice cream and other dairy products, which more than compensated for the slight downturn in chocolate sales to the confectionery customers. Long-term supply contracts were signed with customers in various market segments. Three new distribution centers were inaugurated on the US West Coast, which has led to a further improvement in regional customer services and higher business volumes. In Asia-Pacific, despite the unfortunate outbreak of SARS (Severe Acute Respiratory Syndrome), sales volumes advanced 12% thanks to an optimized inventory strategy and an enlarged customer base. The organic growth and the consequent extensions of margins per tonne led to a substantial increase of the contribution to the Group's EBIT.

The Barry Callebaut Institutes, our centers of innovation and information, are constantly working on developing new products that reflect emerging and established food trends. Food trends are clearly pointing in the direction of more sophisticated products that are manufactured cost-effectively and in adherence to demanding quality standards. Another important task of the Barry Callebaut Institutes is providing customers with technical support. Two key issues in the coming years will be allergen-free products and food safety. Barry Callebaut is well prepared to address these issues and meet the most demanding food legislation standards.

As an extension of our existing line of products, we developed and marketed low-fat and low-sugar products that will help in the fight against obesity. Our most recent innovations include a lactose-free milk chocolate flavored product based on rice powder for consumers who want to avoid dairy products and chocolate enriched with inulin and oligofructose, natural vegetable nutrient fibers that improve calcium absorption and digestion.

Looking ahead, we expect the Food Manufacturers business to remain buoyant – due to our diversified and balanced contract portfolio over the different market segments with well-known food manufacturers. The international food manufacturing industry is in the midst of a prolonged period of consolidation and concentration.

Companies are increasingly focusing on core business activities – sales, marketing and production of core products – but need to extend their ranges with more added-value premium niche products in order to respond to the changing demands of the end consumer. There has been a clear tendency to outsource chocolate production. Barry Callebaut has already benefited from this trend for some time, both in our dealings with existing customers as well as when acquiring new ones. The potential has grown even more thanks to the acquisition of Stollwerck and Brach's, because we can now offer molding and packaging solutions for niche products. Local customer services paired with centralized production planning puts us in a position to combine flexibility and efficiency with lowest costs. For these reasons, we have been doing business with several local and international industrial customers – who procure their products exclusively through Barry Callebaut – for more than 50 years.

Looking at future growth markets, we will concentrate on the US, in particular the West Coast, and we are evaluating business opportunities in emerging markets that offer above-average growth potential.

Food Service/ Retail Business.

The Food Service/Retail Business Segment will continue to be selectively expanded in the coming years. Its products are closer to end consumers and distinguished by greater value added. This segment consists of the two business units Gourmet & Specialties and Consumer Products. Their customers range from craftsmen to internationally active retailers.

Food Service/Retail Business Segment[1]

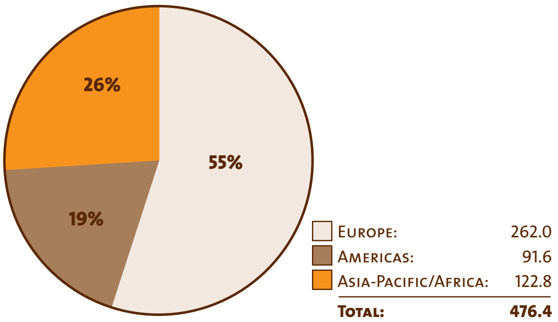
		Change in %	2002/03	2001/02
Sales revenue	CHF m	126.2%	1,377.4	609.0
Gourmet & Specialties	CHF m	12.5%	476.4	423.6
Consumer Products	CHF m	386.0%	901.0	185.4
Operating profit (EBIT) [2]	CHF m	30.8%	104.3	79.8
EBITDA[2]	CHF m	62.3%	152.9	94.2
Segment assets	CHF m	5.5%	776.5	735.8
EBIT/Segment assets[3]	%	n.m.f.	13.4%	33.6%

1 Information is based on Note 25, page 106
2 EBIT and EBITDA for 2001/02 are based on a normalized result excluding restructuring provisions amounting to CHF 80 million.
3 For 2001/02 segment assets linked to the Stollwerck acquisition have been excluded.

Sales revenue with artisanal users and retailers grew by 126% to CHF 1,377.4 million in fiscal year 2002/03. This hefty increase is primarily attributable to the first-time consolidation of Stollwerck and, to a lesser extent, to the acquisition of Luijckx. Operating profit after depreciation and amortization (EBIT) was CHF 104.3 million. The increase is partly attributable to the Stollwerck and Luijckx consolidation and a solid organic EBIT growth from Gourmet & Specialties both through growing volumes and higher margins. Total assets amounted to CHF 776.5 million. The relatively low amount of assets shows that the mainly molding and packaging operational activities of this segment are less capital-intensive than the Industrial Business Segment. EBIT over total segment assets was at 13.4%, compared to 33.6% in the previous year. The very high ratio in the previous year is typical for the Gourmet business, which outsources its production and which was the major part of this business segment prior to the Stollwerck acquisition.

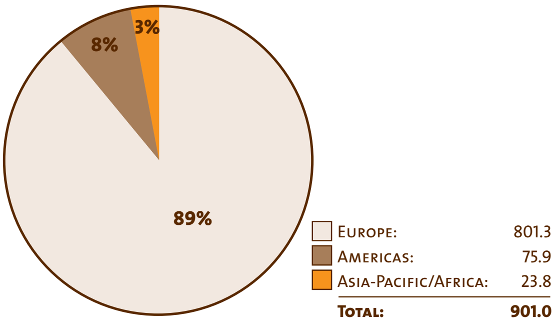
Gourmet & Specialties

Sales revenue by region, 2002/03
in CHF million



Consumer Products

Sales revenue by region, 2002/03
in CHF million



Gourmet & Specialties

The Gourmet & Specialties unit supplies professional chocolate users such as hotels and restaurants, chocolatiers, pastry chefs and bakeries. In the current atmosphere of heightened competition, the greatest potential lies in the development of innovative premium specialties as well as the areas of convenience, ready-to-sell and ready-to-use products. Gourmet & Specialties is being positioned increasingly closer to end consumers and will be selectively expanded, as evidenced by the acquisition of the Dutch-Belgian chocolate company Luijckx during the year under review.

Sales revenue in fiscal 2002/03 were up 12.5% to CHF 476.4 million, which corresponds to 13% of Barry Callebaut's total sales revenue. EBIT increased overproportionately and was again at a very high level. This increase is attributable both to the underlying volume growth as well as to the extension of margins, mainly by focusing on and introducing high-margin products.

In Gourmet, all brands contributed to this growth – Callebaut, Cacao Barry and Carma – as did all operating regions with the exception of Asia-Pacific (SARS) and Middle East (war in Iraq). The sales growth reflects the successful launch of new products as well as the continued steadfast focus on high-margin products, accompanied by a targeted reduction in customer labels whose margins were insufficient. Sales growth was also fueled by the introduction of a uniform pricing policy for distributors in NAFTA countries. After a successful start in Belgium in the preceding year, the e-commerce platform for the Gourmet activities was widened to include the United Kingdom.

The Dutch-Belgian chocolate manufacturer Luijckx was acquired in March 2003. Luijckx is specialized in manufacturing high-quality chocolate products and decorations and in marketing savory as well as ready-to-use and ready-to-sell products, targeting primarily professional users. By joining forces, these two companies have taken a leadership position in the markets for professional users in the Benelux and NAFTA countries. Luijckx's integration into the Gourmet & Specialties unit is proceeding as planned. This transaction has enabled Barry Callebaut to take another step forward in its convenience food strategy. Luijckx was consolidated as of the third quarter of the fiscal year. It contributed CHF 25.9 million to unit sales revenues.

The target customer segment of this business unit, which used to be organized into small and mid-sized companies, is currently in the midst of a phase of consolidation and concentration. Competitive pressure from new, more industrially-driven suppliers and from new distribution concepts (e.g. shop-in-the-shop) is increasing. Barry Callebaut, after carefully sounding out the differing needs and requirements of the various customer segments in this unit, has risen to meet this challenge in two ways: first, by stepping up the development of innovative premium specialties and, second, by offering convenience products that spare customers from having to undertake further processing after purchase (ready-to-use, ready-to-sell). Two examples here are "Ganache à la carte", a novel, ready-to-use filling with rich cream that can be stored for more than one year, and Mycryo butter, a natural substitute for gelatin based on cocoa butter, which were both launched in the past fiscal year. Moreover, synergies with the Consumer Products unit are being increasingly exploited.

In the Vending Mix business (cocoa blends for beverage machines), Barry Callebaut is shifting its emphasis from basic blends to products with additional value added. This means, for example, enhancing ready-to-use components and creating improved flavors. Our human resources were strengthened during the past fiscal year so we can realize the potential of these promising projects more quickly.

The Consumer Africa business, which is still managed by and consolidated in the Gourmet & Specialties business unit for historical reasons, once again performed well despite turmoil in Ivory Coast, posting high sales growth of 11.4%. The success of this business, which has continuously gained market share during the past few years, can be traced to the combination of local production (Ivory Coast, Cameroon, Senegal) of products tailored to local needs (chocolate, candy, breakfast products) and an effective sales network.

Consumer Products

The Consumer Products unit supplies retailers with both branded and customer label products. This carefully crafted two-pronged strategy has served us well. Following the acquisition of Stollwerck (Germany, August 2002) and Brach's (USA, September 2003), Consumer Products has become a strategic pillar of our group both from a sales and geographic standpoint. This development significantly increases Barry Callebaut's business mix in the higher margin finished consumer products markets, i.e. towards the end of the chocolate value chain.

Due to the first-time consolidation of Stollwerck, sales revenue at Consumer Products jumped 386% to CHF 901.0 million in fiscal 2002/03, which corresponds to 25% of Group sales revenue. Consumer Products has thus become the second-largest business unit. Factoring out the effect of the Stollwerck acquisition, sales revenue decreased by 7% to CHF 172.3 million primarily due to the economic weakness in Germany. Unusually hot summer weather throughout Europe was an additional drag on sales and consumers were also more price-sensitive, which raised sales of customer label products at discount retailers. Consolidation in the German chocolate market was evident towards the end of the fiscal year. The streamlining of the product portfolio led to a reduction in the number of SKUs (stock-keeping units) by more than two-thirds by the end of the fiscal year.

Through the acquisition of Stollwerck in August 2002, Barry Callebaut became the third-largest supplier and secured the number one position in the customer label market in Germany, the world's most important consumer market after the US. Stollwerck is number 2 in Belgium with its Jacques and Callebaut brands. Other advantages Stollwerck has to offer are its well-known and well-established brands, strong customer relationships, in particular with large retail chains, and its know-how in the end consumer business.

The integration and restructuring of the Stollwerck Group is proceeding according to plan, both financially and operationally, and will be completed in the summer of 2004. The sourcing, research & development, and quality management functions have already been integrated. The transfer of Gubor's production activities to Norderstedt near Hamburg and the closure of the two factories in Münstertal and Müllheim (Germany) were successfully concluded. Additional measures aimed at process optimization and synergy exploitation on the procurement side.

On the sales front, Stollwerck generated some growth despite the difficult economic environment and increased the pace of product innovation. Stollwerck does business with 9 of the 12 largest European retailing groups. These companies' sales are often larger than a country's entire economy. Stollwerck's customer label business has shown growth thanks to a number of new contracts, with additional support coming from the latest consumer trends. Sales of the products under the brands Sarotti, Alpia and Sprengel grew faster than the total market. Sarotti successfully launched an innovative product in the premium segment. Gubor, too, has developed various new products that are about to be launched and a new packaging concept.

Market shares were also increased in Belgium, where Barry Callebaut has a strong position with its Jacques and Callebaut brands. The same applies to Alprose in Switzerland and to France. Sales growth in the US or rather North America was in line with the targeted growth rates. Barry Callebaut now supplies all major retailing groups in the US, and occupies a particularly prominent position with regard to chocolate baking chips. We also succeeded in negotiating the placement of Gubor products with one of our key accounts last year.

In Asia-Pacific we generated high sales growth despite the ongoing economic uncertainty in the region. Eastern Europe, still of secondary importance to the Consumer Products business unit, is currently undergoing a strategic evaluation.

Barry Callebaut acquired Brach's Confections Holding, Inc., in the US in September 2003, one of the leading manufacturers of loose confectionery and fruit snack products in the USA. This acquisition will increase sales revenues of Consumer Products. As Brach's was exclusively focused on the US and other North and Latin American countries, this acquisition will concurrently raise the share of sales Barry Callebaut generates in the Americas. The US, the world's largest consumer and confectionery market, has thus become one of our most important sales markets. This dovetails with our stated strategy, as does the resulting increase in sales generated by higher value-added products with accordingly better margins.

Brach's offers a broad range of sugar and chocolate confectionery as well as fruit snacks. Both companies are highly complementary with regard to geographic reach and product portfolio. Brach's provides Barry Callebaut with access to new distribution channels, particularly to the large retailing chains in the US, and allows it to gain valuable experience in the US consumer market. This creates the platform for a global consumer confectionery business. Furthermore, Barry Callebaut can offer food manufacturers a broader platform for outsourcing and co-production.

Brach's will be consolidated as of September 1, 2003.

Two trends will continue to stand out in the global consumer products business: the first pertains to sharply rising demand from large, multinational retailing groups for customer labels and comprehensive solutions in category management, the second to consumers' growing preference for innovative premium products, which is by far the fastest growing market segment. Barry Callebaut is well prepared for both developments thanks to its dual strategy of branded and customer label products and, within the scope of a targeted internationalization strategy, it is aspiring to translate this potential into strong and sustainable profitable sales growth.

Annual report 2002/03

Achieving growth in mature markets

Contents

Introduction

Barry Callebaut increased its sales revenue, operating profit (EBIT) and net profit in the twelve months of fiscal 2002/03 ending August 31, 2003, despite generally flat demand for chocolate and even a declining market in some regions.

Our strong performance in a relatively stagnant environment reflects our solid position as the world's leading supplier of high-quality chocolate products. To continue to achieve sustainable growth in mature markets, we are focusing on those markets and businesses with the highest potential for expansion. Our 150-year history of innovation and our commitment to customer service and partnership provide a strong platform on which to build for the future.

Growth through innovation

At the Barry Callebaut Institutes, we experiment with new raw materials and processing techniques, test recipes and develop new products to enhance our product range. Our industrial customers look to us for innovative solutions and we also create recipes to meet the needs of chefs and chocolate artisans. Food professionals demand high-quality ingredients that are reliable, easy to use and have a long shelf-life. Consumers like variety in flavors and textures of food and enjoy new taste experiences. They also express increasing interest in foods that offer health benefits or meet special dietary requirements.

Barry Callebaut has a long track record of introducing innovative products, many of which have become benchmarks in the chocolate and cocoa industry. Our recognized efforts in product development will continue to distinguish us as an industry leader.

Centers of innovation

The Barry Callebaut Institutes

The Barry Callebaut Institutes located in Belgium, France, Switzerland, Singapore, Canada and Poland are centers of innovation in the world of cocoa and chocolate. They underscore our commitment to scientific research and to the enhancement and development of new applications and products.
Our Research & Development teams and technical advisors work together to create innovative solutions for our customers and prospective customers, including food manufacturers, confectioners and artisans, and ultimately consumers. We share our know-how and exchange information with customers and prospective customers through seminars, demonstrations, theoretical courses and practical workshops.
Here we highlight some of the activities of the BC Institutes over the past year...




Developing new products

Our most recent innovation is Mycryo, a versatile substitute for gelatin made from 100% cocoa butter that has been processed using cryogenics into a convenient, easy-to-use powder form. Because it is a 100% vegetable-based product, Mycryo is ideal for vegetarian dishes. Gelatins used in baking and cooking are usually of animal origin. Mycryo offers a number of advantages over gelatin. Cocoa butter improves the taste of products because it brings out the natural flavors of raw ingredients like fruit. It also gives a brighter and more appetizing color to desserts and confections.

While making chocolate cream in the traditional way, using gelatin, Technical Advisors Philippe Bertrand and Philippe Marand at the BC Institute in Meulan, France, observed that cocoa fats harden during the process. They questioned why was it therefore necessary to add a gelling agent to a recipe that already includes cocoa butter – given the natural hardening properties of that fat?

Their curiosity inspired an intensive two-year product development effort. The result is a product that we believe will mark a turning point for food industry professionals. Instead of working with gelatin, food professionals can now add the precise amount of Mycryo needed to stabilize the structure of creams and mousses. The product is hygienic, easy to measure to the exact gram, and quick to use since it dissolves instantly and homogeneously in mixtures that have been heated to a recommended temperature. In addition, Mycryo can be stored for up to one year in its airtight packaging.

Mycryo will be available in most countries. Technical advisors working with Cacao Barry brand products will use Mycryo in their demonstrations and courses as of September, 2003, giving customers a first-hand opportunity to try and sample recipes made with cocoa butter instead of gelatin.

Championing new talent

Every year Barry Callebaut participates in all major chocolate, pastry and confection trade fairs around the world. In addition to featuring our brands and product range at our own exhibit booth, our technical advisors conduct demonstrations and workshops on how to work with chocolate and also serve on juries at international chocolate and pastry competitions.

This year the BC Institute in Belgium sponsored the International Belgian Chocolate Award 2003 competition, underscoring our commitment to motivating and supporting talented young food professionals and craftsmen. The final event in the competition took place at "Chocoa", the first International Chocolate Trade Fair for professionals working in chocolate processing, held in Brussels in April 2003.

Seven professionals competed against each other for two days, or 15 hours, to make the most delicious pastry, the most heavenly pralines, the most surprising dessert dish and a showpiece in which Callebaut chocolates played the leading role. All the competitors had qualified for the finale in a pre-selection round. The finalists represented Belgium, the United Kingdom, the Netherlands, Germany, Spain, Iceland and Denmark.

The winner of the competition and "Laureate of Belgian Chocolate" was Serge Alexandre. The 36-year old Belgian craftsman works as a patissier-chocolatier at Maison Defreyne in Strombeek-Bever, Belgium. Barry Callebaut is proud to be the chocolate supplier to outstanding chocolatiers around the world who choose Barry Callebaut brands for their daily work.

Exploring new flavors

At the BC Institutes, our technical advisors work to create new recipes for confections and desserts often using ingredients not traditionally associated with chocolate. Gourmet customers, such as chocolate makers and artisans, for example, may continue to purchase the kinds of chocolate they are familiar with, yet they are also keen to try something different from time to time.

Some of the trends that we are observing in Europe and North America include the use of spices and herbs such as juniper berries and lavender, infusions, very dark chocolate and richer milk chocolate. In Canada and the US, consumers are enjoying more dark chocolate. Americans generally prefer milk chocolate and very sweet chocolate, and peanut butter continues to be a favorite ingredient to combine with chocolate. In Asia, desserts made with rice or sweet beans are popular, as well as jelly. Consumers there eat a mix of Eastern- and Western-style foods and like this combination in their desserts as well. Dark chocolate is generally preferred over milk chocolate in Asia.

Understanding the lure of flavor

Appealing to all senses

The search for new foods and drinks is not a recent phenomenon; it has preoccupied the human race since our ancestors discovered fire and learned how to cook. Flavor was an important factor in food selection in the evolution of our diet over many centuries.

Food science research has clarified how the senses work together in perceiving flavors. These findings have provided valuable insights to the food manufacturing industry. In the following interview, Professor Anthony Blake, Vice President, Food Science & Technology at Firmenich, explains that recent developments in diverse fields such as analytical, organic and physical chemistry; biochemistry; sensory analysis; and psychology have led to a new understanding of what flavor is, how we become conscious of it and how we develop the flavor preferences we have.

Professor Anthony Blake, Vice President, Food Science & Technology at Firmenich

Let's start with the basics. What exactly is flavor?

Anthony Blake: Flavor is the way food communicates with us. It describes the complex and interacting set of sensations we experience when we eat. Our five senses provide information to our brain every time we take a bite of something, chew it and swallow it. Most of the information comes from our sense of smell and is detected high up in the nose. In addition, the appearance and color of food, as well as its taste and texture are very important to how the brain perceives flavor. How we perceive a food's flavor is also influenced by our previous experiences of eating that particular food and the emotions we associate with those experiences.

How do we develop a liking for flavors?

Recent work shows that we start to experience flavor much earlier than previously thought. Already at 11 weeks after conception, the human fetus has a functioning olfactory epithelium so that by the time a baby is born it has already experienced the flavors of the food eaten by its mother during pregnancy. This has a strong influence on the food preferences the baby will have after birth. Whether infants are breast-fed or bottle-fed has also been shown to influence food preferences later in life. In addition, our early eating experiences as children and the sensory and emotional aspects of those times lead to deeply held notions of whether we consider foods to be delicious or disgusting.

Why do we like flavors that actually taste rather unpleasant at first – like coffee, tea and beer?

This is indeed a puzzling and intriguing aspect of human behavior. One possible explanation for our liking for coffee is that as children we learn to associate coffee, and its powerful and characteristic smell, with positive emotional situations that are essentially adult. Our experience of seeing adults enjoying coffee together might be markers for contentment and maturity.

It is a peculiar fact that many of the flavor molecules that we are most sensitive to are only generated by cooking and are not found in nature. However, just as with children, the key requirement for adults to acquire a liking for new flavors is repeated exposure to them. Even if we dislike the flavors on a first tasting, trying them regularly can ultimately lead to liking.

Consumers today seem especially eager to try new taste experiences. Is there a physiological explanation for this?

The craving for new foods may well be a uniquely human characteristic. Many animals show neophobia, an unwillingness to eat new foods, and human beings also show aspects of this, but still we actively seek to modify our diets by adding new foods and flavors. This need, as well as cravings for certain foods, diminish as we get older. Our olfactive sense starts to decline at about age 60 so that, ironically, older people are nevertheless more willing to try new foods. There may be an opportunity here for manufacturers to market more interesting nutritional foods for the elderly.

What makes foods "popular"?

Health is an important driver. And status. Some foods are considered fashionable or chic to eat. Also, people are driven by nostalgia. They turn to so-called comfort foods – foods associated with special attention, special care and recovery. Cocoa drinks at one time were the ultimate comfort foods. Chocolate, too, has been associated as a comfort food, as well as a reward food, a luxury food, a treat. People don't eat chocolate because they are hungry. It's all about well-being and indulgence.

What are some examples of food trends that have gone global?

