



Letter to Investors

Barry Callebaut AG reports solid sales and earnings growth in the first half of 2003/04

- Sales revenue increased by 15% to CHF 2.2 billion
- Operating profit (EBIT) grew 15% to reach CHF 149.8 million
- Net profit (PAT) up 10% to CHF 83.6 million
- Barry Callebaut confident of achieving stated double-digit growth in EBIT and PAT for the entire fiscal year (closing as of August 31, 2004)

Zurich/Switzerland, April 1, 2004 – With double-digit growth rates achieved for sales revenue, operating profit (EBIT) and net profit (PAT) in the six-month period ended February 28, 2004, Barry Callebaut AG, the world's leading manufacturer of high-quality cocoa and chocolate products, continued its growth path. As a result of increased sales in North America and in Asia-Pacific as well as some impact of Easter, which is one week earlier than last year, business was especially strong as the second quarter came to an end. It has to be noted that chocolate is a seasonal business.

Review of Operations

Comparison of the six-month periods ended February 28, 2003 and 2004

Sales Revenues. Sales revenues increased by 15.4% to CHF 2,199.3 million in the six-month period ended February 28, 2004 compared to CHF 1,906.4 million in the 2003 period. This growth was largely attributable to the acquisition and first-time consolidation of Brach's and Luijckx, positive exchange rate movements (in particular the appreciation of the Euro against the Swiss Franc, somewhat compensated by the weakening of the US Dollar) as well as organic growth and margin improvements (partly impacted by the fact that Easter is one week earlier than last year). These positive factors were somewhat offset by a decrease in cocoa bean prices and the partial discontinuation of the industrial business from Stollwerck. On a likefor-like basis (eliminating all of the afore mentioned effects), the organic revenue growth rate stands at 3.9%.

In our <u>Cocoa</u> business unit, revenues decreased by 7.2% to CHF 272.3 million in the six-month period ended February 28, 2004 from CHF 293.5 million in the comparable prior-year period. The decrease was attributable to lower underlying cocoa bean prices, a 1.7% reduction in sales volumes as well as the weakening of the US Dollar (the main currency in respect of the Cocoa business unit's revenues), partly compensated by a more favorable combined ratio. Total sales volume for the second quarter of the current fiscal year increased by 3.2%. This trend is in line with our strategic decision to tightly manage our third-party sales of cocoa products.

In our Food Manufacturers business unit, revenues increased by 3.5% to CHF 855.9 million for the first six months of the fiscal year 2003/04 from CHF 826.6 million in the equivalent 2003 period. This increase was the result of higher margins at flat nominal volume, partially compensated by a decrease in underlying cocoa bean prices. Adjusted for the consolidation impact of Brach's and Luijckx (i.e. reclassification of former deliveries to those companies as intercompany transactions and therefore eliminated) revenue growth amounted to 5.3%. Looking at the second quarter, nominal sales revenues increased by 7.6% to CHF 391.4 million from CHF 363.9 million for the comparable prior-year period.

In our Gourmet & Specialties business unit, revenues increased by 17.2% to CHF 292.7 million in the six-month period ended February 28, 2004 from CHF 249.7 million in the 2003 period. This increase was due to the first-time inclusion of Luijckx, our efforts to focus on higher-margin business as well as our ability to increase average margins per tonne. Nominal sales revenues for the second quarter increased by 22.2% to CHF 138.1 million from CHF 113.0 million in the 2003 period. The first quarter 2003/04 stood at 13.1%.

In our <u>Consumer Products</u> business units (Europe and North America), revenues increased by 45.1% to CHF 778.4 million in the six-month period ended February 28, 2004 from CHF 536.6 million in the 2003 period. The main drivers behind this increase are the first-time consolidation of Brach's, higher sales, as well as favorable currency movements. For the second quarter, sales revenues increased by 51.8% to CHF 331.3 million from CHF 218.2 million for the equivalent prior-year period.

