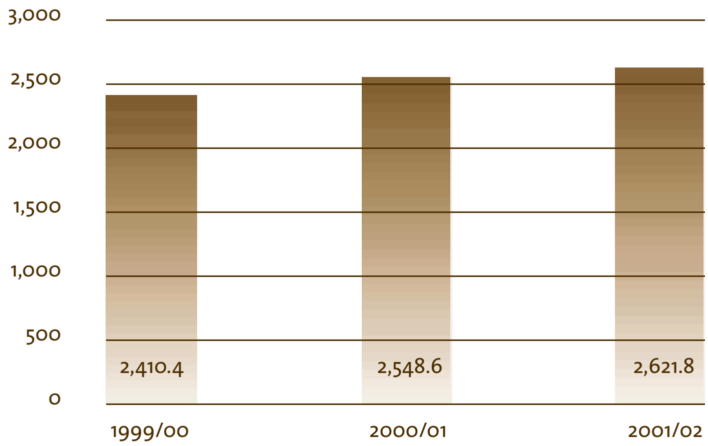
Annual Report
2001/02

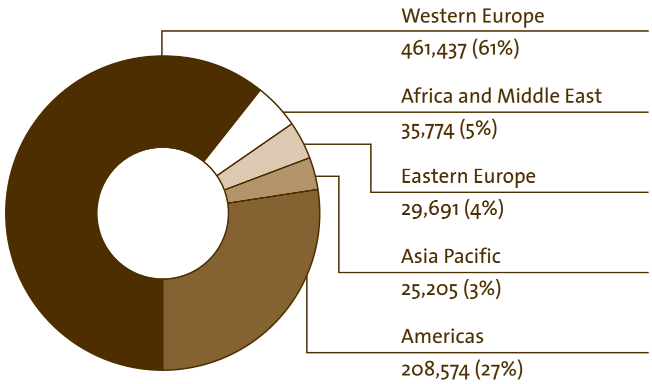
BARRY CALLEBAUT

Key Figures

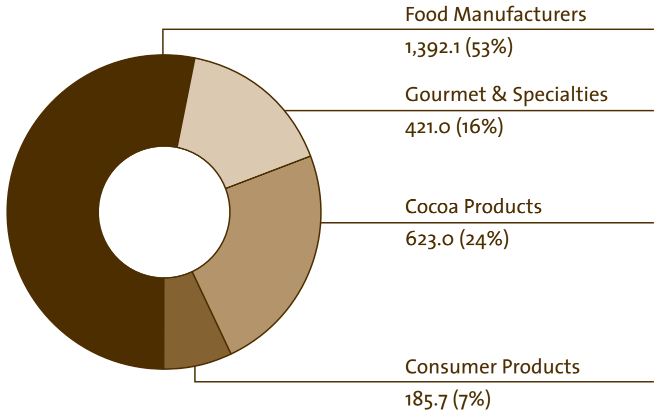
Development of sales revenue
in CHF millions