The growth in the popularity of tea drinks, including green tea, has been a big change, as well as the growth of cranberry juice drinks. These trends have been associated with improved health and a move away from carbonated drinks. Incidentally, the interest in tea was driven by consumers, not by manufacturers. We're also seeing the increased popularity of hot and spicy foods such as Thai and Indian curries and Japanese foods.

Creating chocolate for changing consumer tastes and preferences

How Barry Callebaut drives product development

Food manufacturers, food professionals and retailers face a constant challenge to offer products that satisfy consumers' demand for new taste experiences and for foods with nutritional or functional attributes that can enhance health. Barry Callebaut's product development efforts are focused on innovative solutions to meet the changing needs of our customers.
Barry Callebaut products introduced in 2003 included...

Bake-stable chocolate sticks in two new flavors

Who can resist a bakery-fresh *pain au chocolat* or sweet chocolate bun? These classic treats have long been popular among consumers in many parts of the world. Barry Callebaut has been supplying the filling for the buns – bake-stable chocolate sticks – to our customers in the bakery business for decades. We introduced two additional stick products in mid-August 2003.

Chocolate sticks may not seem to offer much opportunity for innovation. However, we know from our customers – and studies have confirmed – that consumers are keen to experience new tastes and textures in foods. Our R&D team took on the challenge to add some variety and excitement to the market for chocolate sticks.

After extensive research and development work to identify new product possibilities, we conducted a number of taste tests at our facilities in Wieze, Belgium; Meulan, France; and Dübendorf, Switzerland as well as at various bakeries. The products were then further refined and improved.

The end result? In addition to the original chocolate stick, we now offer one made with hazelnut paste and another with crunchy cocoa nibs. The new products are used in the same way as the original; all sticks are sold under the Callebaut brand and are available worldwide.

Origin chocolate: a pure experience

Switzerland is known as the land of milk chocolate. However, dark chocolate with a high cocoa content has its growing share of fans. In June 2003, Barry Callebaut Switzerland launched *origine*

Chefs and confectioners are combining unexpected flavors with chocolate. What makes a particular combination of foods taste good?

I don't think we fully understand why certain combinations of flavors work well together and others don't. One idea is that foods that have some flavor characteristics in common seem to combine well. It's almost as if these common features build a bridge between the other flavor components that are present. One top class chef we know successfully combines blue cheese with chocolate in a dessert and white chocolate with caviar in an amuse-bouche because in each case these foods share key flavor molecules. His creations are certainly quite delicious, even if also rather surprising when first tasted.

What are your personal preferences when it comes to chocolate?

I think it's a great pity that chocolate has been essentially lost as a flavoring in savory foods. Mole, a chocolate-flavored spicy dish which dates back to pre-Columbian Mexico, is quite delicious and is still eaten in South America today.

Anthony Blake is Vice President, Food Science & Technology, Corporate R&D Division, at Firmenich, and Special Professor in the School of Biosciences, Division of Food Sciences, at the University of Nottingham. Firmenich is a leading flavor and fragrance supplier with headquarters in Geneva, Switzerland. Professor Blake's research interests include flavor perception and learning, specifically when and how learning takes place and the extent to which it shapes our future personal preferences for food.

rare madagascar, a couverture with a minimum cocoa content of 64% that is made from single origin beans grown in Madagascar.

About three million tonnes of cocoa beans are harvested worldwide on an annual basis. Madagascar produces some 3,500 tonnes of cocoa beans per year, making this island off the coast of East Africa a very exclusive cocoa growing country.

As with wine, the origin of cocoa beans determines the taste of the chocolate. Chocolate is usually a blend of cocoa beans of various origins. Single origine chocolates offer a distinctive taste experience. The flavor of *origine rare madagascar* is between mildly roasted and rich woody notes. The aroma brings to mind black tea with cream, mahogany and a note of tropical fruit with a fine truffle finish.

Early sales figures for *origine rare madagascar* are promising. In August 2003 Barry Callebaut Switzerland started to sell two additional origin chocolates on the Swiss market, *cuba* and *santo domingo,* both with a cocoa content of 70%. These two couvertures are produced by our subsidiary Cacao Barry in Meulan, France, and have been available on the French market for many years.

The origin chocolates are sold through selected premium confectionery shops, which buy the couverture from Barry Callebaut Switzerland and then use it to make their own chocolate tablets, pralines, chocolate rolls and truffle cakes. Barry Callebaut Switzerland provides confectioners with a promotional package for marketing the pure origin chocolates in Switzerland.

The role of chocolate in today's diet

A look at the changing way we eat

Changes in consumers' eating habits and their attitudes about nutrition, taste and the origin of the foods they eat are of profound interest to food manufacturers. Barry Callebaut closely monitors consumer preferences and market developments in order to develop cocoa and chocolate products that meet the needs of our customers.
In the following interview, Chris Provoost, Chairwoman of the Flemish Association of Food Experts and Dieticians, talks about some of the factors that are influencing modern-day eating habits.

People want to know what they are eating and are often concerned about the quality of the food that they buy. What is your opinion of this?

Chris Provoost: Let's be clear about one thing. Consumers have never had such a wide choice of tasty, varied and healthy food. There are a number of reasons for this. We now have a wide range of products from all over the world available to us. Food regulations have become very strict and tests are getting more accurate and detailed. Finally, the more critical attitude of consumers also plays a role in determining what is on offer. It is up to the food industry to react in an appropriate way. In the last analysis, however, consumers are responsible for their own health.

Have there been significant changes in our eating habits?

Indeed there have, starting with breakfast, which many people now tend to skip, unfortunately. This is not really such a good idea, as the need for energy has to be satisfied in the course of the forenoon.

Another development is that fewer people sit down to a proper meal. Instead, they eat more snacks and ready-made meals. It is therefore important for these products to contribute toward a healthy diet. In other words, they must not contain too much fat, they must have the right combination of fatty acids, and they must contain enough fiber, vitamins and minerals. As long as these conditions are met there's no problem. The food industry can look for tasty, nourishing alternatives that form a valid alternative to the "traditional" meals.

You recently took part in a scientific study involving chocolate. What are the main conclusions that you drew from this?

Chocolate still tends to be considered as a "neutral" source of energy, but this is far from correct. While it certainly provides a lot of energy, chocolate also contains valuable nutrients such as iron, magnesium, zinc and so on, as well as anti-oxidants which have been scientifically proven to help in protecting us against cardiovascular diseases, among other things. That makes chocolate much more than just a "sweet temptation"!

How can chocolate best fit into our diet? What do you think of chocolate for breakfast?

Breakfast foods with chocolate tend to be very enjoyable and can encourage children to start their day in a regular way with a healthy breakfast. And a glass of chocolate milk with their sandwiches during breaks is a way of making sure that growing children get enough calcium.

What about snacks?

Here too, chocolate can make a contribution towards more healthy "snacking." For example, fiber-rich breakfast biscuits with chocolate.

That takes us to the midday meal.

Many people have to eat at work or on the road, which means that lunch does not always get the attention it deserves. All too often, a sandwich does not form a balanced meal. It may satisfy your hunger, but your body does not get all the essential nutrients it requires. That's not to say that such a lunch is necessarily an unhealthy meal, but there is a risk of people in the office eating the same thing for lunch, day after day, so that the diet is unbalanced and supplements become necessary.

Where previously people tended to suffer from deficiency diseases, nowadays the situation has reversed, and diet recommendations have to be aimed at preventing the so-called "diseases of affluence." Recently it has been discovered that certain bio-active materials can help to prevent such diseases of affluence, and the food industry has picked up on this. These "functional" foodstuffs offer added value that can be useful in certain situations. Natural food fibers such as inulin and oligofructose are a good example. A well-balanced intestinal flora now turns out to be very important, and prebiotics such as inulin and oligofructose can help to ensure this. Furthermore, they also promote calcium absorption in the gut.

There are actually two sides to the question. On the one hand it is the responsibility of the food industry to provide consumers with accurate information. On the other, it is up to consumers to decide for them which products are most beneficial and desirable for them.

For instance, we increasingly find products with "extra calcium" on the supermarket shelves. From the media and other sources we know that the population is aging and that calcium can help to prevent afflictions of old age such as osteoporosis. So we as consumers become better informed on both sides, which can only be good.

Certainly, for consumers to constantly maintain a balanced diet they have to be aware of what they are eating. But are they sufficiently aware?

Indeed they are, and increasingly so. As nutrition specialists we can only welcome this. Recent food scandals have made many consumers think seriously about what they are eating – witness the number of people who have suddenly become vegetarians. On the other hand, many people are easily influenced by fashion, eagerly adopting anything that is new and trendy. But fortunately there are also many who consciously try to follow a healthy pattern of eating, frequently combined with adequate physical exercise. Statistics show that this latter group is becoming more numerous.

◂ Chris Provoost is Chairwoman of the Flemish Association of Food Experts and Dieticians

Consumers must have access to accurate information if they are to consciously follow a healthy diet. Where can they find such information?

First of all, from the packaging of the food they buy. This lists the ingredients and the nutritional values, according to rules laid down by law. Good packaging must be clear, complete and understandable. A full and accurate list of ingredients is essential, whether for people with food allergies or for those who have to follow a particular diet for health reasons.

Advertising on radio and television also plays an important role, as does government information. Other sources of information that should play an educational role are, of course, newspapers and magazines. Every lifestyle magazine nowadays has a "health" section and a "food" section. Then there are the cookery books, which are increasingly popular. People are attaching more and more importance to what they eat, and they want to enjoy it, which is perhaps the best trend of all.

Here's to your health!

Barry Callebaut creates products with added benefits

Many health-conscious consumers today choose foods that combine flavor with other benefits. The choice is based on a conviction that you can enjoy food while at the same time contributing to the healthiness of your lifestyle. The growth in organic and vegetarian foods illustrates this trend. The scientific insight that we can take care of our bodies by choosing foods that have been enriched with health-promoting ingredients such as minerals, vitamins or natural extracts – also known as functional foods – has led to growing consumer awareness.
Barry Callebaut recently introduced two new chocolate formulations that combine the attributes of good taste and well-being: a milk chocolate flavored product based on rice powder and chocolate enriched with inulin and oligofructose.

No milk and the natural nutritional power of rice

By using rice powder instead of milk powder in a milk chocolate, Barry Callebaut has created a delicious product that is difficult to distinguish from classic milk chocolate either in taste or in appearance. The result is chocolate for anyone who would like to enjoy the taste of milk chocolate while avoiding dairy products. The naturally available nutritional components of rice and their functional advantages give this chocolate product an added healthy boost.

Rice has been recognized by the World Health Organization as an important basic foodstuff and is consumed on a daily basis by more than 60% of the world's population. It is cultivated and processed without chemicals and is guaranteed GMO-free. Rice tastes neutral in contrast to other cereals or dairy substitutes and is cholesterol-free. Rice is one of the most digestible of all cereals and is particularly nutritious. Scientific studies examining the carbohydrates, proteins and fats in rice have confirmed the value of rice as a basic ingredient of functional foods.

Our milk chocolate flavored product based on rice powder is ideal for a broad range of consumers of all ages, including consumers who choose 100% vegetable-based products, such as vegans and vegetarians; consumers who choose Kosher foods; and consumers who eliminate dairy products from their diets because of milk protein allergies or lactose intolerance. Because rice contains no gluten – in contrast to other types of cereals such as wheat, barley, rye or oats – this Barry Callebaut product is also guaranteed safe for consumers with gluten allergy.

Enriched chocolate: A delicacy that's so much more

Consumers have demonstrated increasing interest over the past few years in good-tasting products that offer a guarantee of adequate intake of nutrients, preferably in enriched form. Through the addition of certain vitamins, minerals or natural extracts, these enriched or functional foods can exert a positive influence on the body or specific body functions. Barry Callebaut has created a new range of chocolates enriched with inulin and oligofructose, products for the whole family that combine a delicious taste experience with extra properties.

100% natural

Inulin and oligofructose are both natural, 100% vegetable, active nutrient fibers. Inulin is a plant extract. It is naturally present in many different types of vegetables and fruits. The highest levels are found in chicory root, the principal source

Chris Provoost is Chairwoman of the Flemish Association of Food Experts and Dieticians. Until recently, she also played an inspirational role in the Food and Health Conference, an annual scientific forum for professionals in the food industry.

from which it is extracted. Oligofructose is produced from inulin through a simple process that preserves the natural character of this nutrient.

Due to their natural character, inulin and oligofructose are officially classified worldwide as nutrients rather than food additives. They can be consumed alone or with other relevant foods without restriction. Since both nutrients are odorless, colorless and flavorless, they have no modifying influence on the flavor, color or appearance of chocolate.

The benefits of nutrient fibers

Inulin and oligofructose have a positive influence on the body's beneficial intestinal flora. They are not digested in the stomach or small intestine and arrive unchanged in the large intestine, which contains many large and complex colonies of beneficial as well as potentially harmful bacteria. Inulin and oligofructose promote the growth of beneficial species of bacteria in our intestines. Moreover, after a certain period they inhibit the colonies of "bad" bacteria.

Recent scientific research also shows that a daily intake of inulin and oligofructose promotes calcium absorption by up to 20%. Children and adolescents need sufficient calcium to ensure the formation of healthy bones and teeth during their growth phases. Calcium is also important for women to prevent osteoporosis.

From healthy breakfast to delicious dessert

A regular daily intake is recommended to get the maximum benefit from inulin and oligofructose. Eating a diverse range of foods enriched with these nutrients, in addition to existing natural sources such as specific vegetables and fruits, helps ensure that you consume sufficient amounts.

Barry Callebaut chocolate enriched with inulin and oligofructose offers tasty possibilities. Used in breakfast biscuits, cereals or bread, this chocolate can tempt both children and adults to eat breakfast, a basic requirement for fitness and energy through the day. Other products that can encourage consumers to ensure they have a complete and varied daily menu include healthy snacks, such as cereal bars, and desserts containing the enriched chocolate.

Pointing the way towards growth
New markets, new requirements, new challenges. Even in a "traditional" market such as chocolate, change and innovation are necessary. With its new products, Barry Callebaut demonstrates the imagination and creativity to respond to changing consumer needs.

Growth through customer focus

Strong customer relationships are vital in our business. Our activities are targeted to meet the different needs of our customers – from multinational food manufacturers and mid-size producers to artisans, pastry chefs and food professionals to chocolate lovers of all ages.

We work with our business customers to develop tailor-made chocolate, fillings and cocoa powder, as well as chocolate products made to customer specifications. But we don't stop there. We strive to develop an in-depth understanding of their businesses and we work to help them increase their sales. In addition to product development, our services include quality assurance, on-site technical advice and just-in-time delivery. We are also closely attuned to the preferences and eating habits of consumers around the globe.

More chocolate in every bite!

Teaming up with Kellogg to create "uncommonly good cookies"

Consumers today prefer chocolate chip cookies that are rich, buttery and golden-brown but the real differentiator between a good chocolate chip cookie and a great-tasting one is still the chocolate.

Barry Callebaut worked with Kellogg Company on a project to review and reformulate the cookies in the top-selling Keebler® Chips Deluxe® line in time for sales to retailers six months later. The Kellogg team wanted to develop the best possible cookie, with "more chocolate in every bite" than the leading competitor's brand.

Reinvigorating the Chips Deluxe line involved reformulating the base cake and the chocolate as well as the candy-coated chocolate gems that top the Chips Deluxe Rainbow variety.

Determining the perfect inclusion with the right chocolate intensity was a complex task. Lab work started in October 2002. Barry Callebaut offered its R&D expertise and delivered an array of chocolate samples, including chips containing varying levels of chocolate liquor and chips made with chocolate liquor from different beans. The Kellogg team evaluated the samples according to their knowledge about consumer preferences. They tested many different variations of chocolate and chocolate combinations. The goal was to produce a cookie with a high intensity chocolate chip, with the right sweetness balance.

In addition to recipe and ingredient changes, the Chips Deluxe restaging also involved modifications to processes. Barry Callebaut shared its know-how in operations to assist the Kellogg team in resolving various equipment and processing issues as well as production issues in the plant.

Since selling activity to the retail trade happens well before shelf time, the product reformulation requirements had to be resolved within six months of the concept phase. The goal was to have the Chips Deluxe cookies in the stores in time for summer and back-to-school sales in June and July. Barry Callebaut rallied the talents of its managers and staff in R&D, operations and sales to help the Kellogg team achieve its goal in the timeframe required.

With the successful completion of the product reformulation work, Kellogg's Sales organization was able to start selling the new Chips Deluxe cookie varieties to their retail customers as early as March 2003 and throughout April and May.

Today's leading food manufacturers demand speed, service and quality from their suppliers. At Barry Callebaut, we take pride in going beyond what is expected and serving our customers as a resource for innovation and creative problem solving. We define collaboration as understanding our customer's business and supply chain and sharing our knowledge and technical resources to ensure that our partner achieves success. For Barry Callebaut, collaboration means being part of the solution.

About our customer

With 2002 sales of USD 8.3 billion, Kellogg Company is the world's leading producer of cereals and a leading manufacturer of convenience foods such as cereal bars, frozen waffles, toaster pastries, cookies, and crackers. The company also produces natural and vegetarian foods.

Founded in 1906 and dedicated to providing nutritious, good-tasting foods, Kellogg has manufacturing facilities in 19 countries and sells its products in more than 180 countries. Kellogg brands include Kellogg's, Keebler, Pop-Tarts, Eggo, Nutri-Grain, Cheez-It, Morningstar Farms, and Kashi. Barry Callebaut has been supplying chocolate for Keebler cookies for some 15 years and is proud to have been honored nine consecutive times with "The Ernie", a supplier recognition award named after the elfin mascot Ernie Keebler™.

THE NEW CHIPS DELUXE CHOCOLATE LOVERS COOKIES VARIETY CONTAINS A PROFUSION OF DARK CHIPS AND MILK CHOCOLATE CHUNKS.

Guylian and Barry Callebaut:

A chocolate partnership since 1967

Guylian chocolate Sea Shells, with their delicious praline filling, are internationally famous and their quality is savored by connoisseurs worldwide. Introduced in 1967, the chocolates were originally made by hand by the Belgian confectioner Guy Foubert and his wife Lilian in a small shop in Sint-Niklaas. From the start, the Fouberts chose Barry Callebaut as their supplier for both the chocolate used to make the shells and for the fillings. Today Guylian is the leading manufacturer of box chocolates in Belgium, exporting 95% of its products to Germany, the UK, the US... from airport gift shops to fine retail stores. Guylian's current manager, Carl Krefting, talks about why the partnership with Barry Callebaut is as strong as ever.

Carl Krefting: Two things have always been very important for Guylian. The first is creativity, right from the very start. Our motto "Creations in Belgian chocolate" is not an empty slogan. Our chocolate Sea Shells, for instance, were originally unique creations, something never seen before. This was one of the reasons for their great success.

The second reason for our success is quality. Every product is signed with the initial "G" as our hallmark. To guarantee this quality, we make all our products in-house using ingredients that are carefully selected according to strict principles. We are especially critical about the quality of our milk powders, hazelnuts and chocolates, for example. Over the years, we have learned that we can be fully confident with Barry Callebaut when it comes to the quality of our chocolate. It's extremely reassuring for us to know that we have a partner who cares about quality as much as we do. Moreover, it's very heartening to look back on the continuity of quality that they have ensured for us for more than 30 years.

How production has evolved: from making chocolate by hand to production using an almost fully-automated system with ISO certification, operating in accordance with advanced HACCP and GMP procedures

Everything is still prepared in-house according to the original recipes of the founders. However, chocolate is not a static ingredient. New automated processing techniques demanded corresponding changes in the structure of the recipes, such as different viscosity for the chocolate, in order to achieve the same familiar end-result that customers are so attached to. This was of critical importance for us, as we didn't want to deviate from the typical taste and texture in the slightest way, even when changing to more modern production techniques.

Customers expect the Guylian quality that they have been accustomed to and we must be capable of delivering that quality! We were able to achieve this because Barry Callebaut also attaches great importance to quality. They provided us with chocolate and other ingredients that enabled us to automate our processes while still meeting the customers' expectations in every way.

A partnership based on trust, respect and support...

During the Belgian Dioxin crisis, for example, many overseas customers were unwilling to accept any foodstuffs from Belgium, even products that were clearly unrelated to the dioxin affair. We had various consignments on their way to North America by ship. Barry Callebaut, as the leading representative of the industry, took an active role in helping the Belgian government get the products accepted by the US Food and Drug Administration. Barry Callebaut assembled all the appropriate documents showing that the products were pure and had absolutely nothing to do with suspect ingredients or dioxin contamination. I can assure you that this was hugely important for us! The shipment on its way to North America was destined for the Christmas market, which is crucial for our turnover.

A partnership in the area of product innovation

Guylian asked Barry Callebaut to develop a new chocolate without added sugar. At that time, all other chocolates with artificial sweeteners didn't taste terribly good. We were convinced that there was huge potential in the American market, if only an acceptable alternative could be found. It may have seemed a crazy idea at first, but Barry Callebaut took it very seriously and was prepared to stick its neck out and make the necessary investment. They managed to come up with a good-tasting, high-quality chocolate using maltitol. At first they only produced very small volumes for us, but maltitol chocolate quickly became a hit for Barry Callebaut as well.

Quality, a matter of trust

Lasting commitment

Quality is the basis for success in the food industry. At Barry Callebaut, we are proud of our strong reputation for consistently producing high-quality and innovative chocolate and cocoa products that are the "products of choice" for food manufacturers, confectioners, artisanal users and consumers throughout the world. We work hard to earn that reputation every day.

Our commitment to quality encompasses the raw ingredients we use, the recipes we create, our production processes, the taste and technical properties of our products, our delivery channels, and the wide range of services we offer to our customers. The Quality function at Barry Callebaut reports to the Board of Directors to ensure the independence of our quality assurance processes.

Quality for us means continually meeting or exceeding the expectations of our customers, employees and shareholders. We believe quality is fundamental to achieving our goal of growth in a mature market.

The focus of our quality policy has shifted over the last 15 years from a product-orientated to a client-directed approach. In other words, quality is not primarily about complying with standards and procedures. Standards and procedures have now become tools for tailoring the product to the customer's requirements and ensuring that customers get what they want.

The quality process

The quality process at Barry Callebaut is based on technical standards, such as those established by the ISO (International Standards Organization), and procedures including GMP (Good Manufacturing Practice) and HACCP (Hazard Analysis and Critical Control Point). Other important principles in quality assurance are Identification & Traceability, Hygiene and Training.