Sales Volumes. Total sales volumes of products sold to third-party customers increased by 46,937 tonnes or 9.8% to 527,434 tonnes for the first half of fiscal year 2003/04 compared to 480,497 tonnes in the 2003 period. Eliminating the effect of the acquisition of Brach's and Luijckx as well as the discontinued Stollwerck industrial business, sales volumes increased by 1.8% to 489,354 tonnes. The main contributor to this organic volume growth was the Food Manufacturers business unit.

Material Consumed. Total material consumed increased at a slower rate than the net sales revenue, rising by only 6.8% to CHF 1,381.6

million in the six-month period ended February 28, 2004 from CHF 1,294.1 million in the 2003 period. This increase is due to the acquisitions of Brach's and Luijckx and to negative exchange rate movements, partially compensated by the decrease in cocoa bean prices. On a per tonne basis, material consumed decreased by 2.7% to CHF 2,619 per tonne in the six-month period ended February 28, 2004 from CHF 2,693 per tonne in the 2003 period.

Gross Profit. Gross profit, defined as revenues less material consumed, increased by 33.5% to CHF 817.7 million in the six-month period ended February 28, 2004 from CHF 612.3 million in the 2003 period. On a per tonne basis, gross profit jumped by 21.7% to CHF 1,550 per tonne during the first six months of this fiscal year compared to CHF 1,274 per tonne during the equivalent 2003 period. The increase in gross profit per tonne reflects a changed product mix primarily due to the addition of consumer business with typically higher gross profit margins (i.e. higher valueadded products) and to the strategic reduction of sales of lower-margin semi-finished products to third parties, as well as positive exchange rate movements.

Operating Expenses. Total operating expenses, defined as gross profit minus EBIT, increased by 38.6% to CHF 667.9 million in the six-month period ended February 28, 2004 from CHF 481.9 million in the 2003 period. The principal reasons for the increase were the acquisitions of Brach's and Luijckx, with typically higher marketing and sales expenses than in industrial business. Eliminating the effect of those acquisitions, operating expenses increased by approximately 7.0% to CHF 516.4 million. As a percentage of gross profit, operating expenses increased to 81.7% for the first six months of this fiscal year compared with 78.7% according to the equivalent prior-year period. On a per tonne basis, operating expenses increased to CHF 1,266 per tonne in the six-month period ended February 28, 2004 from CHF 1,003 per tonne in the 2003 period. The increase in operating expenses as a percentage of gross profit and on a per tonne basis, respectively, was mainly due to the strategic expansion of our Food Service/Retail business segment and the typically higher operating expenses (i.e. sales and marketing expenses) of these businesses.

EBIT. Earnings before interest and taxes increased by 14.9% to CHF 149.8 million in the six-month period ended February 28, 2004 from CHF 130.4 million in the 2003 period. EBIT as a

percentage of revenues remained unchanged at 6.8% in the six-month period ended February 28, 2004 compared with the equivalent 2003 period. More importantly, on a per tonne basis, once again EBIT increased by 4.7% to CHF 284.0 per tonne from CHF 271.3 per tonne in the 2003 period. It is expected that this ratio should further increase once the two consumer businesses Europe and North America have successfully completed their restructuring programs.

- In our Industrial business segment, EBIT increased by 16.2% to CHF 97.8 million in the six-month period ended February 28, 2004 from CHF 84.2 million in the 2003 period. The increase stems from the Cocoa business unit, which achieved considerably higher margins and a more favorable combined ratio, and from the Food Manufacturers business unit, which increased both sales volumes and margins.
- In our Food Service/Retail business segment, EBIT increased by 20.2% to CHF 80.2 million in the six-month period ended February 28, 2004 from CHF 66.7 million in the 2003 period. In our Gourmet & Specialties business unit the EBIT increase was the result of our efforts of focusing on the higher-margin segment and the first-time inclusion of Luijckx. In our Consumer Products business units, both Consumer Products Europe as well as Consumer Products North America. contributed positively to EBIT. Consumer Products Europe sees first benefits from the restructuring in Stollwerck, where we primarily focused on streamlining administration and central services. The total use of the respective restructuring provision during the first six months of this fiscal year amounted to CHF 14.9 million. In Consumer Products North America the restructuring of the newly acquired Brach's business is on track, whereby a total of CHF 14.7 million of the respective restructuring provision has been used during the first six months of this fiscal year, mainly in connection with the closure of the Chicago plant. The newly opened production facility in Vernell (Mexico) is running up volumes, as planned, to reach full capacity utilization and thus the optimal cost structure. The integration of Brach's (including the move of its headquarters to Dallas) has largely been completed, whereby the corresponding cash flows have been offset through the use of badwill in accordance with

the provisions of the International Financial Reporting Standards (IFRS).

