Letter to Shareholders

Dear Shareholders

The most significant event of fiscal 2001/02 (closing August 31) was without a doubt the acquisition of Stollwerck AG in Germany. This acquisition will raise our total sales in fiscal 2002/03 by approximately one third. The number of employees will grow by about 2,500. We have included Stollwerck in the balance sheet for fiscal 2001/02; the income statement only includes the provision for restructuring costs (CHF 80 million) and the financing cost (CHF 0.5 million) in connection with Stollwerck because the transaction was not officially closed until August 2002.

We decided to acquire the Stollwerck Group because of its high market share and sound positioning in the German chocolate market, Europe's largest. Stollwerck is a well-known partner for retailers, in particular major retail chains, and its products are popular among consumers.

The past fiscal year was characterized by further sales growth and higher profitability, despite an adverse environment due to global economic weakness, rising commodity prices and related market uncertainty, and negative currency impact. Consolidated sales revenue rose 3% to about CHF 2.6 billion. Sales volumes receded by around 3%, due to the deliberate reduction of semi-finished products sold to third parties, a decline in the Vending Mix business (cocoa blends for beverage machines) as well as the sale of Chocodif SA and the Gummi Bear Factory businesses.

Operating profit (EBIT) rose by 3% to CHF 173.2 million. EBIT growth in local currencies amounted to 7%. EBIT per ton increased 7% to CHF 227.7 (or by 11% in local currencies). Provisions of CHF 80 million were charged to the 2001/02 income statement to cover restructuring costs in connection with the acquisition of Stollwerck. Taking into consideration these costs, EBIT amounted to CHF 93.2 million. Net profit amounted to CHF 21.1 million. Excluding these non-recurring items, net profit amounted to CHF 101.6 million, which represents an increase of 5% over the previous year.

Total assets grew by 29% to CHF 2.7 billion. The debt-to-equity ratio increased to 138% (previous year: 113%) and the equity ratio amounted to 26% (previous year: 34%), both changes being attributable to the acquisition of Stollwerck.

Greater focus on high-margin products and solutions

The global cocoa and chocolate industry is undergoing a period of consolidation. Barry Callebaut, being the market leader, will continue to play an active, defining role in this process. Our markets are characterized by rising competitive pressure, but this also creates new opportunities for those companies that are correctly positioned and operating with a favorable cost structure. Globalization and, in particular, consolidation among internationally active retail chains pose new challenges to cocoa and chocolate producers, as well as to the entire food sector. Demand for specialties and innovative products will continue to increase. Barry Callebaut already leads the market in this regard and we will continue to pay special attention to this segment.

In Cocoa, Sourcing & Risk Management we have been selectively scaling back our sales of semi-finished cocoa products to third parties in light of these market developments and adjusting production capacity accordingly, yet without relinquishing the know-how required for our in-house production needs. The Food Manufacturers unit is striving to capitalize on the general outsourcing trend and to raise the share of business generated with services that add greater value. The Gourmet & Specialties unit is sharpening its focus on high-quality products and services on the one hand and on convenience, ready-to-sell and ready-to-consume products on the other, in order to accommodate the varying needs of its customers. Through the acquisition of Stollwerck, we have taken a decisive step forward in strengthening our position in Germany and in Consumer Products. An entry into other markets will be carefully reviewed at the appropriate time.

Developments in the cocoa producing countries of West Africa

The market has been marked by huge increases in the price of cocoa beans, which has caused some uncertainty. The situation worsened in the autumn of 2002 because of the political conflict in the Ivory Coast, which is the world's largest grower of cocoa beans, accounting for about 40% of the global harvest. Against this background, our decision last year to double production in Ghana proved to be opportune.

Our margins are not linked to cocoa prices. They are a reflection of the products we make for our customers, the services we provide to them and the competitive environment in each business unit.

Barry Callebaut, which does not own any cocoa plantations, is sincerely committed to improving production and working conditions in cocoa producing countries. We have supported numerous projects and initiatives in Africa and elsewhere, acting in collaboration with industry associations and non-government organizations. For example, we actively participated in an investigation of allegedly abusive working conditions on cocoa farms in West Africa, in coordination with the major cocoa and chocolate industry associations in the US and Europe. The investigation revealed that cocoa production in West Africa is largely in the hands of small family-run businesses in which all family members help out. Attention was drawn to certain working practices that posed a risk to children. Several pilot projects dealing with child care, education and technology are now planned as part of a multi-point program with the aim of improving general working conditions.

The Sustainable Tree Crop Program (STCP) established in 1998 is another initiative that Barry Callebaut supports. Its purpose is to improve the economic and social conditions of small local farmers and to promote environmentally sound, sustainable cocoa growing methods. In Latin America we are supporting projects run by local farm cooperatives that encourage organic cocoa farming and fair trade practices.

Outlook for 2002/03

We expect demand to be stable in the current fiscal year.

The Cocoa, Sourcing & Risk Management business unit will continue to be selective in its business with third parties. The rise in cocoa prices, particularly in the past few months, will result in a higher carrying value of cocoa inventories in the balance sheet in fiscal 2002/03.

The Food Manufacturers unit should continue to benefit from the ongoing outsourcing trend. Efficiency gains and cost leadership, mainly through process optimization, are its major goals. Emphasis will also be put on product innovation and a distinct services profile with regard to product development, processing, training and marketing. Geographically, we mainly intend to expand our position in the US market.

In the Gourmet & Specialties unit, we plan to broaden our offering by expanding the range of convenience, ready-to-sell and ready-to-consume products. This unit's share of total sales should rise considerably and support for our brands should have a positive impact on margins. In the Vending Mix business, we are working to regain customers' trust.

The Consumer Products unit will be focusing on successfully integrating Stollwerck during the given timetable of 24 months and exploiting the synergies this will create, thereby raising profitability. Priority will be given to improving efficiency, for example by centralizing our procurement activities, pursuing selective cross-selling opportunities and stepping up export activity. We also plan to continually broaden our partnerships with international retailers.

The Production & Supply Chain Management operations will strive to optimize our logistics networks. Within the scope of our focused production strategy, we intend to produce clearly defined groups of products at those locations best suited for the purpose.

In view of ongoing trends in the global cocoa and chocolate markets, we are confident that our strategy aligns the company appropriately with the needs of our customers in the food industry worldwide. Our aspiration is to be recognized by the food industry, artisanal users and major retailers as their worldwide business partner of choice when it comes to chocolate.

Proposals to the Annual General Meeting

As part of a revision of our bylaws, it is proposed that the term of office of the Board of Directors be changed to one year.

The Board of Directors proposes that Messrs Rolando Benedick, Dr. Johann Christian Jacobs, Andreas W. Keller, Andreas Schmid and Pierre Vermaut be re-elected as members of the Board of Directors.

Despite the restructuring costs in connection with the acquisition of Stollwerck booked in full to fiscal 2001/02 accounts, the Board of Directors is proposing a dividend increase from CHF 6.70 to CHF 6.90 per registered share in view of the company's demonstrated solid earnings power.

Thanks

The Board of Directors and executive management thank our employees around the world for their ongoing commitment during the year under review. It is a special pleasure to welcome the approximately 2,500 new employees from Stollwerck who have joined our company. We likewise thank all of our customers and shareholders who have placed their trust in our products, our services, our people and, thus, our company.

Andreas Schmid
Chairman of the Board

Patrick G. De Maeseneire
Chief Executive Officer