Raw materials

Chocolate is made from a natural product, cocoa beans, so this is where quality assurance starts. The beans are checked for foreign material, pests or insects. A series of tests is conducted to assess fermentation quality, fat and moisture content, and other properties. The beans (both raw and roasted) are also evaluated on flavor and aroma by trained experts.

All raw materials and packaging are purchased through Barry Callebaut-approved suppliers. Every Barry Callebaut site develops and implements quality plans that define the parameters of compliance for all raw materials and packaging. These parameters include not only critical parameters specified by HACCP and GMP but also technical, sensory and compositional requirements. All raw materials are checked upon delivery for the completeness of their documentation and any required certification status, such as organic or Kosher.

R&D

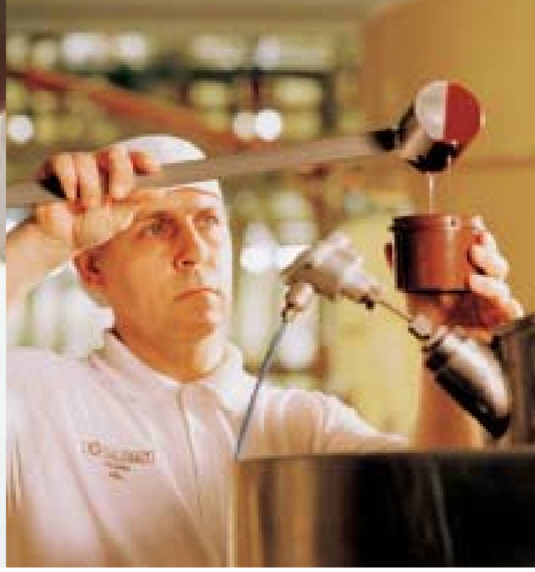
Research & Development activities at Barry Callebaut reflect our constant search for new opportunities. The R&D teams continually examine how existing products can be further improved and develop new products. They also examine the possibilities of working with new raw materials and processing methods. In addition, our R&D teams advise industrial customers on issues ranging from storage and packaging requirements to food legislation and also provide technical support. In our applications laboratories, we can simulate production runs to further improve our client's processes. We can also evaluate new product concepts and test them to the expectations of the client.

HACCP

HACCP (Hazard Analysis and Critical Control Point) illustrates the systematic approach we take to quality at Barry Callebaut. Hazard Analysis means answering the question "Where can things go wrong?" Critical Control Point means monitoring these points in the process to ensure that things go right and act according to predefined action plans in case a deviation occurs.

Each Barry Callebaut site has a dedicated HACCP team that coordinates and implements the HACCP measures. This team is responsible for mapping the potential dangers of chemical, physical, microbiological and allergen contamination for each stage in the production process. All raw materials, semi-finished products and end products are subject to defined specifications. Similarly, all critical control points for each department, product and process are predetermined: from the arrival of raw materials through the different processing stages, up to and including the delivery of end products.





GMP

GMP (Good Manufacturing Practice) consists of identifying the most appropriate procedures and applying them in a uniform way throughout the organization. They are based on international hygiene standards and completed with new requirements from individual customers. The resulting list of do's and don'ts is implemented systematically and the result is a smoothly functioning and coordinated manufacturing process. For example, the use of wood is avoided in all production areas. Wooden pallets are allowed only in the storage areas for raw materials and processed products. If raw materials are needed in a production area, they are placed on plastic pallets. Similarly, drains are forbidden in all production areas. Any water is removed using vacuum cleaners. Air filters are regularly checked or replaced within the usage period specified by the manufacturers.

Identification & Traceability

In order to guarantee the traceability of raw materials, semi-finished products and processed products, Barry Callebaut has developed an identification and traceability (I&T) system long before the introduction of the respective EU Regulation (General Food Law), which prescribes that all food and feed business operators need to be able to identify any supplier of food, feed or any other substance to be incorporated in a food or feed. On the other hand, the food business operators need to have systems and procedures in place to identify who their products have been supplied to. This forms the backbone of our quality assurance.

Already before the Dioxin crisis of 1999, Barry Callebaut put a system in place that allows us to trace back what raw materials were put into which finished product and from which supplier's site the ingredient came from. A similar system was set up on the customer end of the chain. This traceability system has been continuously improved. It allows us to trace back, within minutes and with only basic information (e.g. "milk chocolate, a few weeks ago") what exactly the product was, to whom it was shipped, what the total volume produced of this product was, to which batch production it belonged and how many other customers had been supplied with the same lot of product. It is even able to identify which operators contributed to the manufacturing and packaging of the product and which other sites have used the same ingredients.

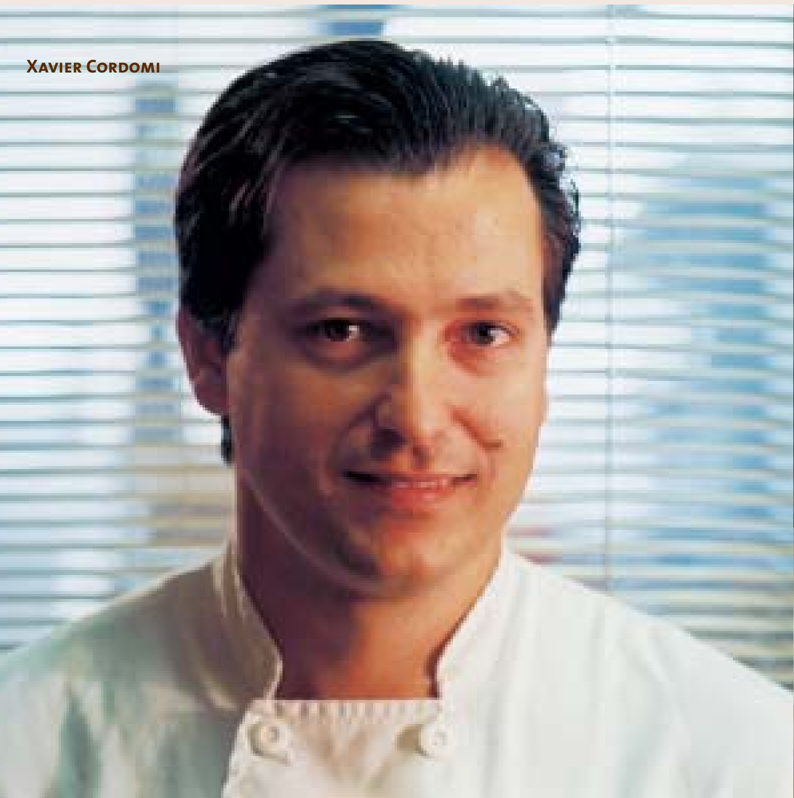
In order to achieve complete traceability at ingredients' level, all raw material specifications and approved supplier lists have been simplified, standardized and harmonized throughout the Group. Most production plants are part of the system today and we are continuously striving to integrate the missing sites. This quality and traceability system goes to prove that Barry Callebaut attaches utmost priority to food safety.

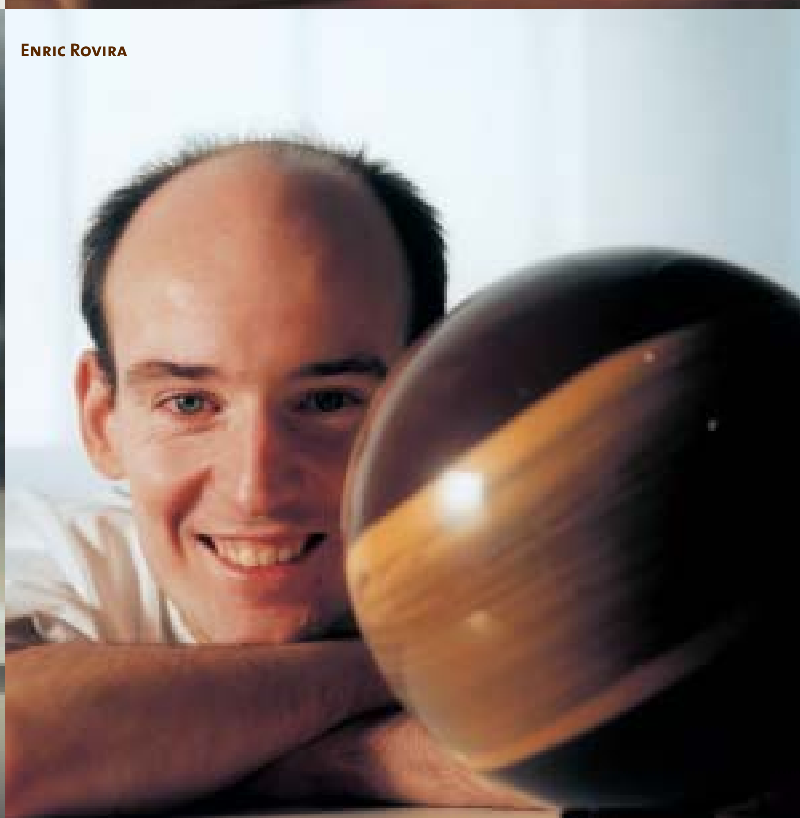
Hygiene, Allergen Control & Training

Hygiene and allergen control are managed according to the principles of GMP and HACCP. For instance, equipment and the production environment are examined regularly for microbiological contamination. Since chocolate manufacture may involve the use of milk products and nuts, we take rigorous measures to eliminate cross-contamination and to ensure appropriate labeling. All personnel receive training in hygiene, HACCP and GMP and this training is regularly updated.

Chocolatiers in Spain blend traditional expertise and modern flair

Spain is a land of contradictions: deeply rooted in tradition yet bursting with creativity, originality and style. These contradictions also extend to chocolate. In the century after Christopher Columbus first encountered cocoa beans on the island of Guanaja off the Honduran coast, Spain led Europe in cultivating and preparing the cocoa and chocolate drinks. Yet the appreciation of chocolate as confectionery did not develop as quickly in Spain as in other countries. Today Spain is rediscovering chocolate in a big way. Spanish chocolate makers are enjoying worldwide acclaim for their imaginative creations and Barry Callebaut is the supplier of choice to a new generation of chocolate artists.


Xavier Cordomi


Enric Rovira

Xavier Cordomi:
Catalan tradition and craftsmanship

Xavier Cordomi represents the fourth generation of the Cordomi family in the chocolate business founded by his great-great-grandfather Joaquin I Cordomi in 1821. In the small "Bombons Blasi" atelier in the heart of Barcelona, chocolates (some of them destined for members of the Spanish royal family) are still made by hand in the tradition of the master chocolatier.

Xavier Cordomi has more than 300 chocolate recipes, some of which were developed by his great-grandfather. He first tried Barry Callebaut products seven years ago and found that with Callebaut chocolate he could reproduce exactly the flavors he wanted with great reliability. This convinced him to discontinue chocolate production and to focus instead on his core business of making hand-crafted chocolates. He refined and improved the recipes in his collection and created new fillings. Spanish tradition and pure flavors remain paramount in his work.

Purely handmade

"The chocolate trade in Spain is driven by two opposite trends," Xavier Cordomi explained. "Although many confectioners have industrialized their chocolate production over the past 10 years, Spanish customers are turning back towards the pure, handmade product. That's why we have also chosen to turn back to pure craftsmanship. With Barry Callebaut we have a reliable basis on which to focus on our main business."

Bombons Blasi's trademark product is a hand-dipped chocolate with a wafer-thin, crackling chocolate coating and a filling of almond or hazelnut praline. "The hand-dipping and decoration emphasize the artisanal character, while the praline suits the taste of the Spanish consumer. This taste lies between the somewhat sweeter products of the Belgian chocolatiers and the extra-bitter creations of our French neighbors. I often add a small amount of dark chocolate to milk chocolate in order to create the flavor the Spanish customer wants", said Xavier Cordomi.

A taste of the sun

"In this region, as in most other Mediterranean countries, there is a preference for the typical local flavors: dried fruit, caramelized apples, pralines and nuts such as almonds, macadamia, hazelnuts and so on," explained Xavier Cordomi. "We don't use any cream or sweet marzipan fillings, but we do use butter as in making ganaches. The preparation is quite simple, too, in common with other chocolate cultures. In short, the pure, natural flavors of the typical ingredients of the Catalonian region. With Barry Callebaut we are able to achieve this unique combination of tradition and craftsmanship on the one hand, and innovation and progress on the other."

Enric Rovira:
A sweet success in the land of surrealism

In the picturesque village of Castelbell I El Villar, nestled in the shadow of mountains, is the workshop of Enric Rovira, a craftsman who puts "design" into chocolate. His creations are considered very innovative, even revolutionary. Talent, determination and 10 years of persistence have paid off: Enric Rovira has increased his customer base 25-fold and now supplies exclusive retail outlets all over the world, including Harvey Nichols in London, the Bijenkorf in Amsterdam, and shops in Zurich, Milan and other major cities.

Enric Rovira relies exclusively on Barry Callebaut for his raw materials. "Callebaut offers chocolates with flavors that, while they are distinctive, nevertheless enable you as a chocolatier to add many more dimensions to them", he said. "Other brands are often too specific in taste or have aromas that are too prominent, making it difficult to put your own stamp on it as a chocolatier."

"Due to the absence of a chocolate culture, many Spanish consumers don't know what really good chocolate is. The chocolate that is produced here is much sweeter and has a different texture to Belgian chocolate. We let the customers taste the difference between the local and true Belgian chocolate."

A taste of the fantastic

Enric Rovira is more than a master craftsman, he is an artist who creates his own fabulous world in the medium of chocolate. Take for example his Easter eggs, which give a whole new meaning to the term "plastic art." They start off egg-shaped enough, but then Rovira lets the Spanish sun burn holes in their chocolate shells, molding and transforming them into surreal, Dalí-esque objects.

Then there are the hemispheres in his "Planetarium" range, containing ganaches with surprising and often daring aromas. Chocolate with saffron, for example, or Campari, or even salt and pepper. His chocolate bars, too, are out of the ordinary. They are shaped like the tiles that decorate the streets of Barcelona and the front of Casa Mila, the famous Gaudi house in that city. The tops of the chocolate bars are strewn with a mixture of nuts, like a mosaic, recalling one of Gaudí's artworks in the Parc Güell.

All Enric Rovira's creations reflect his Catalonian roots and incorporate typical regional ingredients and flavors such as nuts, pine kernels and orange. He explained: "I interpret the local, Catalonian ingredients very broadly. Or rather I reinterpret them in imaginative, fanciful ways. And strangely enough, they find favor not only in Catalonia but also in other parts of the world. This is the contradiction at the heart of our culture: intensely traditional, but also highly creative."

New Barry Callebaut products for artisans and confectioners

Delivering on market demands for quality, convenience and long-lasting freshness

Consumers' appreciation of the taste and quality of handmade confectionery is growing, which is good news for our artisanal customers who include chocolatiers, confectioners, hotels and restaurants. For many of these Gourmet customers, however, rising consumer demand has resulted in increased competition from semi-industrial and industrial manufacturers, and from supermarkets and other retailers that have implemented new distribution models, such as shop-in-the-shop concepts. The number of market participants has declined notably in several countries over the past few years. Difficulties in recruiting qualified personnel, rising wages, and pressure from unions and government bodies to reduce working hours in some countries have added to the competitive pressure.

Although product differentiation is harder to achieve in this more competitive environment, our customers are finding opportunities by concentrating on superior quality products and by using convenient, ready-to-sell and ready-to-consume products. At Barry Callebaut we are placing even more emphasis on innovative premium specialties and on convenience products that do not have to be further processed by the buyer.

We carefully consider the varying needs of our different customer segments: from perfection-oriented chocolatiers and confectioners who use our brands Callebaut, Cacao Barry or Carma for top-of-the-line creations, to customers who rely on the convenience products brought to them under the Carma and the Luijckx brands. Our customer-focused orientation is communicated through our dedicated and expanded sales team and the technical advisors at the BC Institutes who demonstrate our products. Also contributing to our knowledge exchange with customers are the chocolate experts who are part of the Cacao Barry Ambassador program.

A distinctive chocolate for connoisseurs, available only through artisans

Gourmet chocolate craftsmen pride themselves on offering their customers distinctive and original products made from the finest ingredients. Superior taste and authenticity are the hallmarks of their creations.

One of the business realities they often struggle with, however, is the competitive challenge posed by mass retailers. To help our customers, the gourmet craftsmen, bolster their business positions in light of this encroaching competition, Barry Callebaut surveyed craftsmen and chocolate connoisseurs in Europe and North America to determine what they and their customers most wanted in a chocolate.

The result is Callebaut's *chocolat de l'artisan.* This is "traditional authentic chocolate" – the type of professional-quality chocolate favored by craftsmen who process and transform it with skill and artistry. It is available in select countries to connoisseurs for purchase only from gourmet craftsmen. Confectioners can now offer their customers a unique product – a piece of craftsmanship – that cannot be found in other retail stores or through mass merchandisers.

Ganache à la Carte is convenient – and delicious

Ganache à la Carte was developed at the Barry Callebaut Institute in Meulan, France, to meet the exact product requirements and standards of professional chocolate users, as well as to inspire their creativity. The product is based on one of Charles Barry's original recipes and is sold under the Cacao Barry brand.

Launched in January 2003, *Ganache à la Carte* consists of dark, high-quality Cacao Barry chocolate, milk chocolate, pasteurized cream and sugar. This innovative product cannot be compared to previous ganache products that combined dark cocoa powders and vegetable fats.

Ganache à la Carte is made from the finest natural ingredients. It is rich and creamy and tastes home-made. The ready-to-use ganache is easy to work with, meets high quality standards and has a shelf life of one year (with closed packaging).

Confectioners save time using *Ganache à la Carte* and yet they can also add their personal touch to the product when using it as a basis for chocolate mousse, for example, or as a filling for chocolates or chocolate desserts. Master confectioners are justifiably proud of their unique creations and Barry Callebaut is proud to contribute to their success.

Whether sweet or savory – Luijckx has got it

In February 2003, Barry Callebaut acquired the Belgian-Dutch Luijckx Beheer Groep. In their own plants, Luijckx manufactures chocolate, marzipan and all forms of decorative garnishes made from marzipan and from chocolate. The company also markets savory products, pre-sliced frozen cakes, toppings as well as ready-to-use and ready-to-eat soy products. With these new product groups that previously were not included in our product assortment, we will be able to cover the increasing demand in the gourmet sector for ready-to-eat and ready-to use products even better.

Rejuvenating the legendary Sarotti brand

In 2003 the Stollwerck team continued to execute the successful "I wish…" ("Ich wünsche mir…") promotional campaign for its core brand, Sarotti, in Germany. Stollwerck acquired the rights to the brand from Nestlé in 1998, yet the history of Sarotti chocolate dates back to the 1850's in Berlin. The brand has a rich legacy on which to build.

The goal of the campaign is to improve the perception of the brand among target consumer groups, create an association between the Sarotti brand and the consumer's need for small indulgences like quality chocolate, and increase the level of interest among consumers to purchase Sarotti products. Sarotti chocolate is known for its less sweet and more natural cocoa taste.

Television commercials and radio spots complement the print advertising. An exotic and mysterious setting, a fountain of flowing chocolate, a bridge to a chocolate dream world…these images are intended to evoke an attainable dream world – made up of Sarotti chocolate. The familiar Sarotti character, used to represent the brand since 1922, stands as a symbol of quality and also as a protector of the Sarotti legend. The Sarotti character ensures that the dream world awaits anyone, of any age, who wants to escape for a magical moment of chocolate indulgence.

The campaign features new Sarotti products in contemporary settings in order to appeal both to an older generation that recognizes the established value of the brand as well as to younger chocolate enthusiasts. These products have included a special nostalgia-edition bar of semi-sweet chocolate (Halbbitter à la mousse au chocolat) and the elegant Wafflé chocolate bar.

The campaign is supplemented with point-of-sale activities for retailers, sales promotions that include complementary product packs and prizes, and special events such as a multi-city tour that takes the magical Sarotti world – complete with the famous chocolate fountain – to retail locations throughout Germany.

Sales results underscore the success of the branding campaign in appealing to customers and reflecting consumer trends such as self-indulgence in high quality products. In the first half of 2003, Nielsen reported a sales growth of 6% for Sarotti, compared to a 3% growth for the overall German chocolate market.

Consumer Africa

Products for a unique consumer market

The African consumer market is unlike any other consumer market in the world. While it offers food manufacturers many opportunities given its size and the number of potential customers, it also presents many challenges. The purchasing power per capita is very low, the monetary risk is high, the political situation is fragile, and the infrastructure is limited, especially in rural areas.

Although Africa supplies most of the world's cocoa beans, chocolate consumption per capita is the lowest in the world. To make products tailored for this unique market, Barry Callebaut formed Consumer Africa. Consumer Africa comprises the activities of the Group's African subsidiaries Chococam (Cameroon), Chocosen (Senegal), Chocodi (Ivory Coast) and Chocogab (Gabon). The Consumer Africa business constitutes about 8% of the Group's total consumer business.

We manufacture consumer products at three production sites located in Cameroon, Senegal and Ivory Coast. The products are distributed to more than 20 African countries including Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Congo, Democratic Republic of Congo, Equatorial Guinea, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Ivory Coast, Mali, Mauritania, Niger, Nigeria, Senegal, and Togo. This market encompasses some 300 million consumers, making Barry Callebaut one of the key players in the food business in Sub-Saharan Africa.

In addition to supplying chocolate and cocoa products, Consumer Africa also offers products such as bouillon cubes, margarine and peanut butter spreads that cater to the needs and eating habits of the local consumers. Candy and chocolate products – like chocolate spreads, milk chocolate bars and chocolate powders for breakfast – are key items in the product range. Brands include Tartina, Mambo, Matinal, Kola, Chocoleca, Oleca, Arina, Choconut and Chocopunch.

A strong distribution network

One of Barry Callebaut's main competitive advantages in Africa is our sales team and the organization of our distribution network. Both are very strong. In Africa, Barry Callebaut determines which products our distributors need to deliver to which locations, while the distributors take care of logistics only. This enables us to ensure that our products are delivered whenever and wherever there is a demand for them. Other international companies have recognized Barry Callebaut's distribution power. We now provide distribution services in Africa to various companies.

Unlike in Western countries, distribution in Africa happens on a very small scale – products are delivered to remote locations not with trucks, but with motorbikes. In rural Africa, people may buy a single bouillon cube, a slice of bread with margarine or chocolate spread, or one piece of candy. The amount they purchase is what they can afford at the time.