Sales volumes by region, 2001/02
in tons

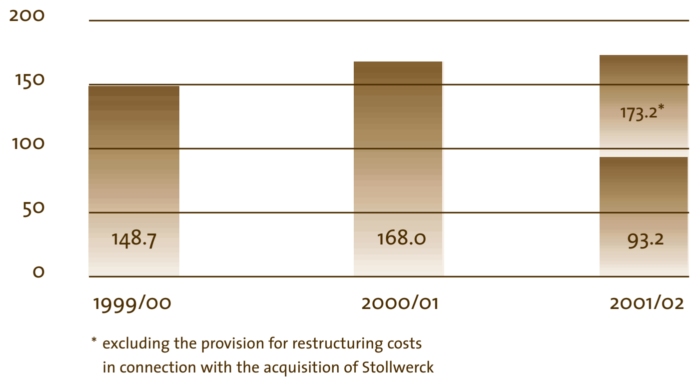


Sales revenue by business unit, 2001/02
in CHF millions

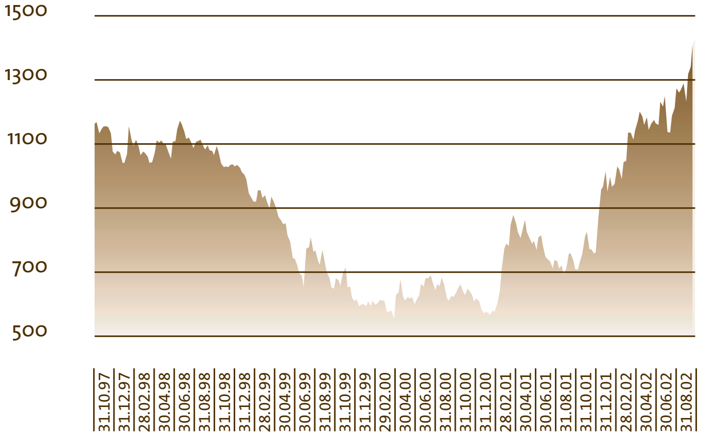


Key Figures

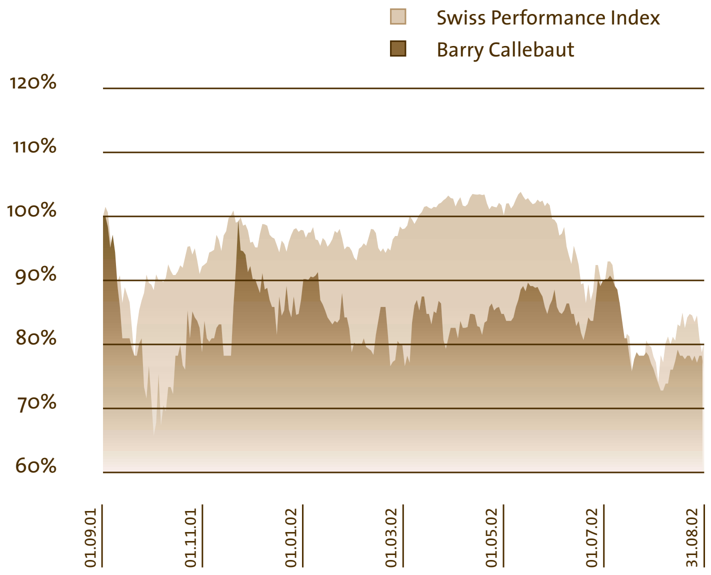
EBIT development
in CHF millions



Cocoa price development
in GBP/ton
(London terminal market,
6-month forward price)



Share price development
01.09.01 = 100%



Key Figures

in CHF		2001/02 Change excl. Stollwerck 1	2001/02 excl. Stollwerck 1	2001/02	2000/01	1999/00
Sales revenue	CHF m	**+3%**	**2,621.8**	2,621.8	2,548.6	2,410.4
Sales volume	Tons	**–3%**	**760,680**	760,680	787,302	752,040
EBITDA 2	CHF m	**+1%**	**267.8**	187.8	266.2	240.3
Operating profit (EBIT)	CHF m	**+3%**	**173.2**	93.2	168.0	148.7
Net profit (PAT)	CHF m	**+5%**	**101.6**	21.1	97.1	90.0
Cash flow 3	CHF m	**+0%**	**196.2**	115.7	195.3	181.6
Balance sheet total	CHF m	**+4%**	**2,131.9**	2,651.6	2,049.2	2,218.9
Net working capital	CHF m	**+14%**	**871.4**	781.0	765.9	894.3
Non-current assets	CHF m	**–6%**	**775.4**	1,070.6	823.1	894.0
Net debt	CHF m	**+1%**	**797.7**	960.1	786.2	1,029.2
Equity	CHF m	**+6%**	**736.4**	693.5	697.4	648.8
Return on capital employed (ROCE) 4	%	**+10%**	**15.3%**		14.0%	13.5%
Return on equity (ROE)	%	**–1%**	**13.8%**		13.9%	13.9%
EBIT per ton	CHF	**+7%**	**227.7**		213.4	197.8
Debt to equity ratio	%	**–4%**	**108.3%**	138.4%	112.7%	158.6%
EBIT per share	CHF	**+3%**	**33.5**	18.0	32.5	28.8
Earnings per share	CHF	**+5%**	**19.6**	4.1	18.8	17.4
Dividend per share 5	CHF	**+3%**	**6.9**	6.9	6.7	6.5
Employees		**+0%**	**4,926**	7,583	4,911	5,158

1 Since the Stollwerck acquisition was effective only as of August 5, 2002, key figures as per August 31, 2002 have been prepared based on a pro-forma balance sheet and a normalized result. In the pro-forma balance sheet the impact of the acquisition of the Stollwerck Group has been eliminated and the normalized result excludes the provision for restructuring costs (80 CHF m) and the financing cost (0.5 CHF m), both in connection with the acquisition of the Stollwerck Group.
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 6.90 for 2001/02

in EUR		2001/02 Change excl. Stollwerck 1	2001/02 excl. Stollwerck 1	2001/02	2000/01	1999/00
Sales revenue	EUR m	**+6%**	**1,782.4**	1,782.4	1,680.2	1,589.1
EBITDA 2	EUR m	**+4%**	**182.1**	127.7	175.5	158.5
Operating profit (EBIT)	EUR m	**+6%**	**117.7**	63.3	110.7	98.1
Net profit (PAT)	EUR m	**+8%**	**69.1**	14.4	64.0	59.4
Cash flow 3	EUR m	**+4%**	**133.4**	78.7	128.7	119.7
Balance sheet total	EUR m	**+7%**	**1,449.3**	1,802.6	1,351.0	1,462.9
Net working capital	EUR m	**+17%**	**592.4**	530.9	505.0	589.6
Non-current assets	EUR m	**–3%**	**527.1**	727.8	542.6	589.4
Net debt	EUR m	**+5%**	**542.3**	652.7	518.3	678.5
Equity	EUR m	**+9%**	**500.6**	471.5	459.8	427.8