Financial Cost, net. Financial cost increased by 35.8% to CHF 47.8 million in the six-month period ended February 28, 2004 from CHF 35.2 million in the 2003 period. This increase was attributable to the refinancing transaction the Group entered into in March 2003, whereby it improved its debt profile by converting shortterm into long-term debt (thereof EUR 165 million senior subordinated notes entailing higher interest rates), and the net impact of the acquisition financing, including assumed debt (in connection with Brach's and Luijckx), partly compensated by improved working capital levels. Adjusted for the impact of the currency exchange effect, year-to-date financial charges amount to CHF 45.7 million.

Taxes. Taxes decreased to CHF 17.5 million in the six-month period ended February 28, 2004 from CHF 19.6 million in the 2003 period. The effective tax rate decreased to 17.2% in the sixmonth period ended February 28, 2004 from 20.5% in the 2003 period. The decrease in the effective tax rate was partly attributable to the usage of tax loss carry forwards.

Net Profit. Net profit increased by 10.1% to CHF 83.6 million for the first half of fiscal year 2003/04 compared with CHF 75.9 million for the equivalent prior-year period.

Cash Flow. We generated "Operating cash flow before working capital changes" of CHF 154.4 million in the six-month period ended February 28, 2004 compared to CHF 137.6 million for the 2003 period. The increase can be mainly explained by the growth in EBIT. Net cash flow from operations including working capital changes was a positive CHF 109.3 million for the first six months of this fiscal year compared with a negative CHF (35.1) million for the equivalent 2003 period, mainly due to the prevailing higher cocoa bean prices in the comparable prior-year period.

Net cash flow from investing activities was CHF (37.1) million and CHF (44.8) million for the sixmonth period ended February 28, 2004 and 2003, respectively. The principal components of our investing activities in both periods under review were capital expenditures related to continuous investments in our on-going operations. Furthermore, the comparable prior-year figures included cash-outflows in connection with the

squeeze-out of an additional 2.56% of minority shareholders of Stollwerck.

Net cash flow from financing activities was a negative CHF (66.8) million in the six-month period ended February 28, 2004 compared to a positive CHF 105.4 million in the six-month period ended February 28, 2003. In the six-month period ended February 28, 2004, we successfully managed to reduce our overall financing position, whereby we relied on our credit facilities to finance increases in working capital requirements, in the comparable prior-year period.

The **balance sheet total** as of the end of February 2004 stood at CHF 2,868 million, which represents an increase of 5.7% compared to the end of fiscal year 2002/03 (closed as of August 31, 2003). This is in spite of the acquisitions of Brach's and Luijckx and the adverse currency translation effect. Net working capital (excluding provisions) increased by 6.9% or CHF 69.4 million compared to the level at the end of fiscal year 2002/03. This mainly reflects the seasonality of the chocolate business resulting in higher receivables and the increased need for cocoa beans during the peak months between late August and Easter as well as the first-time consolidation of Brach's, partly compensated by a further decrease in cocoa bean prices. Net debt increased less than working capital, rising by only 1.3% or CHF 13.7 million to CHF 1,043.8 million. Shareholders' equity increased by 2.7% or CHF 20.7 million to CHF 779.9 million, up from CHF 759.2 million at the end of fiscal year 2002/03.

Europe sales volumes on a comparable basis (i.e. eliminating the impact of the Luijckx acquisition as well as the discontinued industrial business from Stollwerck) increased by 0.8% to 345,749 tonnes, corresponding to 70.7% of the Group's total sales volume of 489,354 tonnes (on a comparable basis) for the period under review.