The future of Consumer Africa

Over the past four years, Consumer Africa has increased its sales volumes by approx. 37% and its turnover by roughly 54%.

Our goal for Consumer Africa is to stay the local leader in the chocolate-related products market and also in our other areas of activity, such as sugar candy. Some important strategic steps for the next years will include harmonizing the brands; further expanding into the Nigerian market, a very important English-speaking market with 150 million potential consumers; further developing and increasing sales of products such as margarine and milk powder; and offering more development programs to our employees.

Consumer Africa employs some 870 people full-time. They form a young, skilled and highly motivated team, keen to develop, produce and place products that are suited to the needs and tastes of African consumers.

www.chocosen.com

Growth through social responsibility

At Barry Callebaut we are proud of our long history in chocolate and proud of what we do today. We are committed to striving for excellence as a manufacturer, a business partner and an employer. We believe successful relationships are built on trust and that integrity is the basis of that trust. We take seriously the responsibility to ensure the quality of our products, to invest in the professional development of our employees, and to contribute to the communities where we live and work.

Cocoa goes organic in Brazil

Joint project with local cocoa farmers

Consumers' interest in organic products – grown according to sound ecological and socially responsible practices – has been increasing steadily during the past 15 years. Recognizing the potential demand for organic cocoa and chocolate, Barry Callebaut Brazil started a program in November 2001 to develop a source of certified organic quality cocoa.

Barry Callebaut does not own any plantations. Our program in Brazil involves educating farmers about the benefits and techniques of organic farming, identifying growers interested in converting their fields, hiring and training field technicians for each buying station, and ensuring compliance with the requirements of the organic certification process. Cocoa growers who are converting their fields use existing Barry Callebaut buying stations in key locations for support.

Barry Callebaut Brazil works with the advisory firm "Sertão Verde", which specializes in organic conversion programs such as our cocoa project. The firm's director, Richard Charity, an agricultural engineer, and Rachel Soraggi, a biologist, provide technical and scientific expertise, help with project organization, and serve as liaisons with the Brazilian certification organization IBD, Instituto Biodinâmico.

The conversion challenge

Many traditional cocoa farming systems have relied on the excessive use of chemical fertilizers, which have created imbalances in the soil and indirectly caused severe problems with pests and diseases. Pesticides have often been the only resource available to farmers to combat these problems. Organic practices involve looking first at the soil and reestablishing balance so that crops ultimately become less prone to attacks by pests and diseases.

Working together with the local specialists in organic agriculture and Barry Callebaut Brazil, cocoa farmers have converted more than 4,000 hectares of cocoa to organic farming methods in southeast Bahia, home of Barry Callebaut's Brazilian cocoa processing operation. Four hundred to six hundred tonnes of certified organic cocoa beans will be produced in 2003. This quantity is expected to grow to 3,000 tonnes in the next five to seven years.

Converting conventional cocoa plantations to organic farms is a long-term endeavor. The process – from changing farming practices to harvesting certified organic cocoa beans – normally takes from 18 to 36 months. Nevertheless, local growers are thrilled with their initial results and enthusiastic about the future potential.

Antonio Carlos da Silva Vaz, a partner in a 7-hectare cocoa grove in the municipality of Gandú said: "Since we started the conversion program – only nine months ago – our cocoa trees have acquired a new look, with lush and healthy leaves. We have not had any significant pest attacks either. You can see the difference in production when compared to my neighbor. My family and I are very happy with the results."

Supporting the growers

The participating farmers currently sell their cocoa beans "in conversion" to the Barry Callebaut buying stations at the normal daily quoted prices for conventional beans and we will have priority to purchase the certified organic cocoa beans as they become available. The farmers receive a higher purchasing price for the cocoa beans they grow organically.

The conversion program works for small and large suppliers alike, including individual growers, cooperatives and collaboration between "farmer partners" and private entities. Barry Callebaut, for example, established a collaborative relationship with a large (1,000 hectares) private estate run exclusively by farmer partners, who take care of six to eight hectares of cocoa per family. Inputs and profits are shared 50 - 50. Decisions are consensual and based on prevailing organic guidelines.

An IBD auditor inspects each farm once a year. The first inspection visit took place during March and April 2003. IBD, Brazil's largest certifier, has accreditation from the International Federation of Organic Agriculture Movements (IFOAM) and the Deutsche Akkreditierungsprüfwesen (DAP-EC). IBD ensures that organic guidelines are followed and respected, and that the social environment at each cocoa supplier is healthy and allows opportunities for individual development.

Fairtrade chocolate

Working towards equal trade relations

Barry Callebaut is committed to working towards equal trade relations for cocoa producers. Because of our size, it is logistically impossible for us to buy cocoa directly from the hundreds of thousands of cocoa producers. Nevertheless, we take full responsibility for all our activities throughout the entire trading and production chain. That is why we support initiatives, including our collaboration with Fairtrade, which provide support to cocoa producers and assure their future.

Barry Callebaut has been certified by the Fairtrade Labeling Organization (FLO) to produce a range of Fairtrade cocoa and chocolate products. These products are manufactured with raw materials that have been purchased from Fairtrade manufacturers who have been recognized by the FLO.

All the products are manufactured and registered in separate production runs. This registration is necessary in order for the FLO to be able to carry out checks on the volumes of raw materials purchased and the volumes of processed products sold.

More than 130 products are sold under the Fairtrade label across Europe.

In addition to cocoa and chocolate, these include coffee, tea, sugar, spices, honey, juices and fruit.

Our Fairtrade cocoa and chocolate products are manufactured according to the same recipes and in the same way as traditional cocoa and chocolate products. The cane sugar and cocoa mass used in this range are Fairtrade-certified products. There are no Fairtrade norms for other ingredients used in chocolate products, such as milk, lecithin and vanilla.

All traders – from retailers to wholesalers and importers to exporters – maintain a minimum margin on the products they trade and all remaining money is handed over to farmers and producers. The higher prices of Fairtrade chocolate are borne by the consumers who buy the products.

Barry Callebaut guarantees a delicious flavor and excellent, consistent quality in our Fairtrade products. These include dark chocolate with a high cocoa content and intense flavor; milk chocolate; a somewhat sweeter milk chocolate; and bake-stable dark chocolate drops for processing in breads, cakes, breakfast products and other products for baking.

Sustainable Tree Crops Program

For a strong future

Barry Callebaut is proud to support the Sustainable Tree Crops Program (STCP). The goal of STCP is "to improve the economic and social well-being of smallholding farmers in Africa and their communities, and ensure the environmental sustainability of tree crop systems." It is a public-private partnership between companies in the cocoa and chocolate industry, producers, researchers, government agencies, public sector institutions and conservation groups.

Together with other organizations and associations who support this program's charter, Barry Callebaut is committed to monitoring the socio-economic conditions in which the cocoa producers in Africa live and work and, where necessary or possible, to improving these conditions. The STCP aims to stimulate a sense of community among the cocoa producers so that they will form groups and be better able to organize themselves. The program's ultimate goal is to improve the rural livelihood of cocoa producers in West Africa by enhancing their ability to respond to the demands of global markets.

STCP activities include developing and strengthening community-focused groups, transferring the best available technology know-how to farmers, creating regional marketing and information systems to enhance the transparency and efficiency of the cocoa marketing chain, preventing and eliminating the worst forms of child labor on farms, and identifying and promoting sound policy options for tree crops.

www.treecrops.org

Our work in origin countries

Barry Callebaut has manufacturing plants in several countries that grow cocoa. We are committed to offering education and development opportunities to our employees in these origin countries. The development programs we offer are customized to the unique conditions and requirements in each country and go beyond teaching basic technical and professional skills.

In every country in Africa where Barry Callebaut has a presence, we have implemented a financial aid program through which employees can obtain loans for personal expenses such as school supplies for their children, home appliances or a car. We also administer an employee health program in each country. The program includes direct payment for medical expenses through agreements with local public hospitals, special health insurance for executives covering accidents and major illness, and an infirmary at each site.

Affordable housing

Many of our employees have a very long commute. Housing close to our work sites is either unavailable or unaffordable due to mortgage rates of approximately 30% that are beyond the means of most employees.

To help address this problem in Ivory Coast, Barry Callebaut built a village of 68 three-room houses in Abidjan in 1998. We plan to build another 50 houses in San Pedro. Barry Callebaut assists employees by subsidizing the cost of utilities such as water and electricity and arranging mortgages.

Using our experience in Ivory Coast, we will launch a similar project in Ghana in early 2004. We plan to build about 60 housing units in the village of Tema, located near our factory. These will include both houses and apartments of varying size that will be available at different price ranges to meet the diverse needs of our employees. Mortgages will be structured to enable employees to own their homes within 15 to 20 years.

Health education and AIDS prevention

AIDS continues to plague many countries in Africa. Since the early 1990's, our subsidiary in Ivory Coast has been conducting AIDS awareness campaigns that encompass education, the distribution of condoms, and financial assistance for the medication costs of employees diagnosed with AIDS/HIV. In summer 2003, we sponsored a three-day AIDS awareness-training program for 20 employee volunteers who are now sharing their knowledge with other colleagues and associates.

In Cameroon, we have been conducting training programs on hygiene as well as on AIDS prevention and sexually transmitted diseases for many years. Barry Callebaut signed a cooperation agreement with the local government in 2002 to continue our joint efforts in the fight against AIDS.

Financial management and retirement provisions

Also in Cameroon, we are offering a new course for employees and spouses who want to learn how to better manage a family budget. In addition, we are launching programs in Ghana and Cameroon to ensure that all employees receive a certain financial coverage upon retirement. In both these countries, the family has been the traditional source of provision for older people.

Ensuring quality is a dream job

An interview with Barry Callebaut taste expert Katrien Van der Eecken

“Will this chocolate flavor suit our customers?” “Our customers want ‘flavor X.’ How can we best meet their needs?” Finding answers to such questions is part of Katrien Van der Eecken’s job. As head of the taste panels at Barry Callebaut Belgium in Wieze, she organizes chocolate trials and taste tests. She also ensures that the taste of Barry Callebaut’s products is always of a consistent quality. In addition, she is responsible for training the staff on the taste panels and takes part in the testing herself.

Katrien Van der Eecken ▲

What is a typical working day like for you?

Katrien Van der Eecken: My mornings begin with the taste tests of samples of our standard chocolates (milk, white and dark chocolate) that were produced the previous day. During the morning these samples are tested by the “standard chocolate taste panel” and their flavors are evaluated. The panel comprises trained testers who taste our standard chocolates on a daily basis and can therefore detect even a minor deviation in the flavor of these products. Afterwards, the basic chocolates are tested and evaluated by the “basic chocolate taste panel.” If there is even a minor deviation in quality or flavor, the cause of the deviation must be determined and corrective measures taken on the production side.

There are other “blind” tests in the morning as well. We always try to have the testers taste the samples during the morning because the mouth, tongue and palate are more sensitive to different flavors in the morning than they are after lunch.

Raw materials also undergo sensory testing as soon as they are delivered. This is done by the “raw materials panel of experts”, which tests the quality and flavor of cocoa powder, cocoa mass, milk powder, cocoa butter, fats and lecithin. If a raw material does not meet our requirements, it is sent back to the supplier.

Tests are also conducted in the production areas. At least three samples per production series and shift are taken from the conches every day and tested. This means that at least 18 production samples are evaluated each day. If any deficiencies are detected, corrective measures can be taken right away.

What is the tasting process?

There is a fixed procedure for the tastings. What is the goal of the tests? What do we need in order to achieve that aim? How many times do we need to repeat the test? Which panel will carry out the test? Once these questions are answered, the samples are distributed and the actual test is conducted. Then the results of the test are analyzed and interpreted and the conclusions are synthesized in a detailed written report. Customers also come to us to have their end product evaluated. In these cases, chocolate is tested in a different form – as a cookie or a praline, for example.

How does someone qualify to work on the taste panel?

About 90 people work on different taste panels at Barry Callebaut in Wieze. The panels consist exclusively of internal employees. Newcomers first undergo a comprehensive 10-hour training course, after which they join a taste panel for a few months to gain experience. They are then tested to determine whether they are suited to the job and, if so, which tasting panel is right for them. A professional tester must be able to evaluate chocolate according to specific criteria. Most people cannot test chocolate primarily because they were not trained in the intricacies of the tasting process. Testing is synonymous with degustation and is experienced using all of your senses – not just the sensory organs in your mouth but also what you see, hear and smell and what you feel on your tongue.

What are the difficulties in tasting chocolate?

The main ingredients in chocolate are cocoa, sugar, milk powder and cocoa butter. Since these are all natural products, their taste can vary. A cocoa bean is a natural product and not every harvest yields identically tasting beans. We use a combination of different cocoa beans in order to balance out these natural variations as much as possible, but the taste is never really 100% identical. The tester's job is to discover even the slightest variation in quality and initiate action to correct the raw material and/or production process early enough to ensure the same high quality of taste. A consumer would probably not notice such small differences right away, but for us it is important that both the raw materials and the end products meet our high standards with regard to taste.

Isn't taste often subjective?

Chocolate is a foodstuff that not only has to taste good, it also has to smell good, look good, have a smooth "mouthfeel" and be crunchy when you bite into it. An evaluation of qualities like these is subjective. In an objective test, only the taste is evaluated. Objectivity is possible but only when stringent rules are adhered to. For example: all samples must have the same form and density and the same uniform color. It is possible to draw objective conclusions with a trained taste panel.

What do you enjoy most about your job?

What I like most are the tests, the variety of products and the research to establish a connection between the chocolate flavor, the raw materials and the production process. For example, why does today's chocolate have a stronger caramel taste? It is made of the same raw materials using the same production processes as before but still it has a more noticeable caramel taste. Barry Callebaut has more than 1,600 different recipes, which makes tasting a very interesting and diverse job. Even when I eat chocolate after work, I cannot resist comparing the taste with Barry Callebaut's chocolate. I am always testing and comparing.

Katrien Van der Eecken is head of the taste panels in the Quality Control department at Barry Callebaut Belgium in Wieze. She studied industrial agriculture and food technology and joined the company right after graduating in 2000. Katrien Van der Eecken works closely with colleagues in the Quality Control, Production, and Research & Development departments, as well as with Barry Callebaut engineers.

Investing in our employees

During the last year, we initiated a number of Human Resources activities and further strengthened existing ones. These activities underscore our commitment to investing in our employees. They included finalizing plans for a Barry Callebaut training center of excellence, continuing our corporate management training program, and enhancing employee empowerment and accountability through teamwork at additional factories.

Creating a center of excellence

Developing the potential of our employees is of utmost importance to us and is one of our top priorities. We are establishing a training center of excellence at Oehningen-Marbach in Germany, which will provide an improved infrastructure to enable us to achieve this goal.

The Marbach facility has been used as the venue for the Barry Callebaut corporate training program, which currently focuses on management training. We plan to develop a broader curriculum that will offer a wide range of training opportunities to employees. The training portfolio will include programs on technical disciplines, teamwork, project management and general management.

The objective of the new center of excellence is to create a strong link between the business challenges and strategies and the competencies and skill-set of our employees. Moreover, the corporate training activities will further emphasize the international scope of our business and strengthen intercultural collaboration and communication.

In addition, we plan to open a new Barry Callebaut Institute at Marbach. Like our other BC Institutes throughout the world, it will serve as a center of scientific research, know-how and information exchange. Seminars, demonstrations, theoretical courses and practical workshops will be conducted for our customers, including industrial processors and artisanal users of cocoa and chocolate. The inauguration of the Barry Callebaut Institute is expected in 2005/2006.

Patrick De Maeseneire, CEO:
"Our success as the clear leader in the chocolate industry is due, of course, to the efforts of our more than 9,000 colleagues around the world. I believe, however, that we all will have to perform at a consistently higher level in order to maintain our competitive edge. Providing proper training and coaching to support that high level of performance is our obligation and promise to our employees."

Corporate management training

Every year Barry Callebaut conducts a corporate management training program. The participants represent the upper managerial and high potential specialist levels in the organization. The themes vary each year and are linked closely to our business challenges and strategic focus.

The purpose of the training is to continuously update and fine-tune the skills of our experienced managers and to groom newer managers who have demonstrated high potential. Furthermore, participants benefit greatly from meeting colleagues from different functions, business units and countries and sharing experiences about daily management challenges as well as learning about different businesses.

The theme of the corporate management training in 2002/2003 was competency management. The participants included approximately 200 managers and specialists, representing a wide range of countries and functional areas.

The objective of the training was to hone the performance management culture in the company and provide managers with the necessary tools and techniques to accomplish this task. Topics included assessment and the development and coaching of employees. The participants learned how to use tools to help employees achieve better results and increase their focus on performance and accountability.

Witold Dachniewski,
Production Manager, Lódz, Poland:
"This year's Marbach session on assessment was one of the best sessions I have ever taken part in. Its main advantage was that the subject could easily be implemented into our daily business activities. Assessment can be regarded as a tool to facilitate the process of motivating people and shaping their development while achieving the set business targets. Thanks to the Marbach training, I am able to give daily feedback to people I work with based on facts and figures in the most efficient way."

Aurélie Hristov, Product Manager R&D,
Meulan, France:
"The corporate seminar on assessing performance has enabled me to better assess my strengths and weaknesses, and thus to focus more on improving the weaknesses. As a product manager – someone who works with a team without being the manager – I have learned, particularly thanks to the role-play, how to behave with different personalities in order to get the best out of them and to increase the daily global performance of the team. The corporate training is a wonderful way to extend my network inside Barry Callebaut, which also enables me to further increase the performance of the team!"

Facilitating employee empowerment and accountability through teams

The local management team at the Barry Callebaut factory in St. Albans, Vermont, USA, decided that the best way to be more customer driven and process focused was to involve employees in decision making. In early 2003, they launched the Zero Time Project to transform their current plant workforce to a shared leadership team-based structure.

The business case for teams was made when it was determined that eliminating machine downtime related to normal item changeovers in the chocolate molding department would result in re-capturing a production capacity equivalent to at least 157 truckloads of production a year – even at a 50% project success rate. In addition, management believed that implementing teams would create a highly flexible, accountable and empowered workforce.

The previous employee structure at the St. Albans factory had little operational flexibility. Employees were responsible for one job, on one manufacturing line, and there was little need for teamwork in their daily jobs. Important decisions affecting output were made only at the supervisory and management levels.

After completing a thorough analysis of the existing organizational structure, including brainstorming sessions with employees, the management team developed an action plan for project implementation. The first phase, which began in March 2003, involved extensive on-the-job cross training for all employees to learn the skills needed to operate and maintain multiple machines. Employees also received formal training on how to manage the change towards a team structure, how the team-based structure works, and their individual roles and responsibilities as team members.

The shared leadership team structure also involved the creation of new peer-level Team Leader positions. Twenty-seven employees out of a production workforce of 104 applied to be considered for the six available Team Leader positions. Employees on all shifts within production were involved in the selection of the Team Leaders. Team leaders, team members, and managers and supervisors have been receiving continuous coaching and support since the new structure was implemented on July 21, 2003.

Phase 2 of the Zero Time Project, currently underway, will continue the implementation of the team structure in the remaining departments throughout the St. Albans factory.

Jim Yarnell, Team Leader,
Line operator team, St. Albans, Vermont, US:
"Since changing to teams, people are more conscientious and take responsibility as a team for what is produced. It's not 'me versus them' anymore. The team members help each other when they have time, acknowledge what they do well, and take the responsibility together if there is a problem or mistake.
What is different now is that people are working more closely together and are giving more input on decisions. As a result, they are getting more response and feel they have more 'clout' with the management.
The department is now more flexible since people know how to operate more than one machine and have more knowledge and skills to identify and correct problems faster."

Knowledge sharing on an international assignment

Saskia De Smet explores the chocolate business abroad

Saskia De Smet, a bio-engineer with specialization in tropical agriculture, has been working in Barry Callebaut's Quality department in Wieze, Belgium, since 2000. She handles product complaints mainly from industrial customers. Describing herself as a "Sherlock Holmes", she is responsible for investigating the complaint, finding out what went wrong and initiating corrective action to make sure customers are 100% satisfied with a product. Twenty employees work in Wieze's Quality department, all ensuring that perfect products are delivered to our customers.

▲ Saskia De Smet

One of these products is organic chocolate, a product that is increasingly in demand by our industrial and Gourmet customers. Every year, Barry Callebaut produces 1,200 tonnes of organic chocolate. Several hundred tonnes of organic cocoa beans are imported annually from the Dominican Republic. Unlike in other cocoa farming countries, almost all cocoa beans in the Dominican Republic are grown organically.

In January 2003 Saskia De Smet got involved in a cooperation project between Barry Callebaut and CONACADO (Confederación Nacional de Cacaocultores Dominicanos), a cooperative of Dominican cocoa farmers that supplies Barry Callebaut with organic cocoa beans for our organic chocolate. The project was launched to help improve the quality of the organic cocoa beans the company imports from the Dominican Republic. By teaching local farmers new and better techniques, the project team aims to help farmers improve the quality and the taste of the beans.

During the main crop season from April until July 2003, Saskia De Smet was in the Dominican Republic exploring a new world, a very different one from the Quality department in Wieze. "I learned a lot about cocoa, how it is grown and harvested, about the life and work of the cocoa farmers. Once I learned this, it was my turn to help the cocoa farmers of the CONACADO association with my know-how," she said.

Saskia De Smet conducted training on cocoa bean quality and how to treat the beans, and provided basic organoleptic training to help the farmers learn to determine the basic tastes and the undesirable off-tastes themselves. She also gave courses to an association of local women who make handmade chocolate. Keen to get information from a chocolate expert, the women very much appreciated her knowledge and suggestions.

In addition to training, Saskia De Smet was responsible for the scientific testing of the fermentation and drying of the beans. Almost 100 samples from these trials were shipped to Barry Callebaut Belgium, where a research team will determine which process is best suited to ferment the Dominican cocoa beans. Saskia De Smet said: "This project with CONACADO really helps both sides. The farmers benefit from our knowledge on how to produce better beans and how to get higher yields of good quality cocoa, while at the same time applying sustainable farming practices. We in turn get a continuous supply of high quality organic cocoa beans. And quality is a top priority at Barry Callebaut."

Everyday heroes

Recipients of the 2003 Chairman's Award

Six Barry Callebaut employees were honored with the Chairman's Award in 2003. Initiated in 1995 by Klaus Jacobs, founder of KJ Jacobs AG, the annual award recognizes employees who have demonstrated outstanding performance and social commitment. All employees of companies in which KJ Jacobs AG has a stake are eligible.