in USD		2001/02 Change excl. Stollwerck 1	2001/02 excl. Stollwerck 1	2001/02	2000/01	1999/00
Sales revenue	USD m	**+13%**	**1,747.5**	1,747.5	1,540.2	1,456.7
EBITDA 2	USD m	**+11%**	**178.5**	125.2	160.9	145.2
Operating profit (EBIT)	USD m	**+14%**	**115.4**	62.1	101.5	89.9
Net profit (PAT)	USD m	**+15%**	**67.7**	14.1	58.7	54.4
Cash flow 3	USD m	**+11%**	**130.8**	77.1	118.0	109.8
Balance sheet total	USD m	**+15%**	**1,421.0**	1,767.4	1,238.4	1,340.9
Net working capital	USD m	**+25%**	**580.8**	520.6	462.9	540.5
Non-current assets	USD m	**+4%**	**516.8**	713.6	497.4	540.3
Net debt	USD m	**+12%**	**531.7**	640.0	475.1	622.0
Equity	USD m	**+16%**	**490.8**	462.2	421.4	392.1

Barry Callebaut is a Swiss corporation and as such presents its financial statements in Swiss Francs (CHF). For convenience, some selected financial data were translated from Swiss Francs into Euros (EUR) at the rate of CHF 1.471 to EUR 1 for 2001/02 and CHF 1.517 to EUR 1 for 2000/01 and 1999/00 and into US dollars (USD) at the rate of CHF 1.500 to USD 1 for 2001/02 and CHF 1.655 to USD 1 for 2000/01 and 1999/00. The rates used are the closing rates as of August 31, 2002 for 2001/02 and as of August 31, 2001 for 2000/01 and 1999/00.

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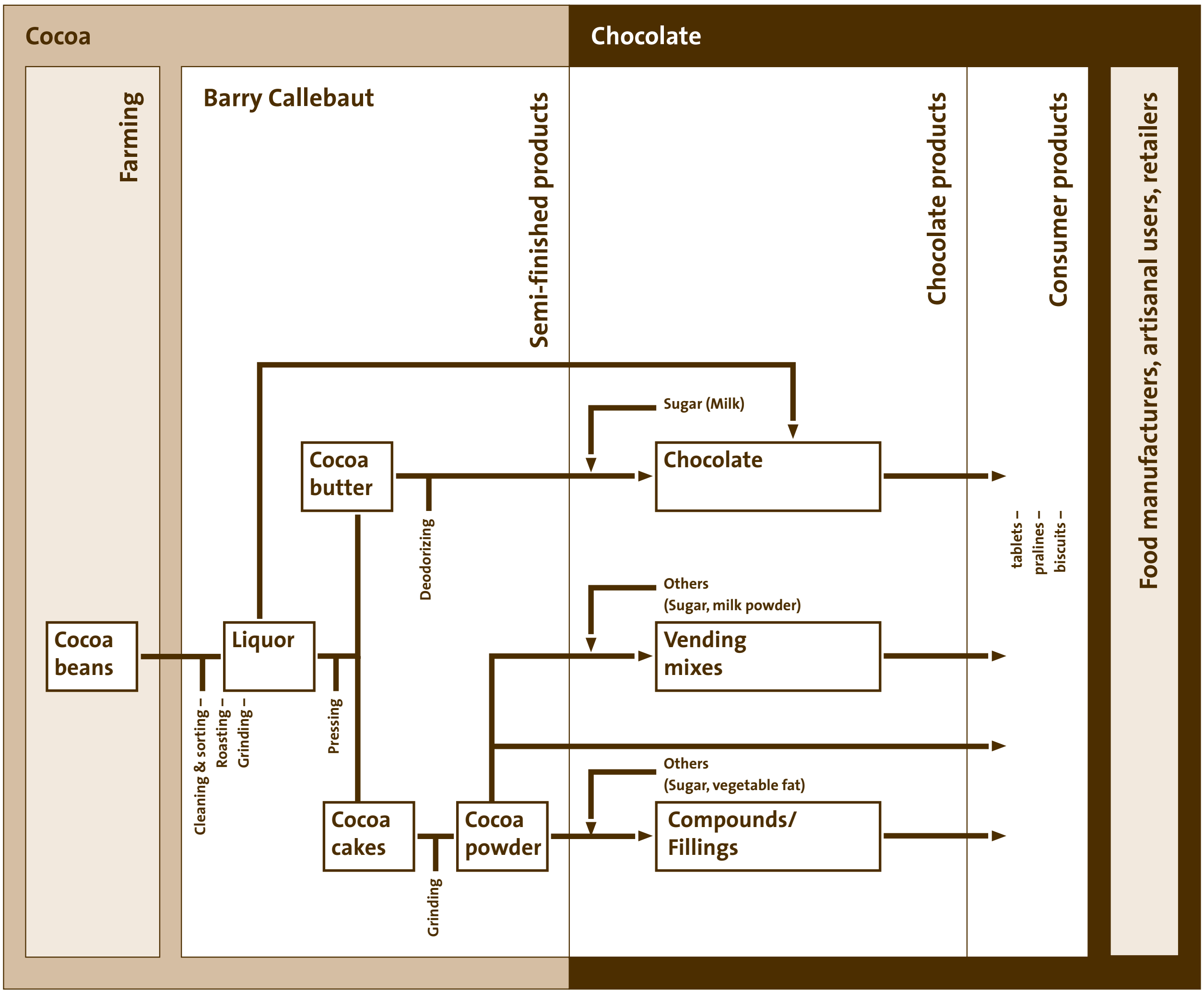
Company Profile