Review of regional market developments. In

Sales volumes in <u>America</u> (North and Latin America, on a comparable basis) were up by 2.2% to 106,865 tonnes or 21.8% of total sales volume. In <u>Asia-Pacific/Africa</u> sales volumes jumped due to reinforced sales efforts by 11.9% to 36,740 tonnes or 7.5% of total sales volume.

Outlook. With regard to the full fiscal year 2003/04 CEO Patrick De Maeseneire said: "We will continue to focus on margins, go for greater

efficiency and turn our consumer businesses around with strong determination. Under the assumption that the current economic climate is sustainable, we are confident we will be able to achieve the stated double-digit growth in operating profit (EBIT) and net profit (PAT) in the current fiscal year".

About Barry Callebaut:

With annual sales of approx. CHF 3.6 billion for fiscal year 2002/03, Zurich-based Barry Callebaut is the world's leading manufacturer of high-quality cocoa, chocolate and confectionery products – from the cocoa bean to the finished product on the store shelf. After the acquisition of Brach's Confections Holding, Inc. in September 2003, Barry Callebaut operates more than 30 production facilities in 17 countries and employs approx.. 9,000 people. The company serves the entire food industry, from food manufacturers to professional users of chocolate (such as chocolatiers, pastry chefs or bakers, to global retailers. It also provides a comprehensive range of services in the fields of product development, processing, training and marketing.

Fiscal year 2003/04 will close on August 31, 2004. Results for the nine-month period ending May 31, 2004 will be published on July 5, 2004.

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Key Figures for Barry Callebaut AG (unaudited)

in CHF		Change (%)	6 months up to 28.02.2004	6 months up to 28.02.2003
Income Statement				
Sales revenue	CHF m	15.4	2,199.3	1,906.4
in local currencies		12.3	2,141.0	
Sales volume	mt	9.8	527,434	480,497
Gross profit	CHF m	33.5	817.7	612.3
in local currencies		29.4	<i>7</i> 92.4	
Operating profit (EBIT)	CHF m	14.9	149.8	130.4
in local currencies		10.0	143.5	
EBIT per tonne	CHF	4.7	284.0	271.3
in local currencies		0.3	272.1	
Net profit (PAT)	CHF m	10.2	83.6	75.9
in local currencies		6.7	81.0	
Cash flow (1)	CHF m	11.9	153.5	137.2
Shares				
EBIT per share	CHF	14.9	28.97	25.22
Earnings per share (undiluted)	CHF	10.2	16.21	14.70
Earnings per share (diluted)	CHF	10.2	16.17	14.67
			Feb. 28, 2004	Aug. 31, 2003
Balance Sheet				
Balance sheet total	CHF m	5.7	2,867.6	2,712.7
Net working capital	CHF m	7.8	1,029.9	955.1
Non-current assets	CHF m	4.1	1,092.6	1,049.9
Net debt	CHF m	1.6	1,046.8	1,030.1
Shareholders' equity	CHF m	2.7	779.9	759.2
Other				
Employees		14.3	8,961	7,837

¹⁾ Net profit + depreciation of tangible assets + amortization of goodwill and other intangibles

Key figures by business segment

in CHF		Change (%)	6 months up to 28.02.2004	6 months up to 28.02.2003
Industrial Business Segment				
Sales revenue	CHF m	0.7	1,128.2	1,120.1
- Cocoa	CHF m	-7.2	272.3	293.5
- Food Manufacturers	CHF m	3.5	855.9	826.6
Sales volumes	mt	-0.4	331,027	332,439
- Cocoa	mt	-1.7	61,077	62,127
- Food Manufacturers	mt	-0.1	269,950	270,312
EBIT	CHF m	16.2	97.8	84.2
EBITDA	CHF m	11.4	134.6	120.8
Food Service/Retail Business Segment				
Sales revenue	CHF m	36.2	1,071.1	786.3
- Gourmet & Specialties	CHF m	17.2	292.7	249.7
- Consumer Products	CHF m	45.1	778.4	536.6
EBIT	CHF m	20.2	80.2	66.7
EBITDA	CHF m	27.4	112.1	88.0