ALL THE WINNERS AND THEIR PARTNERS WERE INVITED TO SWITZERLAND FOR FOUR DAYS TO ATTEND THE PRESENTATION CEREMONY AND THE "CHAIRMAN'S AWARD TOUR 2003."

FROM LEFT TO RIGHT: EMILE NDAME KUNTZ, BRIGITTE GÜNTHER, PATRICK DE MAESENEIRE (CEO), ANDREAS SCHMID (CHAIRMAN), JOHANN CHRISTIAN JACOBS (CHAIRMAN KJ JACOBS AG), CLAIRE LISCOURT, MALGORZATA LESIAK, PETER AUDENAERT, CHRIS GREEN

2003 Chairman's Award Winners

Peter Audenaert – Truck driver
Barry Callebaut Belgium, Wieze

Peter Audenaert organizes social and cultural events for Chiro, a Christian youth organization in Belgium, and is a board member of KWB, another Christian organization. He also participates in volunteer programs to support handicapped children.

Chris Green – Head of technician team, Maintenance department
Barry Callebaut UK, Banbury

Chris Green is a committed member of the Scouting movement. He meets with scouts each week and organizes camping trips throughout the year.

Brigitte Günther – Quality Management Representative
Wurzener Dauerbackwaren, Wurzen, Germany

After a flood in Saxony destroyed her home, Brigitte Günther organized a fundraising campaign and helped to distribute donations to other flood victims.

Emile Ndame Kuntz – Head of the Electric Unit
Chococam, Cameroon

Emile Ndame Kuntz gives financial aid to local children whose parents do not have the means to support their education. An active member of the evangelical church, he helped finance and build five homes for needy families.

Malgorzata Lesiak – Laboratory Manager
Barry Callebaut Poland, Lódz

Malgorzata Lesiak is a dedicated volunteer at a local nursery school for autistic children. She helps organize performances adapted to the children's special needs and arranges excursions to see movies and theater productions.

Claire Liscourt – Project Scheduling Coordinator
Barry Callebaut Canada, St. Hyacinthe

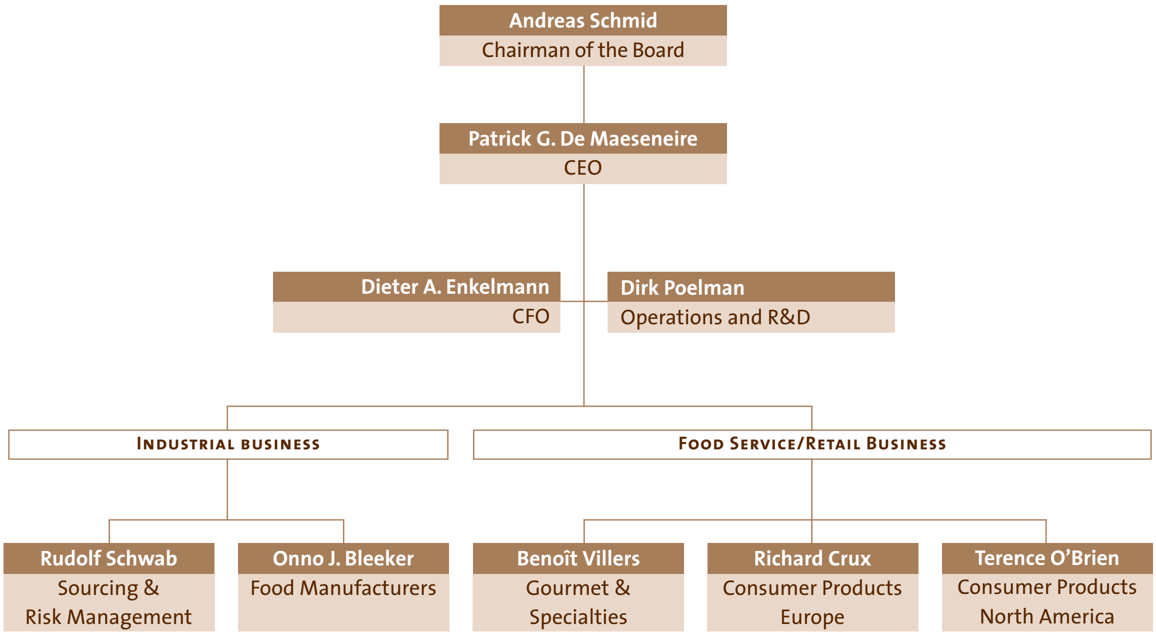
Claire Liscourt organizes fundraising activities for children's programs and events. During the Christmas season, she helps distribute Barry Callebaut chocolate to local charitable organizations and is involved in Opération Nez Rouge, a program that offers transportation services in an effort to curb drunk-driving incidents.

Corporate Governance.

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

Group Structure and Shareholders

The Barry Callebaut Group is divided into two strategic business segments. The following chart provides an overview of the operational group structure as of September 1, 2003:



The Barry Callebaut Group is reporting by business segments and regions.
Information about listed companies, principal subsidiaries and significant shareholders of Barry Callebaut is given on pages 90–91 and 117 of the Consolidated Financial Statements. There are no cross holdings equal to or higher than 5% of the issued share capital.

Capital Structure

The information required by the SWX Corporate Governance Directive regarding the capital structure is given on page 99 (share capital), page 84 (movements in the share capital) and pages 104–105 (options) of the Consolidated Financial Statements.

Board of Directors

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

As of September 1, 2003, the Board of Directors consisted of five non-executive members.

Name	Nationality	Function	Member since
Andreas Schmid	Swiss	Chairman	1998
Johann Christian Jacobs	German	Vice Chairman	2001
Rolando Benedick	Swiss	Director	2001
Andreas W. Keller	Swiss	Director	1999
Pierre Vermaut	Belgian	Director	1997

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.

Andreas Schmid

Chairman of the Board

Joined Barry Callebaut in 1998

Swiss national

Andreas Schmid (1957) has been CEO of KJ Jacobs AG (Adecco SA, Barry Callebaut AG, C.J. van Houten & Zoon AG, Brach's Confections Inc.) since 1998. In 1999 he became Chairman of the Board and CEO of Barry Callebaut AG. On June 1, 2002, he stepped down from the CEO function but he continues to assume the responsibilities of Chairman of Barry Callebaut AG.

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

Andreas Schmid is also Chairman of Kuoni Travel Holding AG and Unique Zurich Airport AG as well as a Director of Adecco SA and of Stollwerck AG. He is also a member of the Advisory Board of Credit Suisse AG.

Andreas Schmid holds a master degree in law and studied economics.

Johann Christian Jacobs

Vice Chairman

Director since 2001

German national

Christian Jacobs (1962) has been a partner in the law firm White & Case, Hamburg, since 2002. Since mid-1996, Christian Jacobs was a partner in the law firm of Huth Dietrich Hahn, Hamburg. Before that, between 1992 and 1996, he was a lawyer with one of the then leading practices in Germany, Büsing, Müffelmann & Theye in Bremen. Christian Jacobs worked for Roland Berger business consultants in Tokyo 1990/1991, mainly advising companies that intended to start activities in Japan. In 1988/1989, he was in the General Directorate for Competition with the European Commission.

He is Chairman of KJ Jacobs AG and of Stollwerck AG, Director of Adecco SA and Deputy Chairman of the Advisory Board of Berlin & Co. KGaA.

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

Rolando Benedick

Director since 2001

Swiss national

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

Rolando Benedick joined the Manor Group in 1967 after completing his secondary studies and various trainee programs in renowned retail groups in Germany, France and Switzerland. In 1970 he was given responsibility for the planning and implementation of the shopping center and store in Monthey. He then became director of the Sion store. He was chief executive of the Innovazione chain in Ticino from 1973 to 1989.

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

Andreas W. Keller

Director since 1999

Swiss national

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

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

Andreas Keller is a lawyer by education.

Pierre Vermaut

Director since 1997

Belgian national

Pierre Vermaut (1948) joined Callebaut Belgium as Financial Director in 1981 and was successively promoted to Sales and Marketing Director and General Manager. In 1990, he became the CEO of Callebaut. After the merger with Cacao Barry in 1996, he was CEO of Barry Callebaut and Chairman of the Board of Directors from 1997 to 1999.

He started his career in a Belgian audit firm. He then joined Kraft Foods in Belgium, where he held several management functions in the finance department, including Director of Finance and Administration.

Pierre Vermaut is also Chairman of two Belgian public companies, Associated Weavers International and Fountain as well as a Director of Chocolaterie Guylian and Etablissements Jacquot.

Pierre Vermaut has a degree in economics.

Functioning of the Board

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

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

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

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

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

The Board of Directors has formed the following committees:

Board Committee

Andreas Schmid (Chairman), Johann Christian Jacobs and Patrick G. De Maeseneire

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

In the last fiscal year, the Committee met 8 times.

Audit, Quality, Compliance & Risk Committee

Pierre Vermaut (Chairman), Andreas Schmid and Johann Christian Jacobs

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

In the last fiscal year, the Committee met 9 times.

Nomination & Compensation Committee

Andreas W. Keller (Chairman), Rolando Benedick, Johann Christian Jacobs and Andreas Schmid

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

In the last fiscal year, the Committee met 4 times.

Directors may request any information necessary to fulfil their duties. Outside of meetings, any Director may request information from members of the Senior Management Team concerning the Group's business development. Requests for information must be addressed to the Chairman of the Board.

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The internal audit organization, which is independent from management, reports its significant findings to the Audit, Quality, Compliance & Risk Committee. In the last fiscal year, certain internal audit tasks were carried out by third parties.

Senior Management

The Senior Management Team is headed by the Chief Executive Officer and consists of eight persons. Terence O'Brien joined the company after the closing of the fiscal year 2002/03.

Name	Nationality	Function	Member since
Patrick G. De Maeseneire	Belgian	Chief Executive Officer	2002
Onno J. Bleeker	Dutch	Food Manufacturers	2002
Richard Crux	German	Consumer Products Europe	May 2003
Dieter A. Enkelmann	Swiss	Chief Financial Officer	May 2003
Terence O'Brien	US American	Consumer Products North America	September 2003
Dirk Poelman	Belgian	Operations and R&D	1997
Rudolf Schwab	Swiss	Sourcing & Risk Management	1999
Benoît Villers	French	Gourmet & Specialties	1997

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

Barry Callebaut and KJ Jacobs Group, Zurich, have agreed to execute administrative service agreements, under which KJ Jacobs Group offers to Barry Callebaut certain management, consultancy and flight services as well as training facilities. In the last fiscal year, the total compensation paid by Barry Callebaut under these agreements amounted to CHF 1 million.

Patrick G. De Maeseneire

Chief Executive Officer

Belgian national

Patrick G. De Maeseneire (1957) has served as CEO of Barry Callebaut AG since June 1, 2002. He joined Barry Callebaut AG from Adecco S.A., where he had been since 1998 and served as General Manager of the Benelux divisions of Adecco S.A. and then as President of Professional Staffing & Managed Services, based in New York. Patrick De Maeseneire has also held positions with Wang Belgium, Apple Computers and Arthur Andersen (Consulting).

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

Onno J. Bleeker

Food Manufacturers

Dutch national

Onno J. Bleeker (1957) was appointed Business Unit President and member of the Senior Management Team with responsibility for Industrial Business worldwide at Barry Callebaut AG in August 2002.

Onno Bleeker started his career with Verba, a food trading and distributing company, having the agency for Callebaut in the Netherlands. He became partner and

General Manager of Verba. Verba was sold to Callebaut in 1988. Between 1989 and 2001 he held a number of high-level executive positions within Callebaut and from 1996 within the Barry Callebaut Group, formed through the merger of Cacao Barry and Callebaut. From January 2002 until August 2002 Onno Bleeker was partner and Managing Director of Mebrom Gas and Components International N.V., an international distributor of industrial and refrigerating gases and components. He is still Chairman and Partner of Mebrom.

Onno Bleeker studied business at the London Business School.

Richard Crux

Consumer Products Europe

German national

Richard Crux (1960) was appointed Business Unit President and member of the Senior Management Team of Barry Callebaut in 2003 with responsibility for Consumer Products Europe. Furthermore, he serves as Speaker of the Executive Board of German Stollwerck AG.

From 1996 until the end of April 2003, Richard Crux held managerial positions with Deutsche Post AG in the areas of Strategic Planning, Marketing and, since February 2000, as member of the Divisional Board "Mail". He spent the years from 1993 to 1995 as Marketing Director Coffee and member of the Management Board of Kraft Jacobs Suchard Germany. From 1990 to 1993 he worked as a consultant with McKinsey & Company, focusing on consumer goods, trade and logistics. He started his career as a Brand Manager and Key Account Manager with Jacobs Suchard in 1986.

Richard Crux studied Business Administration at the University of Münster, Germany, with a special focus on marketing and statistics.

Dieter A. Enkelmann

Chief Financial Officer

Swiss national

Dieter A. Enkelmann (1959) was appointed Chief Financial Officer (CFO) in 2003. From 1997 until early 2003, Dieter A. Enkelmann was with Swiss Re in Zurich, Switzerland, initially as Head Corporate Financial Management and Investor Relations and since 2001 as CFO of the business unit Financial Services. From 1985 to 1997 he held various responsible positions in the investment banking area within the Credit Suisse Group in Zurich and in London.

Dieter Enkelmann has a law degree from the University of Zurich.

Terence O'Brien

Consumer Products North America

US American

Terence O'Brien (1963) was appointed to the position of Chief Executive Officer of Brach's Confections Holding, Inc., effective August 13, 2003, and became a member of the Senior Management Team of Barry Callebaut with responsibility for Consumer Products North America, subsequent to the acquisition of Brach's by Barry Callebaut.

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

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

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

Dirk Poelman

Operations and Research & Development

Belgian national

Dirk Poelman (1961) is President Operations and R&D since 2002. Since 1984, he has been working with Callebaut – that merged with Cacao Barry in 1996 –

in various positions and countries: first as Engineering Manager, then as Production Manager, Operations Director and Chief Manufacturing Officer. In 1997 Dirk Poelman became Executive Vice President Operations responsible for the operations of the total Group and a member of the Senior Management Team.

Dirk Poelman holds a degree in electro-mechanics and industrial engineering.

Rudolf Schwab

Sourcing & Risk Management

Swiss national

Rudolf Schwab (1954) joined Barry Callebaut in 1996 as General Manager for the Sourcing Division and became a member of the Senior Management Team in 1999. Since June 2001 he has been President Sourcing & Risk Management.

From 1978 to 1993 he worked for Jacobs Suchard in various functions and countries. From 1993 to 1996 he was Purchasing Director for Les Brasseries Kronenbourg, a subsidiary of Groupe Danone.

He is a Board Member of the European Cocoa Association (ECA) and member of the Ghana Investment Advisory Council GIAC. He also serves on the Scientific Committee of the University of Geneva.

Rudolf Schwab has a degree in economics from the University of St. Gallen, Switzerland.

Benoît Villers

Gourmet & Specialties

French national

Benoît Villers (1956) has been President Gourmet & Specialties since mid-2001. He became a member of the Senior Management Team in 1997. Since 1987 he has been working in various positions in Belgium and Italy for the Barry Group which merged with Callebaut in 1996. From 1996 to 1997 he was the General Manager for Barry Callebaut France. He held the position of Executive Vice President for Sales and Marketing between 1997 and 1998, then Executive Vice President Southern Europe, Asia Pacific, Middle East from 1999 to 2000 and President Cocoa between 2000 and 2001.

Benoît Villers started his career in 1981 as a credit analyst for Natexis Bank and after that worked for the French Public Administration as financial analyst between 1985 and 1987.

He has a master degree in economics and graduated from the Institut Sciences Politiques.

Compensation, Shareholdings and Loans

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

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

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

Board of Directors

In the fiscal year 2002/03, total fees to the Board of Directors including directors' fees, performance-related cash bonuses relating to the previous fiscal year, fees for committee membership and a lump sum contribution for expenses, amounted to CHF 2.7 million. Under Barry Callebaut's Stock Ownership Program, 5,800 shares of Barry Callebaut AG were transferred to the Directors for the performance relating to the previous fiscal year. None of the Board members received any other compensation than set out above.

The aggregate compensation for former members of the Board of Directors amounted to CHF 0. No shares of Barry Callebaut AG were transferred.

According to the share register, members of the Board of Directors held 8,340 shares in Barry Callebaut AG on August 31, 2003.

Barry Callebaut AG and its Group companies have not granted any collateral, loans, advances or credits to the Board members including persons closely linked as at August 31, 2003.

The compensation paid to the Board member with the highest compensation was CHF 1.5 million. In addition to that, 5,000 shares of Barry Callebaut AG were transferred to this person for the performance relating to the previous fiscal year.

Senior Management Team

In the fiscal year 2002/03 aggregate compensation of the Senior Management Team comprising annual base salary, performance-related cash bonuses relating to the previous fiscal year and compensation for expenses, amounted to CHF 3.6 million. Under Barry Callebaut's Stock Ownership Program, 10,500 shares of Barry Callebaut AG were transferred to the members of the Senior Management Team for the performance relating to the previous fiscal year. None of the members of the Senior Management Team received any other compensation than set out above.

Two members of the Senior Management Team gave up their function during the year under review. They did not receive any special compensation upon resignation.

The aggregate compensation for former members of the Senior Management Team, who gave up their function during the fiscal year 2001/02 or earlier, amounted to CHF 0.

According to the share register, members of the Senior Management Team held 34,141 shares in Barry Callebaut AG on August 31, 2003. Details about the Stock Option Plan are given in the Notes to the Consolidated Financial Statements on pages 104–105.

Barry Callebaut AG and its Group companies have not granted any collateral, loans, advances or credits to the members of the Senior Management Team including persons closely linked as at August 31, 2003.

Shareholder's Participation

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

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

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

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

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

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

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

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

Change of Control and Defense Measures

An investor who acquires 33 1/3 % of all voting rights has to submit a take-over offer for all shares outstanding, according to the Swiss Stock Exchange Law. Barry Callebaut has not elected to change or opt out of this rule.

The service agreements and employment contracts of the members of the Senior Management Team do not contain clauses on change of control. Barry Callebaut does not offer "golden parachutes" to its senior executives. Employment contracts contain notice periods of 6-12 months for the members of the Senior Management Team, during which they are entitled to running salary and bonuses.

External Auditors

Ernst & Young AG, Zurich, act as the statutory auditors of Barry Callebaut AG, Zurich, and as the group auditors of the consolidated financial statements since the fiscal year 2002/03. The statutory auditors and the group auditors are appointed by the General Meeting for a one-year term of office. The head auditor in charge of Ernst & Young (formerly with Arthur Andersen AG) has been exercising this function since 1996/97.

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 2.015 million. For audit and review work in connection with refinancing, Ernst & Young received fees amounting to CHF 741,000, for internal audit CHF 517,000 and for tax and other advisory mandates CH 728,000.

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

Information Policy

Barry Callebaut provides detailed information on its business activities in its annual and quarterly reports and press releases, at the media conference on year-end results, at the conference for financial analysts and at the Annual General Meeting. Information on the website www.barry-callebaut.com is updated continuously.

Agenda for the current fiscal year and contacts are given on pages 129 and 123.