Our customers have made Barry Callebaut what we are today: the world's leading producer of high-quality cocoa and chocolate products with annual sales of approximately CHF 2.6 billion. The recent acquisition of Stollwerck in Germany will raise our full-year sales in fiscal 2002/03 to about CHF 3.3 billion. We operate some 30 production facilities in 16 countries and employ about 7,500 people around the world. Our company is divided into four strategic business units: Cocoa, Sourcing & Risk Management, Food Manufacturers, Gourmet & Specialties and Consumer Products.

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

Barry Callebaut's core competence 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. We are driven by our core values: Customer focus – Service – Quality – Cost efficiency – Innovation – Integrity.



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 De Maeseneire

Patrick G. De Maeseneire
Chief Executive Officer

Board of Directors and Committees of the Board of Directors

Board of Directors

(as of August 31, 2002)

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.

The Board of Directors of Barry Callebaut AG is composed of five non-executive persons. The average age of the directors is 50 years.

Andreas Schmid
Chairman
Swiss national, born in 1957; Chairman since 1998, CEO until May 31, 2002; Chairman of Kuoni Travel Holding AG; Chairman of Unique (Zurich Airport Ltd.); Director of Adecco SA.

Johann Christian Jacobs
Vice-Chairman
German national, born in 1962; Attorney, partner of White & Case, Feddersen, Hamburg; Director since 2001; Chairman of KJ Jacobs AG; Director of Adecco SA.

Rolando Benedick
Director
Swiss national, born in 1946; Director since 2001; Chairman and CEO of Manor Group, Basel; Director of Messe Schweiz.

Andreas W. Keller
Director
Swiss national, born in 1945; Director since 1999; Chairman of Diethelm Keller Holding Ltd., Zurich.

Pierre Vermaut
Director
Belgian national, born in 1948; Director since 1997; Chairman of Associated Weavers International; Chairman of Fountain Industries Europe; Director of Chocolaterie Guylian; Director of Etablissements Jacquot.

The CVs of the members of the Board of Directors are available on Barry Callebaut's website (www.barry-callebaut.com).

Subject to approval by the shareholders at the general meeting on December 11, 2002, each director will in future be elected for a term of office of one year by the shareholders of Barry Callebaut AG at the annual general meetings; board members may be re-elected to successive terms. The Chairman and Vice-Chairman are elected by the Board of Directors.

Committees of the Board of Directors

(as of August 31, 2002)

The Board of Directors has formed the following committees:

<u>Audit, Quality & Compliance Committee</u>
Pierre Vermaut (Chairman) and Andreas Schmid

The primary task of the Audit, Quality & Compliance 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.

<u>Nomination & Compensation Committee</u>
Andreas W. Keller (Chairman), 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. It also reviews remuneration paid to members of the Board of Directors and ensures a transparent board nomination process and is responsible for monitoring and managing potential conflicts of interest involving executive management and board members.

<u>Risk Committee</u>
Rolando Benedick (Chairman), Johann Christian Jacobs and Andreas Schmid

The Risk Committee shall, in respect of financial risk management, approve the basic risk management principles and guidelines, review the hedging and financing strategies, review the bases on which the Board of Directors determines the risk tolerance level and the trading limits, and review the appropriateness of the risk management instruments and techniques employed.

Management

Senior Management Team
(as of August 31, 2002)

The Senior Management Team is headed by the Chief Executive Officer and consists of seven persons. The average age of the Senior Management Team is 46 years.

Andreas Schmid
Chairman of the Board
Chief Executive Officer
(until May 31, 2002)

Joined Barry Callebaut in 1998
Swiss national, born in 1957

Patrick G. De Maeseneire
Chief Executive Officer
(since June 1, 2002)

Joined Barry Callebaut
in June 2002
Belgian national, born in 1957

Onno Bleeker
Food Manufacturers

Joined Callebaut in 1988
Dutch national, born in 1957
Member of the Senior Management Team since August 2002

James D. Forman
Consumer Products

Joined Van Houten & Zoon
in 1997
United States national,
born in 1952
Member of the Senior Management Team since August 2002

Dirk Poelman
Production & Supply Chain Management

Joined Callebaut in 1984
Belgian national, born in 1961

Ralph Schmitz-Dräger
Chief Financial Officer

Joined Barry Callebaut in 1999
German national, born in 1956

Rudolf Schwab
Cocoa, Sourcing & Risk Management

Joined Barry Callebaut in 1996
Swiss national, born in 1954

Benoît Villers
Gourmet & Specialties

Joined Cacao Barry in 1987
French national, born in 1956

Geographical Development

Europe

Western Europe is Barry Callebaut's most important market, and the acquisition of Stollwerck has further strengthened our position. Despite the economic weakness in several western European countries, sales in this region rose by nearly 3% to CHF 1,634.3 million. The "Sales Price System" became operational in the past fiscal year; it enables uniform, transparent calculations to be made for our products Group-wide and has already yielded tangible results. The Bussum cocoa processing plant in the Netherlands was closed according to plan in October 2002, due to the strategic repositioning of the semi-finished products business. An e-commerce platform was successfully launched in Belgium for the Gourmet business and will now be introduced in the UK and French markets. Sales of CHF 94.4 million in Eastern Europe were nearly unchanged from the previous year.