Consolidated statement of income (unaudited)

for the period ended February 28, 2004

in millions of Swiss Francs	6-mths 2003/04	6-mths 2002/03
Operating income		
Revenue from sales and services	2'199.3	1'906.4
Operating expenses		
Material consumed	1'381.6	1'294.1
Personnel	276.9	198.5
Advertising and promotion	70.8	37.4
Depreciation of tangible assets	54.0	44.7
Amortization of intangible assets	15.9	16.7
Other operating expenses	250.3	184.6
Total operating expenses	2'049.5	1'776.0
Operating profit (EBIT)	149.8	130.4
Financial cost, net	-47.8	-35.2
Non-operating income, net	0.0	0.6
Profit before taxes and minority interest	102.0	95.8
Taxes	-17.5	-19.6
Profit before minority interest	84.5	76.2
Minority interest	-0.9	-0.3
Net profit	83.6	75.9
Earnings per share (CHF/share)	16.21	14.70
Diluted earnings per share (CHF/share)	16.17	14.67

Consolidated Balance Sheet (unaudited)

Assets

for the period ended February 28, 2004

in millions of Swiss Francs	28.02.2004	31.08.2003
Current assets		
Cash and cash equivalents and short-term deposits	51.2	36.8
Trade accounts receivable	464.1	326.1
Inventories	1′001.5	1′068.6
of which cocoa beans stock	388.6	435.4
Other current assets ¹	258.2	231.3
Non-current assets	1'775.0	1'662.8
Property, plant and equipment	753.6	663.7
Investments	5.2	5.0
Intangible assets ²	310.0	361.4
Other non-current assets	23.8	19.8
	1′092.6	1'049.9
Total assets	2′867.6	2′712.7
Liabilities and shareholders' equity		
for the period ended February 28, 2004		
in millions of Swiss Francs	28.02.2004	31.08.2003
Current liabilities		
Current liabilities Bank overdrafts and short-term debt	508.2	494 R
Bank overdrafts and short-term debt	508.2 274.6	494.8 308.2
	274.6	308.2
Bank overdrafts and short-term debt Trade accounts payable		
Bank overdrafts and short-term debt Trade accounts payable Provisions	274.6 42.4	308.2 48.0
Bank overdrafts and short-term debt Trade accounts payable Provisions Other current liabilities Non-current liabilities	274.6 42.4 376.8	308.2 48.0 314.7
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Bank overdrafts and short-term debt Trade accounts payable Provisions Other current liabilities Non-current liabilities Long-term debt Deferred tax liabilities	274.6 42.4 376.8 1′202.0 589.8 40.5	308.2 48.0 314.7 1′165.7 575.2 47.1
Bank overdrafts and short-term debt Trade accounts payable Provisions Other current liabilities Non-current liabilities Long-term debt Deferred tax liabilities Employee benefits	274.6 42.4 376.8 1′202.0 589.8 40.5 183.9	308.2 48.0 314.7 1′165.7 575.2 47.1 128.4
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Bank overdrafts and short-term debt Trade accounts payable Provisions Other current liabilities Non-current liabilities Long-term debt Deferred tax liabilities Employee benefits Provisions Other non-current liabilities Minority interests	274.6 42.4 376.8 1′202.0 589.8 40.5 183.9 54.5 9.7	308.2 48.0 314.7 1′165.7 575.2 47.1 128.4 21.0 9.4
Bank overdrafts and short-term debt Trade accounts payable Provisions Other current liabilities Long-term debt Deferred tax liabilities Employee benefits Provisions Other non-current liabilities Minority interests Shareholders' equity	274.6 42.4 376.8 1′202.0 589.8 40.5 183.9 54.5 9.7	308.2 48.0 314.7 1′165.7 575.2 47.1 128.4 21.0 9.4
Bank overdrafts and short-term debt Trade accounts payable Provisions Other current liabilities Long-term debt Deferred tax liabilities Employee benefits Provisions Other non-current liabilities Minority interests Shareholders' equity Share capital	274.6 42.4 376.8 1′202.0 589.8 40.5 183.9 54.5 9.7 7.3	308.2 48.0 314.7 1′165.7 575.2 47.1 128.4 21.0 9.4 6.7
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Includes valuation of open commitments and cocoa inventories
 For the period ended February 28, 2004, net of carrying amount (CHF 37.7 million) of badwill arising from the Brach's acquisition (see also note 2 of the notes to the consolidated interim financial statements)