Consolidated Financial Statements
with Auditors' Report

Consolidated Balance Sheet

Assets

for the year ended August 31, 2003			
in thousands of Swiss Francs	Notes	**2002/03**	2001/02
Current assets			
Cash and cash equivalents		36,502	59,705
Short-term deposits		257	377
Trade accounts receivable	3	326,091	327,109
Inventories	4	1,068,612	926,009
of which cocoa beans stock		*435,414*	*384,146*
Valuation of open commitments and cocoa inventories	5	19,589	–
Other current assets	6	211,707	267,723
		1,662,758	**1,580,923**
Non-current assets			
Property, plant and equipment	7	663,747	679,376
Investments	8	5,025	4,720
Intangible assets	9	361,355	362,410
Deferred tax assets	21	11,452	20,908
Other non-current assets		8,370	3,231
		1,049,949	**1,070,645**
Total assets		***2,712,707***	***2,651,568***

Liabilities and shareholders' equity

for the year ended August 31, 2003			
in thousands of Swiss Francs	Notes	**2002/03**	2001/02
Current liabilities			
Bank overdrafts	10	35,481	47,495
Short-term debt	10	459,298	829,550
Trade accounts payable		308,209	235,029
Income tax payable		19,577	13,798
Provisions	11	47,957	117,608
Valuation of open commitments and cocoa inventories	5	–	42,324
Other current liabilities	12	295,193	283,387
		1,165,715	***1,569,191***
Non-current liabilities			
Long-term debt	13	575,154	146,209
Deferred tax liabilities	21	47,139	59,871
Employee benefits	24	128,353	129,897
Provisions	11	21,050	47,698
Other non-current liabilities		9,410	1,740
		781,106	**385,415**
Total liabilities		***1,946,821***	***1,954,606***
Minority interests	**16**	**6,727**	**3,455**
Shareholders' equity			
Share capital	17	517'000	517'000
Retained earnings and reserves		242'159	176'507
		759'159	**693'507**
Total liabilities and shareholders' equity		***2,712,707***	***2,651,568***

Consolidated Statement of Income

for the year ended August 31, 2003			
in thousands of Swiss Francs	Notes	**2002/03**	2001/02
Operating income			
Revenue from sales and services		3,571,260	2,621,837
Operating expenses			
Material consumed		2,430,930	1,739,009
Personnel		406,099	283,549
Advertising and promotion		73,370	18,778
Depreciation of tangible assets	7	87,651	64,734
Amortization of intangible assets	9	36,788	29,888
Other operating expenses	18	327,714	312,703
Total operating expenses		**3,362,552**	**2,448,661**
Operating profit (EBIT) before building restructuring provisions for Stollwerck		**208,708**	**173,176**
Restructuring provisions Stollwerck	18	–	(80,000)
Operating profit (EBIT)		**208,708**	**93,176**
Financial cost, net	19	(80,244)	(53,801)
Non-operating income, net	20	1	(213)
Profit before taxes and minority interest		**128,465**	**39,162**
Taxes	21	(24,984)	(19,774)
Profit before minority interest		**103,481**	**19,388**
Minority interest	16	(237)	1,732
Net profit		**103,244**	**21,120**
Basic earnings per share (CHF/share)	22	20.00	4.27
Diluted earnings per share (CHF/share)	22	19.97	4.09
Proposed dividend per share (CHF/share)		7.00	6.90

Consolidated Statement of Cash Flows

Cash flows from operating activities

for the year ended August 31, 2003			
in thousands of Swiss Francs	Notes	**2002/03**	2001/02
Income before minority interest and taxes		128,465	39,162
Adjustments for:			
Depreciation and amortization of tangible and intangible non-current assets		124,439	94,624
Impairment of assets		(1,845)	8,967
Elimination of foreign exchange (gain)/loss		(2,166)	2,451
Elimination of interest (income)		(10,795)	(4,312)
Elimination of interest expense		89,929	53,603
Elimination of other non-operating expense/(income)		(1)	213
Operating cash flow before working capital changes		**328,026**	**194,708**
(Increase) Decrease in trade accounts receivable		5,353	(5,300)
(Increase) Decrease in inventories		(138,221)	(37,476)
(Increase) Decrease in other current assets		62,710	(113,586)
(Increase) Decrease in other non-current assets		2,730	(9,852)
Increase (Decrease) in trade accounts payable		67,995	18,753
Increase (Decrease) in other current liabilities		(34,843)	78,796
Increase (Decrease) in valuation of open commitments and cocoa inventories		(61,913)	33,832
Elimination of impact of the movement in unrealized exchange results on working capital changes		5,994	(2,964)
Elimination of impact of movement of accrued interests		(2,199)	(2,778)
Elimination of impact of movement of accrued taxes		(792)	6,287
Cash generated from operations		**234,840**	**160,420**
Interest paid		(87,577)	(50,714)
Income taxes paid		(24,192)	(26,061)
Realized exchange gain/(loss)		(3,828)	513
Net cash flow from operating activities		**119,243**	**84,158**

Consolidated Statement of Cash Flows

Cash flows from investing activities

for the year ended August 31, 2003

in thousands of Swiss Francs	Notes	**2002/03**	2001/02
Purchase of property, plant and equipment		(69,012)	(59,228)
Proceeds from sale of property, plant and equipment, and other assets		13,137	3,000
Expenditure for development projects		(125)	(14,603)
Acquisition of subsidiaries	23	(37,056)	(72,481)
Acquisition of minority interests		(15,655)	(4,023)
Interest received		10,642	4,202
Net cash flow from investing activities		**(98,069)**	**(143,133)**

Cash flows from financing activities

Increase (Decrease) in short-term debt	(432,048)	47,318
Increase in long-term debt	482,815	10,100
(Decrease) in long-term debt	(17,483)	(13,329)
(Increase) in deposits long-term	(6)	(728)
Decrease (Increase) in deposits short-term	120	(188)
Increase (Decrease) in other non-current liabilities	(23,869)	8,929
Dividends paid	(35,636)	(32,962)
Dividends paid to minority shareholders	(383)	(462)
Acquisition of treasury shares	(13,203)	(5,890)
Sale of treasury shares	9,459	3,263
Net cash flow from financing activities	**(30,234)**	**16,051**

Effect of change in minority interests	157	(2,063)
Effects of exchange rate changes	(2,286)	4,101
Net increase (decrease) in cash and cash equivalents	**(11,189)**	**(40,886)**
Cash and cash equivalents at beginning of year	12,210	53,096
Cash and cash equivalents at end of year	**1,021**	**12,210**

Cash and cash equivalents	36,502	59,705
Bank overdrafts	(35,481)	(47,495)
Cash and cash equivalents as defined for the cash flow statement	**1,021**	**12,210**

Consolidated Statement of Changes in Equity

for the year ended August 31, 2003 in thousands of Swiss Francs	**Share capital**	**Legal reserves**	**Retained earnings/ (Accumulated deficit)**	**Treasury shares**	**Hedging reserves**	**Cumulative translation adjustment**	**Total**
at August 31, 2001	517,000	247,536	(11,928)	(65,544)		10,301	697,365
Dividends paid			(32,962)				(32,962)
Acquisition of treasury shares				(5,890)			(5,890)
Sale of treasury shares			(30,533)	71,402			40,869
Translation adjustments						(26,995)	(26,995)
Internal merger loss		(7,029)	7,029				–
Net profit for the year			21,120				21,120
at August 31, 2002	**517,000**	**240,507**	**(47,274)**	**(32)**	**–**	**(16,694)**	**693,507**
Dividends paid			(35,636)				(35,636)
Acquisition of treasury shares				(13,203)			(13,203)
Sale of treasury shares			(3,721)	13,180			9,459
Translation adjustments						(720)	(720)
Cash flow hedges (Note 15)					2,508		2,508
Net profit for the year			103,244				103,244
at August 31, 2003	**517,000**	**240,507**	**16,613**	**(55)**	**2,508**	**(17,414)**	**759,159**

Legal reserves of CHF 103.4 million are not distributable to the shareholders pursuant to Swiss law.

Treasury shares include the book value of CHF 0.06 million (2001/02: CHF 0.03 million) treasury shares bought by Barry Callebaut AG. Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The fair value on August 31, 2003, of the treasury shares amounted to CHF 0.06 million (2001/02: CHF 0.03 million).

Summary of Accounting Policies

Basis of presentation

The consolidated financial statements of Barry Callebaut AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (formerly International Accounting Standards) and the provisions of the Swiss Code of Obligations. For consolidation purposes, Barry Callebaut AG and its subsidiaries (the Group) prepare financial statements using the historical cost convention, except as disclosed in the accounting policies below.

Basis of consolidation

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

Foreign currency translation

Assets and liabilities of Group companies reporting in currencies other than Swiss Francs are translated to Swiss Francs using year-end rates of exchange. Income and expenses are translated at the average rates of exchange for the year. Differences arising from the translation of foreign currency financial statements using the above method are directly credited or debited to retained earnings and reserves in shareholders' equity.

Foreign currency transactions

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and unrestricted bank deposit balances with an original maturity of 90 days or less.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash on hand, deposits held at call with banks, other short-term highly liquid investments, reduced by the bank overdrafts.

Trade accounts receivable

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

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

Derivative financial instruments and hedging activities

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

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

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

In relation to cash flow hedges to hedge the exposure to variability in cash flows attributable to a liability or a forecasted transaction which meet the conditions for special hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in the income statement.

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

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

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

The fair value of derivatives related to physical open commitments of cocoa products is included in the position Valuation of open commitments and cocoa inventories. The fair value of all other derivatives is included in Other Current Assets or Other Current Liabilities.

Inventories

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

Valuation of open commitments and cocoa inventories

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

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

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

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

Investments and financial assets

Investments in associated companies, in which the Group holds an interest of between 20% and 50% and has the power to participate in the financial and operating policies of the investee, are accounted for using the equity method. The investment is stated at the value of the Group’s share in the company’s equity, and the Group’s share of the net income or loss of the associated

Summary of Accounting Policies

company is reflected in income. Goodwill in connection with investments in associated companies is accounted for using the same method as for goodwill arising in connection with subsidiaries.

All other financial assets are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement.

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

All purchases and sales of financial assets are recognized on the trade date. Financial assets are recognized when the Group becomes a party to the contractual provisions and are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs. Available-for-sale and trading investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that the Company may incur on their sale or other disposal.

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

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

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

Intangible assets

Goodwill

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

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

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

Other intangible assets

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

Research and development costs

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

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

Property, plant and equipment

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

Summary of Accounting Policies

Estimated useful lives of major classes of depreciable assets are:

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

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

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

Leased assets

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitment and the fair value of the assets acquired, are charged to the income statement over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period.

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

Share capital

Repurchase of share capital

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

Dividends

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

Employee benefits

Post-employment benefits

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

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

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

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

Post-retirement benefits other than pensions

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

Employee stock option plan

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

Employee stock ownership program

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

Other long-term employee benefits

Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the

Group conducts its operations. Benefit cost is recognized on an accrual basis in the income statement. The related liability is included in other long-term liabilities.

Taxes

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

The Group provides for deferred taxes using the balance sheet liability method. Deferred income tax is provided on all temporary differences arising between the tax values of assets and liabilities and their values in the consolidated financial statements. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. Tax rates enacted or substantially enacted by the balance sheet date are used to determine deferred income tax. Deferred tax balances are adjusted for subsequent changes in tax rates and for new taxes imposed.

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

Revenue recognition

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

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

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

Government grants

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

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

Financial liabilities

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

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made.

Provisions are recorded for identifiable penalties, committed costs and restructuring costs. Restructuring provisions mainly comprise employee termination payments. Specific provisions for restructuring costs are recorded at such time as the management approves the decision to restructure and a formal plan for restructuring is communicated.

Borrowing costs

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

Notes

1. Organization and business activity

Barry Callebaut AG ("The Company/the Group") was incorporated on November 24, 1994, under Swiss law having its head office in Zurich, Seefeldquai 17, Switzerland.
Barry Callebaut AG is registered in Switzerland and has been listed on the SWX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2003, Barry Callebaut's market capitalization based on outstanding shares was CHF 971.9 million.
Stollwerck AG, Cologne, in which Barry Callebaut AG indirectly owns a 98.66% (August 31, 2002: 96.10%) shareholding, is listed on the German Stock Exchange (ISIN Number: DE0007280000). As of August 31, 2003, Stollwerck's market capitalization based on outstanding shares was EUR 375.5 million.
Barry Callebaut is the world's leading manufacturer of high-quality cocoa and chocolate products. The company serves the entire food industry, from food manufacturers to professional users of chocolate to retailers. Barry Callebaut also provides a comprehensive range of services in the fields of product development, processing, training and marketing.
The principal brands under which the Company operates are Barry Callebaut, Callebaut, Cacao Barry, Van Leer, Carma and Van Houten for chocolate products, Barry Callebaut, Bensdorp, Van Houten and Chadler for cocoa powder, Bensdorp and Van Houten for vending mixes, Gubor, Sarotti, Alpia, Sprengel, Jacques, Callebaut and Alprose for consumer products.
The principal countries in which the Group operates include Belgium, Brazil, Cameroon, Canada, France, Germany, Italy, Ivory Coast, the Netherlands, Poland, Senegal, Singapore, Switzerland, the United Kingdom and the USA.
Barry Callebaut provides detailed information on its business activities in its annual and quarterly reports and press releases, at the media conference on year-end results, at the conference for financial analysts and at the annual general meeting. (See last page of this annual report.)
Effective August 5, 2002, Barry Callebaut acquired from Imhoff Industrie Holding GmbH and the charitable Imhoff Foundation 96.1% of the shares of Stollwerck AG. Part of the purchase price was paid with treasury shares. For reasons of practicality, the balance sheet as per August 31, 2002, was used for the acquisition accounting.
In September 2002 the Group issued a mandatory public offer to buy the remaining shares of the minority shareholders of Stollwerck AG for EUR 295 per share. The Group has been holding 98.66% of the entire share capital and voting rights since the expiration of the mandatory public offer. The Group submitted a proposal to the remaining 1.34% minority shareholders at the ordinary general meeting of Stollwerck AG on April 30, 2003, to pay them cash of EUR 295 per share so that the shares could be subsequently delisted. Meanwhile, a lawsuit has been filed by some shareholders against the resolution approved by this annual general meeting to squeeze out the remaining shareholders. Stollwerck AG will use all legal means at its disposal to contest this lawsuit so as to expedite the implementation of the general meeting's resolution.
On March 3, 2003, the Group acquired the entire issued share capital of Graverboom, a leading Dutch manufacturer of specialty chocolate products. Through this acquisition, the Group has acquired gourmet and specialty operations primarily in Western Europe, including the Netherlands, France and Belgium. Through the acquisition of Graverboom, the Group has acquired a profitable leader in the segment of Gourmet & Specialties and has made an important step in the further development of the Gourmet & Specialties business unit. Graverboom is included in the consolidated financial statements as of March 1, 2003.
On November 10, 2003, Barry Callebaut AG's Board of Directors authorized these financial statements for issue.

2. Group companies

As per June 30, 2003, Stollwerck AG merged with Stollwerk Log-Trans Spedition GmbH and with IPSG Industrieplanung u. Service GmbH, both former subsidiaries. The merger was effective as of January 1, 2003.
The principal subsidiaries of Barry Callebaut as per August 31, 2003, are the following:

Country	Subsidiary	Percentage of ownership	Currency	Capital
Switzerland	Barry Callebaut Sourcing AG	100.00	CHF	2,000,000
	Barry Callebaut Schweiz AG	100.00	CHF	4,600,000
	Van Houten Service AG	100.00	CHF	100,000
	Chocolat Alprose SA	98.66	CHF	7,000,000
Belgium	Barry Callebaut Services N.V.	100.00	EUR	229,210,000
	Barry Callebaut Belgium N.V.	100.00	EUR	60,000,000
	Jacques Chocolateries SA	98.66	EUR	2,553,303
	Pierre Iserentant SA	100.00	EUR	260,908
Brazil	Barry Callebaut Brasil SA	100.00	BRL	15,586,972
Cameroon	Société Industrielle Camerounaise des Cacaos SA	70.32	CFA	1,147,500,000
	Chocolaterie Confiserie Camerounaise Chococam SA	72.00	CFA	1,000,000,000
Canada	Barry Callebaut Canada Inc.	100.00	CAD	2,000,000
	Chocolate Masters Inc.	100.00	CAD	100

Notes

France	Barry Callebaut Manufacturing France SA	100.00	EUR	6,637,540
	Barry Callebaut France SA	100.00	EUR	50,000,000
	Chocodif SA	100.00	EUR	38,111
	Omnigest SA	100.00	EUR	4,419,600
	Stollwerck France S.à r.l.	98.66	EUR	259,250
Gabon	Chocogab SA	70.70	CFA	10,000,000
Germany	Barry Callebaut Deutschland GmbH	100.00	EUR	51,129
	Van Houten GmbH & Co KG	100.00	EUR	15,338,756
	C.J. van Houten & Zoon Holding GmbH	100.00	EUR	72,092,155
	Van Houten Beteiligungs GmbH	100.00	EUR	25,000
	Van Houten Beteiligungs AG & Co KG	100.00	EUR	10,000
	Stollwerck AG	98.66	EUR	20,500,000
	Gubor Schokoladenfabrik GmbH	98.66	EUR	7,184,000
	Thüringer Schokoladewerk Beteiligungs GmbH	98.66	EUR	512,000
	Hildebrand Kakao- und Schokoladenfabrik GmbH	98.66	EUR	52,000
	Wurzener Dauerbackwaren GmbH	98.66	EUR	5,625,000
	Novum Süsswaren Decor GmbH	100.00	EUR	25,565
Ghana	Barry Callebaut Ghana Ltd	100.00	GHC	65,915,783,852
Great Britain	S & A Lesme Ltd.	100.00	GBP	23,300,000
	Barry Callebaut UK Ltd.	100.00	GBP	15,217,850
	Barry Callebaut Manufacturing (UK) Ltd.	100.00	GBP	2
Italy	Barry Callebaut Italia S.p.A.	100.00	EUR	104,000
	Barry Callebaut Manufacturing Italy Srl.	100.00	EUR	2,646,841
	Stollwerck Italia S.p.A	98.66	EUR	260,000
Ivory Coast	Société Africaine de Cacao SACO SA	100.00	CFA	4,007,500,000
	Barry Callebaut Négoce SA	100.00	CFA	700,000,000
	SN Chocodi SA	98.60	CFA	500,000,000
	Alliance Cacao SA	51.50	CFA	340,000,000
Mexico	Barry Callebaut México SA (in liquidation)	100.00	MXP	8,297,000
Netherlands	Barry Callebaut Holding B.V.	100.00	EUR	21,435,000
	Barry Callebaut Netherlands B.V.	100.00	EUR	10,088,000
	Graverboom B.V.	100.00	EUR	18,242
	Luijckx Beheer B.V.	100.00	EUR	31,765
	Luijckx B.V.	100.00	EUR	15,882
	Luijckx Onroerend Goed B.V.	100.00	EUR	15,882
	Druif Chocoladewerken B.V.	100.00	EUR	11,345
	Dings Décor B.V.	70.00	EUR	22,689
	Hoogenboom Benelux B.V.	100.00	EUR	18,152
	Hoogenboom Bakkerij Verkoop B.V.	100.00	EUR	18,151
Panama	Adis Holdings Inc.	100.00	CHF	615,910,000
Poland	Barry Callebaut Polska Sp.z.o.o	100.00	PLN	10,000,000
	Barbara Luijckx Sp.z.o.o.	50.00	PLN	1,740,000
Senegal	Chocosen SA	100.00	CFA	500,000,000
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd.	100.00	SGD	33,000,000
	Chocolate Masters Far East Pte. Ltd.	100.00	SGD	20,000
	Van Houten (Singapore) Pte. Ltd.	100.00	SGD	500,000
Spain	Barry Callebaut Ibérica SL	100.00	EUR	25,000
	Txokolatl Gourmet S.L.	50.00	EUR	18,000
USA	Barry Callebaut USA Inc.	100.00	USD	8,312,000
	Barry Callebaut Cocoa USA Inc. (formerly Chadler US Inc.)	100.00	USD	4,253,000

The Group had 7,837 and 7,583 employees at August 31, 2003 and 2002 respectively. The increase is primarily related to the Graverboom acquisition as well as to a raise in seasonal workers.

Notes

3. Trade accounts receivable

in thousands of Swiss Francs	**2002/03**	2001/02
Trade accounts receivable	351,662	345,202
Provision for doubtful debts	(25,571)	(18,093)
	326,091	**327,109**

The Group entered into a securitization program with an asset-purchasing company for trade receivables in Barry Callebaut Belgium, Barry Callebaut France and Barry Callebaut UK. Under this program third-party trade receivables are sold on a monthly basis at their nominal value minus a discount in exchange for cash. These receivables amounting to CHF 188.8 million (net of collateral) at August 31, 2003 (2001/02: CHF 148.8 million) are derecognized from the balance sheet. The trade receivables are contractually due within a period of 1 to 120 days. The credit risk is not transferred. The discount amounting to CHF 21.0 million at August 31, 2003 (2001/02: CHF 19.3 million) represents a collateral for the transaction and is included in the amount reported as "Receivables from asset-purchasing company" under Other current assets (see Note 6).

Trade receivables sold under the program and collected before the next roll-over date, amounting to CHF 33.8 million at August 31,2003 (2001/02: CHF 24.7 million), are classified as a payable towards the asset-purchasing company (see Note 12).

4. Inventories

in thousands of Swiss Francs	**2002/03**	2001/02
Cocoa beans stock	435,414	384,146
Semi-finished and finished products	504,955	391,818[a]
Other raw materials and packaging materials	128,243	150,045[a]
	1,068,612	**926,009**

[a] Includes a reclassification of CHF 57.7 million of cocoa powder, cocoa butter and cake from "Other raw materials and packaging materials" into "Semi-finished and finished products".

At August 31, 2003, the Group held cocoa beans stock for an amount of CHF 435.4 million (2001/02: CHF 384.1 million). In an industrial environment stock policies are mostly aimed at minimizing inventories. The stock policy for cocoa beans however is based on trading criteria. Quality reasons (i.e. buying good-quality main-crop beans that are only available a few months per year) and hedging strategies are the main drivers for the volume of cocoa beans stock.

Inventories amounting to CHF 162.3 million (2001/02: CHF 203.6 million) are pledged as security for financial liabilities (see also Note 28). Because the Group retains substantially all of the risks of ownership, those assets have not been derecognized.

5. Valuation of open commitments and cocoa inventories

in thousands of Swiss Francs	**2002/03**	2001/02
Fair value of physical and terminal market sales commitments of cocoa products	(53,092)	(565,153)
Fair value of physical and terminal market purchase commitments of cocoa products	138,822	362,599
Fair value revaluation on cocoa inventories	(63,118)	147,403
Fair value of related foreign exchange forward purchase contracts	(2,181)	2,359
Fair value of related foreign exchange forward sales contracts	(842)	10,468
	19,589	**(42,324)**

6. Other current assets

in thousands of Swiss Francs	**2002/03**	2001/02
Prepaid expenses	10,999	6,211
Accrued income	5,674	3,991
Prepaid taxes	20,498	24,002
Receivables from governments	24,532	50,029
Margin calls paid	77,345	126,485
Advances to cocoa suppliers	4,790	8,513
Receivables from asset-purchasing company	25,552	26,210
Unrealized profits on financial foreign exchange contracts	17,657	10,196
Unrealized profits on interest-rate swaps	5,102	–
Other	19,558	12,086
	211,707	**267,723**

7. Property, plant and equipment

in thousands of Swiss Francs	**Land and buildings**	**Plant and machinery**	**Furniture equipment and motor vehicles**	**Under construction**	**Total 2002/03**	Total 2001/02
Cost						
Beginning of the period	480,625	1,008,909	186,136	36,583	1,712,253	1,253,379
Change in Group structure	13,318	12,008	2,881	16	28,223	500,393
Additions	4,617	38,705	7,276	18,414	69,012	59,229
Disposals	(80)	(29,860)	(3,390)	(1,646)	(34,976)	(39,958)
Currency translation adjustments	12,545	27,920	6,896	1,061	48,422	(59,265)
Reclassifications	(4,423)	29,347	(1,585)	(27,965)	(4,626)	(1,525)
at August 31	**506,602**	**1,087,029**	**198,214**	**26,463**	**1,818,308**	**1,712,253**
Accumulated depreciation						
Beginning of the period	214,993	679,401	137,771	712	1,032,877	769,269
Change in Group structure	4,381	8,578	1,670	–	14,629	260,139
Depreciation charge	14,233	59,830	13,560	28	87,651	64,734
Impairment losses	3,871	5,391	6,498	–	15,760	8,967
Disposals	(46)	(22,120)	(2,474)	(740)	(25,380)	(36,745)
Currency translation adjustments	7,690	19,864	5,760	–	33,314	(33,494)
Reclassifications	(4,381)	(156)	247	–	(4,290)	7
at August 31	**240,741**	**750,788**	**163,032**	–	**1,154,561**	**1,032,877**
Net at September 1, 2002	265,632	329,508	48,365	35,871	–	679,376
Net at August 31, 2003	**265,861**	**336,241**	**35,182**	**26,463**	**663,747**	–

Repair and maintenance expenses for the business year 2002/03 amounted to CHF 52.9 million (2001/02: CHF 46.2 million). The fire insurance value of Property, plant and equipment amounted to CHF 2,478.1 million and CHF 2,380.0 million at August 31, 2003, and 2002, respectively.

The impairment losses charged to the income statement 2001/02 pertain for an amount of CHF 7.2 million to the shutdown at the end of October 2002 of the production site in Bussum, the Netherlands (Industrial segment), of which CHF 2.7 million was reversed in 2002/03 as a result of the revised calculation of the recoverable amount of these assets based on the expected net selling price, estimated by real-estate experts.