The Americas

Regional sales increased by 6% to CHF 706.7 million. Growth was particularly strong in North America, where a trend toward premium "made in Europe" products is emerging. These products are formulated for a typical European taste profile and offer better margins. Conversely, margins of price-sensitive products, which are generally produced locally, remained under pressure; however, Barry Callebaut's cost leadership is proving to be a competitive advantage in this regard.

Demand for products that are aligned with the preferences of increasingly health-conscious consumers or that offer extra nutritional value remains firm. The Food Manufacturers unit is in the process of expanding its capacity in Canada by adding a chocolate compound production line that will become operational in 2003. During the period under review, our regional sales operations were also reorganized with the aim of further promoting the Gourmet business as well as providing additional services for industrial customers.

Asia Pacific/Africa/Middle East

In Asia Pacific, a region with considerable long-term potential, overall sales were down 4% to CHF 84.3 million due to the deliberate reduction in sales generated with semi-finished products. Despite the difficult economic environment in several countries, especially during the first six months of the fiscal year, the Food Manufacturers and Gourmet & Specialties business units reported slightly higher sales.

The economic and political problems in numerous countries in Africa and the Middle East led to a 2% decline in sales in these two regions to CHF 102.1 million. On the other hand, sales of consumer products in Africa showed good growth (+25%), primarily thanks to exports and the introduction of new products. We successfully continued our program to exploit synergies between subsidiaries located in the Ivory Coast, Cameroon and Senegal. A mutually acceptable solution was reached with the Government of the Ivory Coast concerning a tax claim against our local subsidiary.

Business Unit Development

Cocoa, Sourcing & Risk Management

This business unit, whose most important products are cocoa liquor, cocoa butter and branded cocoa powder, generated sales of CHF 623.0 million, which corresponds to 24% of Group sales.

Volumes declined by 11% due to the selective reduction in sales of semi-finished products to third parties. The closure of the cocoa processing plant in Bussum in the Netherlands has to be seen within this context. Sales of cocoa butter declined significantly amid unrelenting price pressure while cocoa liquor and cocoa powder sales remained at the same levels as in the previous year. Our centralized global sourcing and risk management systems will lead to a future reduction in procurement costs.

The new production plant in Ghana built during the preceding year began operations and is now operating at full capacity. We plan to install another line of production for high-quality cocoa liquor made in Ghana to accommodate rising demand for organic cocoa. A new chocolate brand, "Origine Côte d'Ivoire," will be introduced in the Ivory Coast. As one of the largest cocoa buyers worldwide, Barry Callebaut offers its customers a wide range of organic cocoa beans as well as origin beans.

The global market for cocoa beans experienced a sharp rise in prices during the year under review, as well as considerably higher volatility, which caused some uncertainty among market participants. Prices surged more than 80%, rising to levels not seen since the 1980s. Most market participants expect that the tight price situation will persist.

Food Manufacturers

Food Manufacturers, Barry Callebaut's largest business unit, provides the entire food manufacturing industry with customer solutions, ranging from chocolate products, ready-to-use fillings and compounds to customized services. Our overall leadership position is based on consistency in quality, technical support, extensive research and development and innovation, efficiency and just-in-time delivery.

Amid a stagnating global market and against the backdrop of significantly higher cocoa prices, sales in the Food Manufacturers business unit declined by 2% to CHF 1,392.1 million, which corresponds to 53% of Group sales. Volumes dropped 0.8%. Sales were down in both Eastern Europe and the Middle East, yet were held at the previous year's level in North America.

In order to sustain and build upon our cost leadership, we trimmed costs further, particularly on the production side. As we work with raw materials that are exposed to price fluctuations, we partner with our customers to develop and implement the most appropriate procurement and hedging strategies for them. With this aim in mind, we have introduced management tools that enable us to deal with the additional complexity of short-term planning and ordering processes.

The latest surge in cocoa prices is likely to accelerate outsourcing, which can be seen as a long-term trend independent of short-term price swings. More and more of our customers are optimizing the utilization of their assets by reducing their fixed assets as far as possible. Barry Callebaut is well positioned to meet these needs and will therefore continue to benefit from this outsourcing trend.

The ongoing consolidation in the food industry is leading to fewer but higher-volume customers, who are primarily leading, internationally active food manufacturers. Against this background, Barry Callebaut is positioning itself as a reliable partner for the food industry, offering added value in the form of tailor-made product developments, a wide range of services and the necessary technical support.