³ Includes income tax payable

Consolidated cash flow statement (unaudited)

in millions of Swiss Francs	6-mths 2003/04	6-mths 2002/03
Operating cash flow before working capital changes	154.4	137.6
(Increase) Decrease in trade accounts receivable and other current assets	(71.4)	(81.6)
(Increase) Decrease in inventories	129.4	(39.8)
(Increase) Decrease in other non-current assets	(2.9)	0.9
Increase (Decrease) in current and non-current liabilities	(100.3)	(52.2)
Net cash flow from operations	109.3	(35.1)
Net cash flow from investing activities	(37.1)	(44.8)
Net cash flow from financing activities	(66.8)	105.4
Effect of change in minority interests	0.6	(2.2)
Effects of exchange rate changes	(16.6)	5.2
Net increase (decrease) in cash and cash equivalents	(10.6)	28.5
Cash and cash equivalents at beginning of the period	1.0	12.2
Cash and cash equivalents at end of the period	(9.6)	40.7
Cash and cash equivalents	48.9	122.3
Bank overdrafts	(58.5)	(81.6)
Cash and cash equivalents as defined for the cash flow statement	(9.6)	40.7

Consolidated statement of equity (unaudited)

	Share capital	Legal reserves	Accumulated deficit	Treasury shares	Hedging reserve	Cumulative translation adjustment	Total
in millions of Swiss Francs	W Q	7 5	∢ τ	⊢ ഗ	ΙĽ	o to	-
for the period ended February 28, 2004							
at August 31, 2002	517.0	240.5	(47.3)	-	-	(16.7)	693.5
Dividends paid			(35.6)				(35.6)
Transactions in treasury shares Decrease minority share Current year translation			(4.0)	(0.3)			(4.3) 0.0
adjustments						(20.3)	(20.3)
Net profit for the period			75.9				75.9
at February 28, 2003	517.0	240.5	(11.0)	(0.3)	-	(37.0)	709.2
	- 0	2425				(47.4)	750.0
at August 31, 2003	517.0	240.5	16.6	-	2.5	(17.4)	759.2
Dividends paid Transactions in treasury shares			(36.2) 0.5	(7.4)			(36.2) (6.9)
Decrease minority share			0.5	(7.4)			0.0
Equity reserve cash flow hedges Current year translation					(3.2)		(3.2)
adjustments						(16.6)	(16.6)
Net profit for the period			83.6				83.6
at February 28, 2004	517.0	240.5	64.5	(7.4)	(0.7)	(34.0)	779.9

There were no movements in the share capital of the company either in the first six months of 2003/04 or 2002/03 reporting period. The share capital is represented by 5,170,000 authorized and issued shares of each CHF 100, fully paid in.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS (unaudited)

1 Accounting policies and basis of presentation

Barry Callebaut AG's Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS, formerly International Accounting Standards or IAS) and the provisions of the Swiss Code of Obligations. These unaudited interim condensed Financial Statements are stated in accordance with the regulations of IAS 34 "Interim Financial Statements". In preparing the interim Financial Statements, the same accounting principles and methods of computation are applied as in the Financial Statements at August 31, 2003 and for the year then ended. These interim Financial Statements should be read in conjunction with the audited Financial Statements included in the Barry Callebaut Annual Report 2002/03.

Previous year's figures cannot be compared directly to the current year's figures since they did not yet include the Graverboom (Luijckx) Group (acquired in March 2003), nor the Brach's Group (acquired in September 2003).