The increase in impairment losses in 2002/03 relate to the restructuring of the Stollwerck group (Food service/Retail segment), in particular to the shutdown of the Gubor production facilities in Münstertal and Müllheim as of September 30, 2003. These impairment losses have been reclassified from restructuring provisions into Property, plant and equipment (see also Note 11). They are based on the expected net selling price estimated by real-estate experts.

At August 31, 2003, tangible assets held under financial leases amount to CHF 8.3 million (2001/02: CHF 1.0 million).

Financial liabilities are secured by mortgages on properties for a value of CHF 119.2 million (2001/02: CHF 84.7 million) (see Note 28).

Notes

8. Investments

in thousands of Swiss Francs	Participation	**2002/03**	2001/02
Jacquot, France	25%	4,578	4,285
Other		447	435
Total Investments		**5,025**	**4,720**

9. Intangible assets

in thousands of Swiss Francs	**Goodwill**	**Brand names**	**Development costs**	**Other**	**Total 2002/03**	Total 2001/02
Cost						
Beginning of the period	419,230	25,625	32,005	8,666	485,526	419,479
Additions	42,896	–	125	1,577	44,598	65,054
Disposals	–	–	(122)	–	(122)	(1,898)
Currency translation adjustments	1,297	–	1,456	467	3,220	(3,362)
Adjustment of goodwill	(10,435)	–	–	–	(10,435)	1,622
Reclassifications	–	–	(733)	(21)	(754)	4,631
at August 31	**452,988**	**25,625**	**32,731**	**10,689**	**522,033**	**485,526**
Accumulated amortization						
Beginning of the period	107,888	6,401	4,297	4,530	123,116	94,348
Additions	24,783	2,575	6,552	2,878	36,788	29,888
Disposals	–	–	–	–	–	(1,898)
Currency translation adjustments	71	–	415	348	834	(693)
Change in Group structure	–	–	–	–	–	1,456
Reclassifications	–	–	(18)	(42)	(60)	15
at August 31	**132,742**	**8,976**	**11,246**	**7,714**	**160,678**	**123,116**
Net at September 1, 2002	311,342	19,224	27,708	4,136	–	362,410
Net at August 31, 2003	**320,246**	**16,649**	**21,485**	**2,975**	**361,355**	–

The remaining amortization period of goodwill on acquisitions is varying between 2 and 20 years. The remaining amortization period of other intangibles is varying between 0 and 17 years. Net goodwill amounted to CHF 320.2 million at August 31, 2003 (2001/02: CHF 311.3 million).

The adjustment of goodwill relates to the finalization of the Stollwerck acquisition accounting within the period allowed under IFRS.

Development costs amounting to CHF 21.5 million (2001/02: CHF 27.7 million) mainly relate to the FOCUS project. This project is aimed at the optimization, redesign or substantial improvement of a number of key business processes in Europe. The depreciation period is five years and started as from last year.

10. Bank overdrafts and Short-term debt

in thousands of Swiss Francs	**2002/03**	2001/02
Bank overdrafts	***35,481***	***47,495***
Commercial paper	202,697	192,772
Amounts due to banks	212,495	432,552
Current portion of long-term bank borrowings	41,921	202,868
Interest-bearing loans from employees	621	1,090
Finance lease obligation	1,564	268
Short-term debt	***459,298***	***829,550***
Bank overdrafts and Short-term debts	**494,779**	**877,045**

	2002/03			2001/02		
Split per currency:	**Amount**	**Interest range**		Amount	Interest range	
		from	**to**		from	to
EUR	247,835	2.40%	6.00%	562,678	0.50%	8.82%
USD	36,325	2.50%	3.20%	13,568	2.00%	8.00%
GBP	155,466	3.02%	4.56%	208,599	4.00%	5.72%
CFA	45,107	7.50%	12.00%	72,153	6.00%	12.00%
Other	10,046	2.73%	7.00%	20,047	1.43%	11.00%
	494,779	**2.40%**	**12.00%**	**877,045**	**0.50%**	**12.00%**

	2002/03	2001/02
Split fixed/floating interest rate:		
Fixed	233,096	337,174
Floating	261,683	539,871
	494,779	**877,045**

The carrying value of short-term debt approximates the estimated fair value due to the short-term nature of these instruments. Short-term financial liabilities are mainly denominated in EUR, in CFA (Communauté Financière Africaine), in GBP and in USD as it appears from the table above.

11. Provisions

in thousands of Swiss Francs	**Provision for restructuring costs**	**Other provisions**	**Total**
Balance at beginning of period	110,778	54,528	165,306
Additional provisions	–	9,547	9,547
Used	(45,657)	(39,554)	(85,211)
Reversed	(16,850)	(623)	(17,473)
Reclassifications	–	(4,173)	(4,173)
Currency translation adjustments	38	973	1,011
at August 31, 2003	**48,309**	**20,698**	**69,007**
of which:			
Current	34,785	13,172	47,957
Non-current	13,524	7,526	21,050

Restructuring provisions at August 31, 2003, include the reduction of the manufacturing, selling and administrative workforce in connection with the announced plan to close the Gubor production facilities in Münstertal and Müllheim as of September 30, 2003.

The remaining restructuring provisions mainly concern estimated restructuring charges in connection with the integration of the Stollwerck Consumer business that was acquired as of August 31, 2002.

An amount of CHF 18.0 million relating to impairment of assets in connection with the Stollwerck restructuring is included in the usage in 2002/03 and are now presented as impairment losses on assets (see Note 7).

The reversal of provisions in 2002/03 relate primarily to excess restructuring provisions in connection with industrial restructuring activities in North America (see Note 18).

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

Other provisions include provisions for repurchase obligations and for litigation and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business, as well as for the negative outcome of onerous contracts. The timing of cash outflows in respect of litigation provisions is uncertain since it will depend on the outcome of the administrative and legal proceedings.

Reclassifications amounting to CHF 4.2 million relate to a provision for a net receivable on certain minority shareholders that was reclassified in 2002/03 from Provisions into Minority interests (see also Note 16).

Notes

12. Other current liabilities

in thousands of Swiss Francs	**2002/03**	2001/02
Accrued wages and social charges	61,826	58,249
Pension liabilities	5,207	5,354
Interests accrued	14,274	2,687
Year-end rebates and commissions	20,368	21,774
Other taxes	9,760	13,754
Margin calls received	–	38
Payable to KJ Jacobs AG	1,221	412
Payable to asset-purchasing company	33,757	24,694
Unrealized losses on financial foreign exchange contracts	16,087	13,609
Unrealized losses on interest-rate swaps	2,184	–
Other	130,509	142,816
	295,193	**283,387**

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

13. Long-term debt

in thousands of Swiss Francs	**2002/03**	2001/02
Subordinated notes	245,875	–
Bank borrowings	362,905	346,788
Less current portion (Note 10)	(41,921)	(202,868)
Interest-bearing loans from employees	1,467	1,400
Long-term other loans	73	65
Finance lease obligation	6,755	824
	575,154	**146,209**

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

The EUR 375 million senior term and revolving facility divides into three tranches as follows:

Tranche A: EUR 92.5 million 5-year bullet term loan maturing in 2008
Tranche B: EUR 92.5 million 5-year amortizing loan with 10 bi-annual installments also maturing in 2008
Tranche C: EUR 190 million 3-year revolving facility to back-up the Group's commercial paper program

Only tranches A and B of this senior facility are actually drawn down as at closing since the commercial paper program has proven very resilient and highly liquid to date.

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

The Term and Revolving Facilities Agreement also contains certain financial covenants, including, amongst others, a maximum senior leverage ratio, a minimum interest cover ratio and a minimum solvency ratio, next to a number of potentially restrictive undertakings limiting or preventing specific business transactions.

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

Notes

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

in thousands of Swiss Francs	2002/03	2001/02
2003/04	–	15,704
2004/05	45,640	23,077
2005/06	63,326	62,138
2006/07	38,944	8,801
2007/08 (and thereafter for 2001/02)	165,734	36,489
2008/09 and thereafter (for 2002/03)	261,510	–
	575,154	**146,209**

Long-term financial liabilities are mainly denominated in EUR (94%) as it appears from the table below:

		2002/03			2001/02	
Split per currency	**Amount**	**Interest range**		Amount	Interest range	
		from	**to**		from	to
EUR	539,246	2.90%	9.25%	105,313	3.00%	8.95%
USD	7,851	5.20%	5.20%	11,290	6.10%	6.10%
CAD	24,341	3.00%	4.00%	24,557	3.00%	4.00%
Other	3,716	3.00%	11.25%	5,049	3.00%	11.25%
	575,154	**2.90%**	**11.25%**	**146,209**	**3.00%**	**11.25%**

Split fixed/floating interest rate:	**2002/03**	2001/02
Fixed rate	304,663	58,110
Floating rate	270,491	88,099
	575,154	**146,209**

14. Obligations under finance leases

	Minimum lease payments		**Present value of minimum lease payments**	
in thousands of Swiss Francs	**2002/03**	2001/02	**2002/03**	2001/02
Amounts payable under finance leases				
Within one year	1,898	316	1,564	268
In the second to the fifth year inclusive	6,927	875	6,289	824
More than five years	469	–	466	–
	9,294	**1,191**	**8,319**	**1,092**
less: future finance charges	975	(99)	n/a	n/a
Present value of lease obligations	**8,319**	**1,092**	**8,319**	**1,092**
less amount due for settlement within 12 months	–	–	(1,564)	(268)
Amount due for settlement after 12 months	–	–	6,755	824

The Group entered into finance leasing arrangements for machinery. The weighted average term of finance leases entered into is six years. The average effective borrowing rate was 5% (2001/02: 6%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payment.

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

Notes

15. Cash flow hedges and hedging reserves

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

in thousands of Swiss Francs	**2002/03**	2001/02
Contracts with positive fair values		
– Interest-rate swaps	4,622	–
Contracts with negative fair values		
– Interest-rate swaps	2,114	–

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

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

	Interest-rate swap	**Forward contracts**	**Total hedging reserve**
Balance at September 1, 2002	–	–	–
Movements in the period:			
– Gains and losses from changes in fair value	2,508	–	2,508
– Deferred income taxes thereon	–	–	–
– Transfers to income statement	–	–	–
– Deferred income taxes thereon	–	–	–
Balance at August 31, 2003	**2,508**	**-**	**2,508**

Notes

16. Minority interests

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

	2002/03	2001/02
Alliance Cacao S.A.	48.5%	48.5%
Chocogab S.A.	29.3%	29.3%
Chocolaterie Confiserie Camerounaise-Chococam S.A.	28.0%	28.0%
SN Chocodi S.A.	1.4%	1.4%
Société Industrielle Camerounaise des Cacaos S.A.	29.7%	32.8%
Stollwerck AG	1.3%	3.9%
Gubor Schokoladenfabrik GmbH	1.3%	3.9%
Thüringer Schokoladewerk Beteiligungs GmbH	1.3%	9.9%
Hildebrand Kakao- und Schokoladenfabrik GmbH	1.3%	3.9%
Wurzener Dauerbackwaren GmbH	1.3%	3.9%
Chocolat Alprose S.A.	1.3%	3.9%
Jacques Chocolaterie S.A.	1.3%	3.9%
Stollwerck Italia S.p.A.	1.3%	3.9%
Stollwerck France S.à.r.l.	1.3%	3.9%
Dings Décor BV	30.0%	–
Barbara Luijckx Sp.z.o.o.	50.0%	–
Txokolatl Gourmet S.L.	50.0%	–

Movements in minority interests

in thousands of Swiss Francs	**2002/03**	2001/02
Opening balance	3,455	2,546
Minority share of profits/(losses)	237	(1,732)
Purchase of minority shares	(1,540)	(45)
Dividends paid to minority shareholders	(383)	(462)
Change in Group structure	934	3,434
Reclassification	4,173	–
Currency translation adjustment	(149)	(286)
at August 31	6,727	3,455

The opening balance as per September 1, 2002, included a net receivable on certain minority shareholders for which a provision was recorded as per August 31, 2002. During 2002/03 this provision was reclassified from Provisions into Minority interests (see also Note 11).

17. Share capital

in thousands of Swiss Francs	**2002/03**	2001/02	2000/01
Share capital is represented by 5,170,000			
authorized and issued shares (2001/02: 5,170,000; 2000/01: 5,170,000)			
of CHF 100 each, fully paid	**517,000**	**517,000**	**517,000**

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

There were no movements in the share capital of the company either in 2002/03, 2001/02, or 2000/01 reporting periods.

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

Notes

18. Other operating expenses / Restructuring provisions Stollwerck

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

Other operating expenses include the release of excess provisions for an amount of CHF 17.5 million which were mainly related to the meanwhile completed restructuring of the North American production platform (2001/02: include reversal of impairment on assets of CHF 12.0 million).

The remaining contingency reserve for pension liabilities (CHF 5.5 million) that was set up at the occasion of the Van Houten acquisition has become redundant and was therefore released in the 2002/03 income statement. Further, impairment losses of CHF 2.7 million relating to the production site at Bussum were reversed in 2002/03.

Operating expenses include also CHF 5.5 million (2001/02: CHF 4.5 million) research and development costs.

Restructuring provisions Stollwerck (2001/02: CHF 80.0 million) relate to employee termination costs, impairment losses on fixed assets, write-down of inventories, contract cancellation costs and other costs in connection with the acquisition of Stollwerck AG charged to the income statement of the year 2001/02.

19. Financial cost, net

in thousands of Swiss Francs	**2002/03**	2001/02
Financial income		
Interest income	10,795	4,312
Income from investments	14	92
Positive exchange differences	256,786	163,649
Fair value gains on financial instruments	316	–
Financial expense		
Interest expense	(89,929)	(53,603)
Bank charges	(3,606)	(2,151)
Negative exchange differences	(254,620)	(166,100)
	(80,244)	**(53,801)**

Interest expense includes interest paid under a commodity repurchase agreement for an amount of CHF 5.7 million for the year 2002/03 (2001/02: CHF 6.0 million).

Interest expense for 2002/03 also includes interest paid under a securitization program of trade receivables for an amount of CHF 4.7 million (2001/02: CHF 5.6 million).

20. Non-operating income, net

in thousands of Swiss Francs	**2002/03**	2001/02
Non-operating income		
Other non-operating income	191	183
	191	**183**

in thousands of Swiss Francs	**2002/03**	2001/02
Non-operating expense		
Other non-operating expense	(190)	(396)
	(190)	**(396)**

Non-operating income, net	**1**	**(213)**

Notes

21. Taxes

Tax losses carried forward utilized during the year 2002/03 were CHF 16.9 million (2001/02: CHF 40.9 million). The tax relief hereon amounted to CHF 5.4 million of which CHF 4.3 million was already recognized as a deferred tax asset in prior year (2001/02 only CHF 0.8 million because the major part in 2001/02 related to Barry Callebaut AG for which the tax effectiveness of the utilization of tax losses carried forward was only marginal due to its holding status).

At August 31, 2003, the Group had unutilized tax losses carried forward of approximately CHF 601.3 million (2001/02: CHF 502.1 million) that are available for offset against future taxable income. Of these CHF 601.3 million, CHF 397.8 million can be used for an unlimited period of time. The remaining CHF 203.5 million expire as follows:

Year of expiration	**Amount (CHF million)**
2005	1.0
2007	200.5
2008	0.1
2009	0.5
2010	0.4
2011	0.1
2012	0.9
	203.5

Tax expenses

in thousands of Swiss Francs	**2002/03**	2001/02
Current taxes	19,523	20,093
Deferred taxes	5,461	(319)
	24,984	**19,774**

Reconciliation of tax expenses

in thousands of Swiss Francs	**2002/03**	2001/02
Income before taxes and minority interest	128,465	39,162
Addition of non-tax-effective Stollwerck restructuring provisions	–	80,000
Income before taxes and minority interest and before Stollwerck restructuring provisions	128,465	119,162
Expected taxes at the domestic rates applicable to profit/loss in the countries concerned	30,328	31,939
Weighted average-applicable tax rate	23.61%	26.80%
Tax relief on losses carried forward previously not yet recognized	(1,133)	(800)
Tax effect of non-deductible expenses and non-effective tax losses	11,620	8,443
Tax effect of income not subject to tax	(14,488)	(14,830)
Adjustments related to prior years	(1,343)	(4,978)
	24,984	**19,774**

The change of the weighted average applicable tax rate is mainly due to a decreased weight of higher taxed countries in the composition of the profit before taxes.

Notes

Deferred tax assets and liabilities

in thousands of Swiss Francs	Balance at September 1, 2001	Deferred tax (income)/ expense 2001/02	Effect of acquisitions	Currency translation adjustments	Balance at August 31, 2002	Deferred tax (income)/ expense 2002/03	Effect of acquisitions	Currency translation adjustments	Balance at August 31, 2003
Deferred tax assets									
Deferred tax depreciation fixed assets	7,815	(2,883)	(4,767)	(367)	(202)	**(1,479)**	–	(253)	(1,934)
Deferred tax inventories	–	1,893	(1,057)	35	871	**(1,285)**	–	23	(391)
Deferred tax provisions	(6,633)	5,373	(3,588)	305	(4,543)	**1,380**	–	(52)	(3,215)
Deferred tax other assets	(3,728)	3,374	–	54	(300)	**1,097**	–	(5)	792
Deferred tax other liabilities	(3,540)	(4,248)	201	44	(7,543)	**9,375**	–	(137)	1,695
Capitalization of tax loss carry-forwards	–	(9,884)	316	377	(9,191)	**732**	–	60	(8,399)
	(6,086)	**(6,375)**	**(8,895)**	**448**	**(20,908)**	**9,820**	–	**(364)**	**(11,452)**
Deferred tax liabilities									
Deferred tax depreciation fixed assets	31,150	(3,427)	26,359	(2,119)	51,963	**1,036**	147	1,278	54,424
Deferred tax inventories	7,219	(2,195)	279	(142)	5,161	**2,660**	–	(12)	7,809
Deferred tax provisions	5,382	9,935	(3,576)	(173)	11,568	**(3,380)**	399	447	9,034
Deferred tax other assets	(6,592)	14,038	9,636	(121)	16,961	**3,690**	(10,435)	679	10,895
Deferred tax other liabilities	105	(6,898)	(894)	361	(7,326)	**(3,440)**	–	(289)	(11,055)
Capitalization of tax loss carry-forwards	–	(5,397)	(13,461)	402	(18,456)	**(4,925)**	–	(587)	(23,968)
	37,264	**6,056**	**18,343**	**(1,792)**	**59,871**	**(4,359)**	**(9,889)**	**1,516**	**47,139**
Net deferred tax liabilities	**31,178**	**(319)**	**9,448**	**(1,344)**	**38,963**	**5,461**	**(9,889)**	**1,152**	**35,687**

22. Earnings per share

	2002/03	2001/02
Basic earnings per share (CHF/share)	20.00	4.27
Diluted earnings per share (CHF/share)	19.97	4.09

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

in thousands of Swiss Francs	**2002/03**	2001/02
Net result attributable to ordinary shareholders, used as numerator for basic earnings per share	103,244	21,120
After-tax effect of income and expense on dilutive potential ordinary shares	–	–
Adjusted net result used as numerator for diluted earnings per share	103,244	21,120

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

	2002/03	2001/02
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares	6,756	219,809
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,163,244	4,950,191
Weighted average number of dilutive treasury shares held in coverage of the stock option plan	6,756	219,809
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	5,170,000	5,170,000

Notes

23. Cash flow from acquisitions

in thousands of Swiss Francs	**2002/03**	2001/02
Current assets	(11,130)	(224,375)
Non-current assets	(13,689)	(248,910)
Acquisition goodwill	(28,434)	(46,381)
Short-term liabilities	10,114	221,264
Long-term liabilities	6,467	180,632
Minority interest	848	3,434
Total purchase price	**(35,824)**	**(114,336)**
Part of purchase price not paid in cash	–	37,606
Less: cash and bank overdrafts acquired	(1,232)	4,249
Cash flow for acquisition, net of cash and bank overdrafts acquired	**(37,056)**	**(72,481)**

24. Employee benefits

A. Post-employment and long-term benefit plans

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

Liabilities recognized in the balance sheet

in thousands of Swiss Francs	**2002/03**	2001/02
Pension funds		
defined benefit plans	117,259	119,264
defined contribution plans	577	2,651
Other post-retirement benefit plans	320	511
Other long-term employee benefits	10,197	7,471
	128,353	**129,897**

Assets recognized in the balance sheet

in thousands of Swiss Francs	**2002/03**	2001/02
Pension funds		
defined benefit plans	2,382	975
	2,382	**975**

Reconciliation of assets and liabilities recognized in the balance sheet

in thousands of Swiss Francs	**Defined benefit retirement plans**	**Other non-current employee benefits**	**Total 2002/03**	Total 2001/02
Present value of funded obligations	111,160	2,944	114,104	120,136
Fair value of plan assets	(71,676)	–	(71,676)	(65,191)
Excess of liabilities/(assets) of funded obligations	39,484	2,944	42,428	54,945
Present value of unfunded obligations	87,622	8,024	95,646	93,903
Unrecognized past services cost of non-vested benefits	–	–	–	–
Net unrecognized actuarial gains/(losses)	(12,229)	126	(12,103)	(19,926)
Unrecognized assets	–	–	–	–
Net accrued liabilities	**114,877**	**11,094**	**125,971**	**128,922**

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

Notes

Expenses recognized in the income statement

in thousands of Swiss Francs	**Defined benefit retirement plans**	**Other non-current employee benefits**	**Total 2002/03**	Total 2001/02
Current service cost	4,572	607	5,179	6,305
Interest cost	9,782	194	9,976	6,522
Expected return on plan assets	(4,041)	–	(4,041)	(4,995)
Net actuarial (gain)/loss recognized in the year	1,154	87	1,241	328
Loss/(gain) in early retirement, curtailments, settlements	(2,782)	192	(2,590)	3,894
Past service cost	(5,523)	–	(5,523)	7,981
Employees' contributions	(921)	–	(921)	(1,063)
Total defined benefit expenses	**2,241**	**1,080**	**3,321**	**18,972**
Total defined contribution expenses			**1,502**	**1,410**

The actual return on plan assets in 2002/03 was positive for an amount of CHF 3.1 million (2001/02: negative return of CHF 7.0 million).