Our Barry Callebaut Institutes, centers of innovation and information, are focused on developing premium products. Some examples include health-promoting products such as chocolate without added sugar for diabetics or novel kinds of chocolate enriched with oligofructose and inulin, a prebiotic which stimulates the growth of beneficial intestinal bacteria and increases bioavailability of calcium. Our range of organic chocolate was also broadened. With more than 1,500 different recipes to choose from, we are in a position to meet the varying needs of all our customers. We also provide our customers with comprehensive documentation on our products, detailing the nutritional value of cocoa and chocolate.

We have always attached great importance to food safety, an issue that is becoming increasingly important to consumers. Our Group-wide quality assurance and prevention programs ensure that our products and production processes are continuously monitored. The documented results of our quality control policy show that we comply with and, in some cases, even exceed the standards called for by public health authorities or interest groups.

Gourmet & Specialties

The Gourmet & Specialties business unit supplies specialty products to commercial customers such as chocolatiers, confectioners, hotels and restaurants. It generated sales of CHF 421.0 million in fiscal 2001/02, which corresponds to 16% of Group sales. This number cannot be directly compared with the CHF 636.5 million in sales reported last year because last year's figure included the consumer products activities, which are now reported as a separate business unit. The Consumer Africa segment, which reported high sales growth of 25%, is still managed by and consolidated in the Gourmet & Specialties business unit for historical reasons.

Excluding this consumer-related segment, pro-forma Gourmet & Specialties sales declined 1%, primarily because of difficulties encountered by a supplier in the Vending Mix business (cocoa blends for beverage machines) during the first half of the fiscal year. With the supplier having resolved the technical problems and based on increased marketing efforts, we are working closely with our customers to restore their trust in our products. Excluding this extraordinary effect, this unit's sales would have showed a solid 6% increase.

Christmas sales were satisfactory, while business with tourism-oriented customers receded, in some instances considerably. Orders were being placed at short notice up to the early summer months due to subdued consumer spending. Strong growth was recorded in the Americas, the emerging markets in the Asia-Pacific region and in the Middle East. Following our principle of putting margins before volumes, we have stopped selling certain low-margin products, which led to a sales slowdown in some European markets.

This unit's traditional, commercially-oriented customer base is experiencing increasing competition from semi-industrial or industrial manufacturers and from new distribution models such as the shop-in-the-shop concepts that have been adopted by some supermarket chains. As a result, there has been a notable decline in the number of market participants in several countries. In this more competitive atmosphere, which is making product differentiation more demanding to achieve, our customers can find opportunities by concentrating on the top of the quality pyramid and by introducing convenience, ready-to-sell and ready-to-consume products.

For Barry Callebaut, these developments mean we have to place even more emphasis on innovative premium specialties and promote convenience products that do not have to be processed in any way by the buyer. It is important to carefully take into consideration the varying needs of the different customer segments – from demanding chocolatiers and confectioners who use Barry Callebaut products for top-of-the-line creations, to customers for whom convenience components are more important. We also want to support our customers in their dealings with their own customers by offering them a special range of ready-to-sell products, which is currently in the start-up phase. We will draw on the experience and products available in the Consumer Products unit in this regard and will put both to use on behalf of our customers.

The widespread trend toward all-natural, healthy foods and eating away from home, which creates new distribution channels, also offers interesting opportunities. Barry Callebaut strengthened its human resources in this unit during the past year in order to further increase its innovative power.

Consumer Products

The results of our Consumer Products activities, previously incorporated in the Gourmet & Specialties business unit, were reported separately for the first time in fiscal 2001/02. The corresponding sales amounted to CHF 185.7 million, or 7% of Group sales. Stollwerck will contribute more than CHF 700 million in sales to this business unit in fiscal 2002/03, which will make Consumer Products the second-largest business unit.

Consumer Products was established as an independent business activity in the preceding year. All Consumer Product operations in Europe, North America and Asia Pacific, excluding Africa, were grouped together during the year under review. The acquisition of Stollwerck represents a significant step forward in expanding our market position in Germany. Stollwerck's strengths are its strong position in Europe's largest consumer chocolate market, its excellent relationships with its customers, which include major retailers, and its end-consumer expertise. As we anticipate that the trend toward customer labels will become more pronounced, we see considerable market potential here. Through the acquisition of Stollwerck, Barry Callebaut has obtained additional knowledge about consumer needs and buying patterns.

In the short run, we will have to strengthen our distribution in Germany. Streamlining the product and brand portfolio will allow us to concentrate on those products with good contribution margins. Further measures are the centralization of sourcing and risk management, the merger of the sales forces and customer centers within the Consumer Products business unit and cross-selling between the Consumer Products and Gourmet & Specialties units.

The markets for consumer products remain distinguished by strong demand for customer labels from large, internationally active retail chains, a growing preference among consumers for premium products and somewhat modest growth in the mid-price segment. Innovation and quality will remain the two dominant market drivers.

The consolidation among globally active food retailing chains has led to a transformation of the traditional relationship between chocolate manufacturers and retailers. As a global market leader in the chocolate and cocoa industry, Barry Callebaut is ideally positioned to successfully work together with these multinational retail groups. In view of our considerable expertise, we intend to further strengthen our activities in this market segment.