2 Group Companies

On September 17, 2003, the Group acquired the U.S.-based Brach's Confections Holding, Inc. from its majority shareholder. The acquisition of Brach's gives Barry Callebaut a significant presence in the world's 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 amounted 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 debt. The allocation of the purchase price has resulted in an excess of the fair values of the net assets acquired over the cost of the acquisition, which is recognized as negative goodwill in an amount of CHF 49.6 million and which is presented as a deduction from the carrying amount of goodwill on other acquisitions. Management will continue its review of assets and liabilities acquired in the Brach's acquisition, which may still provide for minor changes in the allocation of the purchase price. In line with the provisions of IFRS, part of the negative goodwill arising from the Brach's acquisition will be recognized as income to offset the future losses and expenses that were identified in the plan of acquisition, to the extent that they have effectively materialized in the period under review (see also note 5). The remaining part of this negative goodwill will be amortized on a systematic basis over the remaining weighted average useful life of the depreciable assets acquired.

Brach's is included in the Consolidated Financial Statements of the Barry Callebaut Group as of September 1, 2003.

The Group employed 8,961 employees as of February 28, 2004 compared to 7,837 as at August 31, 2003. The increase is due to the acquisition of Brach's (ca. 1,600 employees), offset, however, by redundancies in connection with the different ongoing restructuring activities.

3 Capital expenditure

Capital expenditure for the six-month period ended February 28, 2004 amounted to CHF 37.1 million (CHF 44.8 million for the six-month period ended February, 2003).

The prior-year amount includes the additional 2.56% Stollwerck AG shares that were acquired from the minority shareholders in October 2002 under the public offer. Corrected for this impact, capital expenditure for the first half of this business year is in line with the comparable prior-year period.

The major part of capital expenditure relates to continuous investments in connection with our ongoing production operations.

There were no major disposals in the six-month period ended February 28, 2004 (nor in the six-month period ended February 28, 2003).

4 Debt refinancing

In March 2003, the Group concluded a 5-year senior loan facility with a syndicate of its main relationship banks and also successfully placed EUR 165 million of 9 1/4% Senior Subordinated Notes in the capital markets, maturing in 2010. The proceeds of the issue were used to refinance existing short- and long-term indebtedness. By putting this long-term refinancing in place, Barry Callebaut has improved its debt profile, by reducing its short-term debt exposure.

5 Operating revenues

The Group's business is typically influenced by seasonality in revenues and expenses over the course of the year. Historically, consumer purchases of chocolate products are highest in the months before Christmas and Easter. As a result, sales of semi-finished and processed products to customers are highest in the period between late August and the end of November, which includes production for the Christmas season, and, to a lesser degree, in the pre-Easter season.

In the six-month period ended February 28, 2004 revenues increased by 15.4% to CHF 2,199.3 million from CHF 1,906.4 million. The most important reason for the considerable growth in sales revenue is the impact of the Brach's acquisition, which accounts for CHF 204.4 million (or 10.7%) of the increase. Graverboom accounted for CHF 19.7 million (1.1%) of the increase.

Operating profit (EBIT) surged by CHF 19.4 million (or 14.9%) from CHF 130.4 million to CHF 149.8 million

Other operating expenses include the recognition of negative goodwill arising from the acquisition of Brach's to offset integration and restructuring expenses in the amount of CHF 5.0 million and start-up losses in the amount of CHF 6.4 million. The amortization of intangibles include the amortization of the remaining part of negative goodwill in the amount of CHF 0.5 million (see also note 2).

Net profit (PAT) rose CHF 7.7 million (or 10.2%) from CHF 75.9 million to CHF 83.6 million. In relative terms the increase in net profit was less significant than the increase of EBIT, which is due to higher financial charges, (CHF 47.8 million for the first half of 2003/04 versus CHF 35.2 million for the comparable prior-year period). This

increase is the net impact of the acquisition financing including assumed debt and the impact of the refinancing transaction the Group entered into in March 2003, whereby it improved its debt profile by converting short-term into long-term indebtedness, entailing, however, higher interest charges.