Movement of defined benefits net liabilities

in thousands of Swiss Francs	**Defined benefit retirement plans**	**Other non-current employee benefits**	**Total 2002/03**	Total 2001/02
at September 1	118,561	10,362	128,923	57,674
Reclassifications	194	(162)	32	–
Changes in Group structure	859	810	1,669	63,727
Currency translation adjustments	4,853	453	5,306	(1,792)
Total defined benefit expenses	2,241	1,080	3,321	18,972
Contributions	(3,792)	(916)	(4,708)	(5,568)
Benefits paid	(8,039)	(533)	(8,572)	(4,091)
at August 31	**114,877**	**11,094**	**125,971**	**128,922**

Principal actuarial assumptions used (weighted averages)

	2002/03	2001/02
Discount rates	5.2%	5.6%
Expected rate of salary increase	2.3%	2.2%
Expected return on plan assets	6.1%	6.8%
Medical cost trend rates	1.8%	2.4%

B. Equity compensation benefits

Stock option plan

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

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

Notes

Stock option plan

	Number of options 2002/03	Weighted average exercise price (CHF/share)	Number of options 2001/02	Weighted average exercise price (CHF/share)
Outstanding at September 1	118,000		314,500	
Forfeited during the year	–		(196,500)	
Expired during the year	(24,200)		–	
Outstanding as at August 31	**93,800**		**118,000**	
Exercisable as at August 31	**93,800**	**257**	**118,000**	**270**

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

The total options outstanding at August 31, 2003, had exercise prices ranging from CHF 234.50 to CHF 322 (2001/02: CHF 234.50 to CHF 322).

	Number of options 2002/03	Number of options 2001/02
Expiry date – August		
2003	–	24,200
2004	24,200	24,200
2005	21,200	21,200
2006	36,200	36,200
2007	12,200	12,200
	93,800	**118,000**

Employee stock ownership program

Since 2001, the Group operates an employee stock ownership program. Under this plan, members of the Board of Directors and certain executives are granted shares. The Board of Directors determines the participants in this plan, the number of shares to be granted to each employee or director and the granting price. This granting price has been zero in the past.

Total shares to be granted to a respective participant are granted in annual portions from 2001 to 2004, normally in equal portions over four years. In case of resignation or dismissal, the initially granted but not yet issued shares become forfeited.

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

The Group currently uses treasury shares for this program. Outstanding shares include 58,634 shares initially allocated to the participants but not yet granted as well as 8,676 shares as reserve.

Costs of CHF 0,028 million (2001/2002: CHF 0,012 million) in connection with the grant of these shares, such as acquisition costs, stamp duties, transfer taxes and other related costs, are recognized in income statement. Social expenses of CHF 0,122 million (2001/2002: CHF 0,148 million) were recorded in personnel expenses.

	Number of shares 2002/03	Fair value of shares (000 CHF)	Number of shares 2001/02	Fair value of shares (000 CHF)
Outstanding at September 1	86,210	–	127,610	–
Additions	–	–	–	–
Granted during the year	(18,900)	2,646	(41,400)	6,643
Forfeited during the year	–	–	–	–
Outstanding at August 31	**67,310**	–	**86,210**	–

Notes

25. Information by segment and geographical area

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

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

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

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

Business segments

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

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

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

Geographical segments

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

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

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

Asia-Pacific/Africa consists of all other countries.

Notes

I – Primary segment information: business segment information

	Industrial Business		Food Service & Retail Business		Corporate/ Unallocated		Eliminations		Consolidated	
in thousands of Swiss Francs	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02
Revenue										
External sales	2,193,882	2,012,821	1,377,378	609,016	–	–	–	–	3,571,260	2,621,837
Inter-segment sales	435,614	203,092	9,489	2,474	–	–	(445,103)	(205,566)	–	–
Income from sales and services	**2,629,496**	**2,215,913**	**1,386,867**	**611,490**	–	–	**(445,103)**	**(205,566)**	**3,571,260**	**2,621,837**
Segment result before restructuring Stollwerck	142,278	124,968	104,342	79,768	(37,912)	(31,560)	–	–	208,708	173,176
Segment result	142,278	124,968	104,342	(232)	(37,912)	(31,560)	–	–	208,708	93,176
Operating income	**142,278**	**124,968**	**104,342**	**(232)**	**(37,912)**	**(31,560)**	–	–	**208,708**	**93,176**
Financial cost, net									**(80,244)**	**(53,801)**
Non-operating income, net									**1**	**(213)**
Total taxes									**(24,984)**	**(19,774)**
Minority interest									**(237)**	**1,732**
Net profit for the year									**103,244**	**21,120**

I – Primary segment information: business segment information – continued

	Industrial Business		Food Service & Retail Business		Corporate/ Unallocated		Eliminations		Consolidated	
in thousands of Swiss Francs	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02
Other information										
Segment assets	1,815,359	1,769,632	776,549	735,778	–	–	–	–	2,591,908	2,505,410
Corporate/Unallocated assets					120,799	146,158	–	–	120,799	146,158
Consolidated total assets	**1,815,359**	**1,769,632**	**776,549**	**735,778**	**120,799**	**146,158**	–	–	**2,712,707**	**2,651,568**
Segment liabilities	340,262	318,910	351,563	418,009			–	–	691,825	736,919
Corporate/Unallocated liabilities					1,254,996	1,217,687	–	–	1,254,996	1,217,687
Consolidated total liabilities	**340,262**	**318,910**	**351,563**	**418,009**	**1,254,996**	**1,217,687**	–	–	**1,946,821**	**1,954,606**
Capital expenditure	49,491	51,366	62,421	71,672	1,698	1,317	–	–	113,610	124,355
Depreciation and amortization	(72,472)	(76,723)	(48,569)	(14,438)	(3,398)	(3,463)	–	–	(124,439)	(94,624)
Non-cash expenses other than depreciation	–	–	(8,599)	(80,000)	–	–	–	–	(8,599)	(80,000)
Impairment losses	(1,225)	(8,967)	–	–	–	–	–	–	(1,225)	(8,967)
Reversal of impairment losses	2,705	–	36	11,962	–	–	–	–	2,741	11,962

II - Secondary business segment information: by geographical area

	Europe		Americas		Asia-Pacific/Africa		Eliminations		Consolidated	
in thousands of Swiss Francs	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02	**2002/03**	2001/02
External sales revenue	2,575,920	1,728,700	746,027	706,707	249,313	186,430	–	–	3,571,260	2,621,837
Carrying amount of segment assets	2,091,963	2,059,685	380,457	349,729	240,287	242,154	–	–	2,712,707	2,651,568
Capital expenditure	89,395	110,288	11,724	6,179	12,491	7,888	–	–	113,610	124,355

Notes

26. Financial risk management

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

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

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

Commodity price risk

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

Foreign currency risk

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

Interest rate risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt. The Group's policy is to keep between 50% and 75% of its borrowings at fixed rates of interest. To manage this mix in a cost-efficient manner, the Group enters into interest-rate swaps, in which the Group agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. These swaps are designated to hedge underlying debt obligations. Unrealized gains and losses relating to interest-rate swaps designated as hedging instruments to convert variable interest payments into fixed interest payments are recognized in equity as equity reserve on cash flow hedges. At August 31, 2003, after taking into account the effect of interest-rate swaps, approximately 50% of the Group's borrowings are at a fixed rate of interest.

Credit risk and concentration of credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The extent of the Group's credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements, if any, with counterparties. The maximum nominal credit risk exposure in the event of all other parties fail to perform their obligation was CHF 788.9 million as of August 31, 2003 (2001/02: CHF 829.9 million).

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

27. Related parties

69,6% of the share capital of Barry Callebaut AG is held by KJ Jacobs AG, Zurich, Switzerland, and certain members of the Klaus J. Jacobs family.

Notes

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

in thousands of Swiss Francs	**2002/03**	2001/02
Sales to related parties	46,182	6,474
Operating expenses charged by related parties	7,974	2,454
Operating income charged to related parties	–	(2,181)
Accounts receivable related parties	11,926	634
Accounts payable related parties	7,226	4,017
Related party expenses included in goodwill Stollwerck acquisition	–	1,252

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

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

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

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

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

Other financial assets and financial liabilities
Other financial assets and financial liabilities include short-term deposits with third parties, deposits with related parties, short-term and long-term debts and loans from related parties as well as other assets and liabilities. The carrying amount of these financial instruments approximates fair value as the majority of the debts are at variable interest rates, except for the Subordinated Notes which had a fair value of CHF 274.3 million at August 31, 2003. The fair values of these items were based on expected cash flows or available market prices.

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

in thousands of Swiss Francs	**2002/03**	2001/02
Contingent liabilities		
Guarantees to third parties	5,583	1,454
Assets pledged as security for liabilities		
Mortgages	119,152	84,738
Shares pledged	128,917	114,335
Inventories pledged	162,288	203,585
Other assets pledged	2,172	–
Commitments		
Future capital expenditures	1,279	2,170
Foreign exchange sales obligations	2,072,369	903,722
Foreign exchange purchase obligations	2,077,353	1,147,730
Physical sales obligations	1,145,066	988,638
Physical purchase (including repurchase) obligations	1,316,644	1,713,405
Cocoa terminal market sales	471,953	881,874
Cocoa terminal market purchases	595,179	1,082,915

At August 31, 2003, the Group had contingent liabilities in respect of bank (see also Note 12) and other guarantees arising in the ordinary course of business from which it is anticipated that the probability of any significant outflow in settlement is remote. In the ordinary course of business, the Group has given guarantees amounting to CHF 5.6 million (2001/02: CHF 1.5 million) to third parties.

Assets pledged as security for liabilities amount in total to CHF 412.5 million (2001/02: 402.7 million) and relate to mortgages on land and property, and pledged inventories and shares.

Shares of Stollwerck AG with a book value of CHF 128,9 million (2001/02: 114,3 million CHF) are pledged as security for liabilities and serve as a partial collateral for the senior credit facilities of EUR 375 million entered into in March 2003 (see Note 12).

Notes

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

Operating lease arrangements

in thousands of Swiss Francs	**2002/03**	2001/02
Lease paid under operating leases	5,733	4,369
Future operating lease commitments	18,760	20,400

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

in thousands of Swiss Francs	**2002/03**	2001/02
Within one year	4,329	5,036
In the second to the fifth year inclusive	9,611	9,916
After five years	4,820	5,448

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

Others

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

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

29. Subsequent events

On September 17, 2003, the Group acquired the U.S.-based Brach's Confection Holding, Inc. from its majority shareholder. The acquisition of Brach's gives Barry Callebaut a significant presence in the most important confectionery market, the U.S., and access to the world's largest retailers, major supermarkets, and other distribution channels. The total purchase consideration amounts to USD 16.0 million, consisting of a purchase price of USD 1 for 100% of the equity of Brach's and USD 16.0 million of assumed net debt. The Group has not completed the allocation of the purchase price related to the Brach's acquisition as it is in the process of identifying and determining the fair value of the assets acquired and liabilities assumed. Brach's will be included in the consolidated financial statements of Barry Callebaut Group as of September 1, 2003.

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To the general meeting of
Barry Callebaut AG, Zurich

Zurich, November 10, 2003

Report of the Group Auditors

As auditors of the group, we have audited the consolidated financial statements (consolidated balance sheet, consolidated statement of income, consolidated statement of cash flows, consolidated statement of changes in equity and notes / pages 80 to 110) of Barry Callebaut AG for the year ended August 31, 2003. The prior year corresponding figures were audited by other group auditors.

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

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

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

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

Ernst & Young Ltd

Thomas Stenz
Swiss Certified Accountant
(in charge of the audit)

Stefan Weuste
Swiss Certified Accountant

Financial Statements of Barry Callebaut AG

Balance Sheet

Assets

for the year ended August 31, 2003		
in Swiss Francs	**2002/03**	2001/02
Current assets		
Cash	279,761	658,848
Treasury shares	56,010	31,422
Accounts receivable from Group companies	17,400,137	33,593,954
Short-term loans granted to Group companies	64,856,912	93,094,820
Other receivables and prepayments	2,348,464	2,855,762
Total current assets	**84,941,284**	**130,234,806**
Non-current assets		
Fixed assets	289,193	428,703
Financial assets		
Investments	860,609,825	860,609,825
Intangible assets		
Capitalized costs of the capital increase and the going public	–	16,166,332
less accumulated amortization	–	(16,166,332)
Trademarks	74,790	99,720
Total non-current assets	**860,973,808**	**861,138,248**
Total assets	**945,915,092**	**991,373,054**

Liabilities and shareholders' equity

for the year ended August 31, 2003		
in Swiss Francs	**2002/03**	2001/02
Current liabilities		
Accounts payable to third parties	797,250	366,145
Accounts payable to Group companies	2,185,422	1,225,432
Accounts payable to shareholder	1,220,681	411,733
Short-term loans from Group companies	144,252,580	196,796,872
Accrued liabilities	9,929,529	10,914,267
Accrued taxes	231,278	1,260,380
Total liabilities	**158,616,740**	**210,974,829**
Shareholders' equity		
Share capital – 5,170,000 registered shares at CHF 100 nominal value	517,000,000	517,000,000
Legal reserve	157,019,393	157,019,393
Reserve for treasury shares	54,788	31,940
Retained earnings	113,224,171	106,346,892
Total shareholders' equity	**787,298,352**	**780,398,225**
Total liabilities and shareholders' equity	**945,915,092**	**991,373,054**

Statement of Income and Retained Earnings

for the year ended August 31, 2003		
in Swiss Francs	2002/03	2001/02
Income		
Dividend income	35,000,000	69,048,052
Financial income	2,223,878	3,706,988
License income	22,850,908	20,608,870
Management fees	8,169,863	–
Realized and unrealized profit on treasury shares	446,166	–
Other	220,146	1,281,172
	68,910,961	**94,645,082**
Expenses		
Personnel	12,470,449	14,422,425
Financial expenses	2,643,757	7,072,265
Amortization and depreciation	186,664	4,126,074
License expenses	3,299,861	13,411,626
Realized loss on treasury shares	294,030	11,275,059
Other	7,246,242	5,073,653
	26,141,003	**55,381,102**
Income before taxes	**42,769,958**	**39,263,980**
Taxes	(234,091)	(106,382)
Net income for the year	**42,535,867**	**39,157,598**
Retained earnings		
Balance, beginning of year	106,346,892	16,695,383
Dividend	(35,635,740)	(32,961,990)
Withdrawal from legal reserves	–	17,943,617
Change of reserve for treasury shares	(22,848)	65,512,284
Net income for the year	42,535,867	39,157,598
Balance, end of year	**113,224,171**	**106,346,892**

Notes to the Financial Statements

for the year ended August 31, 2003		
in Swiss Francs	**2002/03**	2001/02
1. Liens, guarantees and pledges in favour of third parties: The Company is a co-debtor for bank loans of max. EUR 375 million (CHF 577.2 million; 2001/02: EUR 133.9 million or CHF 196.9 million) obtained by Barry Callebaut Services N.V., Belgium, and for the subordinated bond of EUR 165 million (CHF 254 million; 2001/02: CHF 0) issued by Barry Callebaut Services N.V., Belgium. Until August 31, 2003: VAT Group with KJ JACOBS AG; joint liability As of September 1, 2003: VAT Subgroup for the Swiss Barry Callebaut entities; joint liability		
2. Assets pledged, mortgaged or assigned to secure obligations of the Company	not applicable	not applicable
3. Financial lease commitments	not applicable	not applicable
4. Fire insurance value of tangible fixed assets	868,000	739,500
5. Obligations to employee benefit institutions	not applicable	not applicable
6. Bonds issued	not applicable	not applicable
7. Investments		

Name and domicile	**Percentage of investment**	
	2002/03	2001/02
ADIS Holdings Inc., Panama	100%	100%
Barry Callebaut Holding BV, The Netherlands	100%	100%
Barry Callebaut Schweiz AG, Switzerland	100%	100%
Barry Callebaut Sourcing AG, Switzerland	100%	100%
Chocodif SA, France	100%	100%
Chocosen SA, Senegal	100%	100%
C.J. Van Houten & Zoon Holding GmbH, Germany	100%	100%
Van Houten (Asia Pacific) Ltd, Hong Kong	50%	50%
Van Houten Service AG, Switzerland	100%	100%

Investments are stated at cost less necessary amortization.

8. Material dissolution of excess reserves	not applicable	not applicable
9. Revaluation of assets	not applicable	not applicable

Notes to the Financial Statements

for the year ended August 31, 2003

in Swiss Francs	**2002/03**	2001/02
10. Treasury shares:		
The Company holds 300 (2001/02: 200) treasury shares as of August 31, 2003. In 2002/03 the Company bought 84,941 shares at an average price of CHF 155.44 per share (2001/02: 34,806 shares at an average price of CHF 169.23) and sold 84,841 shares at an average price of CHF 157.13 per share (2001/02: 283,406 shares at an average price of CHF 158.75). As of August 31, 2003, the treasury shares have been revalued to the average closing price of August 2003 of CHF 186.70 per share (2001/02: to the average closing price of August 2002 of CHF 157.11 per share).		
11. Authorized and conditional increase of capital	not applicable	not applicable
12. Important shareholders		
KJ Jacobs AG, Zurich, Switzerland, and certain members of Klaus J. Jacobs' family	69.6%	69.9%
13. Allocation of retained earnings		
The Board of Directors proposes to allocate the balance of retained earnings as follows:		
Available retained earnings	113,224,171	
Dividend	(36,190,000)	
Carry forward	**77,034,171**	

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To the general meeting of
Barry Callebaut AG, Zurich

Zurich, November 10, 2003

Report of the Statutory Auditors

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and notes / pages 114 to 117) of Barry Callebaut AG for the year ended August 31, 2003. The prior year corresponding figures were audited by other auditors.

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

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

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

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

Ernst & Young Ltd

Thomas Stenz
Swiss Certified Accountant
(in charge of the audit)

Stefan Weuste
Swiss Certified Accountant

5-year overview.

Key Figures		CAGR (%)[1]	2002/03	2001/02[2]	2000/01	1999/00	1998/99
Income Statement							
Sales revenue	CHF m	12.1%	3,571.3	2,621.8	2,548.6	2,410.4	2,262.3
EBITDA [3]	CHF m	12.6%	333.1	187.8	266.2	240.3	207.2
Operating profit (EBIT)	CHF m	12.5%	208.7	93.2	168.0	148.7	130.2
Net profit (PAT)	CHF m	0.8%	103.2	21.1	97.1	90.0	100.2
Cash flow [4]	CHF m	6.5%	227.7	115.7	195.3	181.6	177.2
EBIT per tonne	CHF/mt	3.7%	234.2	122.5	213.4	197.8	202.4
Balance Sheet							
Balance sheet total	CHF m	13.8%	2,712.7	2,651.6	2,049.2	2,218.9	1,620.0
Net working capital	CHF m	13.0%	955.1	828.7	765.9	894.3	585.9
Non-current assets	CHF m	9.4%	1,049.9	1,070.6	823.1	894.0	734.2
Net debt [5]	CHF m	11.9%	1,030.1	960.1	786.2	1,029.2	656.8
Shareholders' equity	CHF m	5.2%	759.2	693.5	697.4	648.8	619.7
Capital expenditure [6]	CHF m	2.1%	69.1	73.8	80.1	80.5	63.5
Ratios							
Return on capital employed (ROCE) [7]	%	-1.4%	15.0%	15.3%[10]	14.0%	13.5%	15.9%
Return on invested capital (ROIC) [8]	%	-2.4%	9.6%	9.9%[10]	8.9%	8.7%	10.6%
Return on equity (ROE)	%	-4.3%	13.6%	13.8%[10]	13.9%	13.9%	16.2%
Debt-to-equity-ratio	%	6.4%	135.7%	138.4%	112.7%	158.6%	106.0%
Solvency ratio	%	-7.5%	28.0%	26.2%	34.0%	29.2%	38.3%
Interest cover ratio		-10.8%	4.2	3.5	4.3	4.5	6.6
Net debt / EBITDA		-0.6%	3.1	5.1	3.0	4.3	3.2
EBIT / Sales revenue	%	0.4%	5.8%	3.6%	6.6%	6.2%	5.8%
CAPEX / Sales revenue	%	-8.9%	1.9%	2.8%	3.1%	3.3%	2.8%
Shares							
Share price at year end	CHF	-7.8%	188.0	155.0	220.0	264.0	260.0
EBIT per share	CHF	12.5%	40.4	18.0	32.5	28.8	25.2
Earnings per share	CHF	0.7%	20.0	4.1	18.8	17.4	19.4
Dividend per share [9]	CHF	1.9%	7.0	6.9	6.7	6.5	6.5
Pay-out ratio	%	3.3%	35%	156%	33%	36%	31%
Price earnings ratio at year end		-8.5%	9.4	37.9	11.7	15.2	13.4
Market capitalization	CHF m	-7.8%	972.0	801.4	1,137.4	1,364.9	1,344.2
Number of shares outstanding		0.0%	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total dividend amount paid	CHF m	3.7%	35.6	33.0	31.9	32.8	30.9
Other							
Sales volumes	mt	8.5%	891,048	760,680	787,302	752,040	643,376
Employees	Number	24.9%	7,837	7,583	4,911	5,158	3,219
Beans processed	mt	12.9%	378,714	378,986	396,916	405,286	233,145
Chocolate & compound production	mt	6.6%	633,564	606,864	581,560	555,657	491,427

1 Compound annual growth rate
2 Key figures for 2001/02 are affected by restructuring provisions amounting to CHF 80 million in connection with the Stollwerck acquisition
3 EBIT + depreciation of tangible assets + amortization of goodwill and other intangibles
4 Net profit + depreciation of tangible assets + amortization of goodwill and other intangibles
5 Includes subordinated debt
6 Capital expenditure in tangible assets & development costs (excl. acquisitions)
7 EBITA / Average (Capital employed - Goodwill)
8 EBITA x (1 - normalized tax rate) / average (capital employed + amortized goodwill)
9 Based on a dividend proposal of CHF 7.00 per share for 2002/03
10 Ratio is calculated on a pro-forma basis excluding the impact of the Stollwerck acquisition

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Agenda.

Annual General Meeting 2002/03, Zurich
December 10, 2003

News release and 3-month results 2003/04
January 7, 2004

News release and half-year results 2003/04
April 1, 2004

News release and 9-month results 2003/04
July 5, 2004

News release, media conference and analysts' conference on 2003/04 annual results, Zurich
November 10, 2004

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