The subdued pace of economic activity in most industrialized countries is not expected to have a major impact on the Consumer Products business in the near future. Past experience has shown that the consumption of chocolate and cocoa as semi-luxury food products is relatively immune to the general economic cycle. Competitive intensity and consumer preferences vary from country to country, however. Since Barry Callebaut is active in every major chocolate market across the globe, we are aware of the importance of local preferences and tastes and will address these with care.

Financial Report

The acquisition of the Stollwerck Group was the key issue in fiscal 2001/02, bringing the Group in a strong market position in the German chocolate market.

The acquisition was closed at the beginning of August. Due to this, the key figures as per August 31, 2002 have been prepared "before Stollwerck" based on a pro-forma balance sheet and a normalized result. The impact of the acquisition of the Stollwerck Group, the provisions for restructuring costs (CHF 80 million) and the financing cost (CHF 0.5 million) have been eliminated.

The consolidated balance sheet has been prepared without Stollwerck and with Stollwerck. The consolidated income statement includes the acquisition effects of Stollwerck.

Income Statement

Total sales amounted to CHF 2,621.8 million, or an increase of 3% over the previous year. In volume terms, 760,680 tons or –3% were sold.

In the year under review the main operational target was to improve margins by concentrating on profitable volumes. The depreciation costs on tangible assets decreased while other operational costs increased, mostly driven by projects which were completed in this fiscal year (e-commerce, SAP implementation).

Earnings before interest and tax (EBIT) increased by 3% to CHF 173.2 million (CHF 93.2 million after Stollwerck restructuring costs).

Net profit increased by 5% to CHF 101.6 million (CHF 21.1 million after Stollwerck acquisition costs). Reduced financial costs and tax optimizations balanced prior year's non-operating income.

Balance Sheet

Total assets increased by CHF 602.4 million. The Stollwerck acquisition accounts for CHF 519.6 million. The increase in cocoa stock-related current assets of CHF 144.0 million was balanced by a decrease in other current assets of CHF 13.5 million and in non-current assets of CHF 47.7 million.

The current liabilities increased by CHF 621.9 million. The Stollwerck effect accounts for CHF 378.4 million and the short-term refinancing, mostly a shift from long-term, accounts for CHF 241.4 million. The long-term liabilities decreased by CHF 16.5 million, the shift of CHF 206.1 million to short-term liabilities was balanced by the take-over of long-term debt from Stollwerck for an amount of CHF 98.7 million and an increase of other non-current and deferred tax liabilities (mainly pension provisions from the Stollwerck Group) for an amount of CHF 90.9 million.

Equity decreased after the restructuring provisions for Stollwerck by CHF 4 million to CHF 693.5 million (26.2% of total assets). Net debt increased to CHF 960.1 million (previous year CHF 786.2 million) and the debt-to-equity ratio was 138.4%.

Employees

The number of employees increases by about 2,500 to just over 7,500 because of the acquisition of Stollwerck. The merging of the two companies will be a major challenge in the months ahead as we strive to exploit the available synergy potential. The workforce will be actively accompanied throughout the necessary change management processes.

The training and development of employees at all levels will continue to be important. Internal as well as external resources will be deployed for these purposes. The expertise and experience accumulated over the years by the various subsidiaries and business units of Barry Callebaut will be selectively exploited via job rotation, multi-functional work groups, international workshops and placements abroad. During the period under review, various workshops in the individual business units were conducted by external experts on different topics, including research and development, finance, human relations and performance management. There were also Group-wide training modules for about 200 managers and young, promising employees, also supported by internationally recognized speakers and specialists. The topic of the year was "Managing Performance". Next year's subject will be "Managing Competencies".

The efficiency-enhancing program "Focus 2001" was implemented at several European subsidiaries during the past fiscal year. This program, involving more than 350 employees and 200 training units, is designed to improve work methods, processes and profitability.

Barry Callebaut is committed to providing a safe and healthy working environment. For example, we provide our workforce with in-house medical counsel and support at all of our factories. In Cameroon, a "Stop AIDS" campaign was launched in cooperation with the government in order to protect our employees and their families from this deadly disease. Barry Callebaut also provides the employees of all of its African subsidiaries with financial support in purchasing land or a house.

Once again, the "Chairman's Award" was conferred to employees who have distinguished themselves through extraordinary efforts for the public good. Employees at all of the companies in which KJ Jacobs AG owns an interest via the Jacobs Family Foundation, which includes Barry Callebaut, can qualify for the award.

This year the following employees of Barry Callebaut received the "Chairman's Award":

Bart Vercruyssen

Barry Callebaut Belgium N.V., Wieze, Belgium:

Bart Vercruyssen has been the secretary of a non-profit organization in the Flemish town of Oostakker for 10 years. The organization provides underprivileged children with music lessons and cultural experiences. Money raised by giving public performances is used to purchase musical instruments and organize trips.

Richard Phillips

Barry Callebaut UK Ltd., Banbury, United Kingdom:

Richard Phillips recently won "The Pride of Banbury Award" for his work in the community. He is an active leader in two local youth clubs and helps children with drug abuse problems.