No significant impairment losses had to be recognized during the six-month period ended February 28, 2004, nor was net profit affected by any significant exceptional item.

6 Earnings per share

Basic and diluted earnings per share are calculated on the net result for the respective periods and on the weighted average number of ordinary shares issued as per end of each period as disclosed hereunder. The weighted average number excludes the treasury shares held by the Group under the existing share compensation plan and stock option scheme for a specific limited group of executives and members of the Board of Directors.

	28/02/2004	28/02/2003
Net result attributable to ordinary shareholders, used as		
numerator for basic earnings per share	83.6	75.9
After-tax effect of income and expense on dilutive potential		
ordinary shares	ı	-
Adjusted net result used as numerator for diluted earnings per		
share	83.6	75.9
Weighted average number of shares issued	5'170'000	5'170'000
Weighted average number of treasury shares	13'192	9'417
Weighted average number of ordinary shares outstanding, used		
as denominator for basic earnings per share	5'156'808	5'160'583
Weighted average number of dilutive potential ordinary shares	13'192	9'417
Adjusted weighted average number of ordinary shares, used as		
denominator for diluted earnings per share	5'170'000	5'170'000

7 Dividends

In December 2003 a dividend of CHF 7 per share (CHF 36.2 million in total) has been paid. An interim dividend is not foreseen.

8 Segment information

Primary segment information

	Industrial Business				-	orate/ ocated	Consol	idated
In millions of Swiss Francs	6-mths 03/04	6-mths 02/03	6-mths 03/04	6-mths 02/03	6-mths 03/04	6-mths 02/03	6-mths 03/04	6-mths 02/03
Revenue from external sales	1′128.2	1′120.1	1′071.1	786.3			2′199.3	1′906.4
Operating income	97.8	84.2	80.2	66.7	(28.2)	(20.5)	149.8	130.4

Secondary segment information

	Eur	ope	Ame	ricas	Asia-Paci	fic/Africa	Consol	idated
In millions of Swiss Francs	6-mths 03/04	6-mths 02/03	6-mths 03/04	6-mths 02/03	6-mths 03/04	6-mths 02/03	6-mths 03/04	6-mths 02/03
Revenue from external sales	1′488.6	1′402.7	564.3	376.2	146.4	127.5	2′199.3	1′906.4

9 Contingencies

At February 28, 2004 the Group was not aware of any new major contingent liability in comparison with the situation as per end of August 2003.

The existing contingent liabilities are primarily in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material obligations will arise.

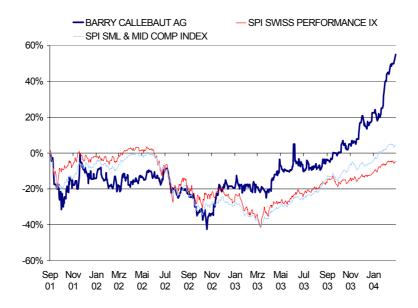
10 Related parties

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

11 Subsequent events

On March 22, 2004, the Group acquired from its major shareholder the entire issued share capital of Tagungs- und Seminarzentrum Schloss Marbach GmbH, specialized in the organization of intensive communication, training and team-building programs. The purchase price paid amounts to CHF 1.4 million. The company will be integrated in the consolidated figures as from March 1, 2004 onwards.

Share Price Performance



London Cocoa Terminal Market 6-month forward delivery prices



Sales volumes by region 6 months up to 28.2.2004 (in mt)					
Total 527'434					
Europe	340'692				
Americas 149'889					
Asia-Pacific/Africa 36'853					

Sales revenue by business unit 6 months up to 28.2.2004 (in CHF millions)					
Total	2,199.3				
Cocoa 272.3					
Food Manufacturers 855.9					
Gourmet & Specialities 292.7					
Consumer Products	778.4				

Sales revenue by region 6 months up to 28.2.2004 (in CHF millions)					
Total 2,199.3					
Europe 1,488.6					
Americas	564.3				
Asia-Pacific/Africa 146.4					