Eveline Boisvert

Barry Callebaut Canada Inc., St. Hyacinthe, Canada:

Eveline Boisvert has been involved in various non-profit organizations for several years. She volunteers, for example, as a coordinator and driver for "Opération Nez Rouge", an organization that offers to drive revelers home in their cars during the Christmas and New Year holidays, and for the organization "La Guignolée", which collects non-perishable foods for needy families.

Richard Bittner and his wife Rita

Barry Callebaut USA Inc., St. Albans, USA:

They provide care in their home for terminally ill infants who have been abandoned by their parents. As foster parents they do all they can to ensure that these children can experience as much kindness and care as possible in their short lives.

Consolidated Financial Statements
with Auditors' Report

Consolidated Balance Sheet

Assets

for the year ended August 31, 2002				
in thousands of Swiss Francs	Notes	**2001/02** *excluding Stollwerck* [a]	**2001/02**	2000/01
Current assets				
Cash and cash equivalents		*55,475*	59,705	81,521
Short-term deposits		*377*	377	189
Trade accounts receivable	3	*236,440*	327,109	231,140
Inventories	4	*826,400*	926,009	788,923
of which cocoa beans stock		*382,022*	*384,146*	*394,259*
Other current assets	6	*237,876*	267,723	124,290
		1,356,568	**1,580,923**	**1,226,063**
Non-current assets				
Property, plant and equipment	7	*439,550*	679,376	484,110
Investments	8	*4,704*	4,720	5,197
Intangible assets	9	*315,865*	362,410	325,131
Deferred tax assets	21	*12,014*	20,908	6,086
Other non-current assets		*3,221*	3,231	2,564
		775,354	**1,070,645**	**823,088**
Total assets		***2,131,922***	**2,651,568**	**2,049,151**

Liabilities and shareholders' equity

for the year ended August 31, 2002				
in thousands of Swiss Francs	Notes	**2001/02** *excluding Stollwerck* [a]	**2001/02**	2000/01
Current liabilities				
Bank overdrafts		*47,495*	47,495	28,425
Short-term debt	10	*761,611*	829,550	588,154
Trade accounts payable		*188,717*	235,029	169,964
Income tax payable		*10,542*	13,798	22,887
Provisions	11	*39,755*	165,306	49,086
Valuation of open commitments and cocoa inventories	5	*40,758*	42,324	6,926
Other current liabilities	12	*149,582*	283,387	129,546
		1,238,460	**1,616,889**	**994,988**
Non-current liabilities				
Long-term debt	13	*47,497*	146,209	253,595
Deferred tax liabilities	21	*41,562*	59,871	37,264
Other non-current liabilities	15	*68,026*	131,637	63,393
		157,085	**337,717**	**354,252**
Total liabilities		***1,395,545***	**1,954,606**	**1,349,240**
Minority interests	**16**	***22***	**3,455**	**2,546**
Shareholders' equity				
Share capital	17	*517,000*	517,000	517,000
Retained earnings and reserves		*219,355*	176,507	180,365
		736,355	**693,507**	**697,365**
Total liabilities, minority interests and shareholders' equity		***2,131,922***	**2,651,568**	**2,049,151**

[a] Since the Stollwerck acquisition was effective only as of August 5, 2002, a pro-forma balance sheet *'before Stollwerck'* has been prepared which has served as a basis for the calculation of the key figures. The pro-forma balance sheet *'before Stollwerck'* was established by eliminating the contribution of the Stollwerck companies in the respective balance sheet lines, as well as the financing and the provision for restructuring costs relating to the acquisition.

Consolidated Statement of Income

for the year ended August 31, 2002

in thousands of Swiss Francs	Notes	**2001/02**	2000/01
Operating income			
Revenue from sales and services		2,621,837	2,548,599
Operating expenses			
Material consumed		1,739,009	1,711,431
Personnel		283,549	276,380
Advertising and promotion		18,778	16,454
Depreciation of tangible assets	7	64,734	72,117
Depreciation and amortisation of intangible assets	9	29,888	26,092
Other operating expenses	18	312,703	278,140
Total operating expenses		**2,448,661**	**2,380,614**
Operating profit (EBIT) before restructuring Stollwerck		**173,176**	**167,985**
Restructuring provisions Stollwerck	18	(80,000)	–
Operating profit (EBIT)		**93,176**	**167,985**
Financial cost, net	19	(53,801)	(61,458)
Non-operating income, net	20	(213)	13,548
Profit before taxes and minority interest		**39,162**	**120,075**
Taxes	21	(19,774)	(22,750)
Profit before minority interest		**19,388**	**97,325**
Minority interest	16	1,732	(270)
Net profit		**21,120**	**97,055**
Earnings per share (CHF/share)	22	4.27	19.73
Diluted earnings per share (CHF/share)	22	4.09	18.77
Proposed dividend per share (CHF/share)		6.90	6.70

Consolidated Statement of Cash Flows

Cash flows from operating activities

for the year ended August 31, 2002

in thousands of Swiss Francs	Notes	**2001/02**	2000/01
Income before minority interest and taxes		39,162	120,075
Adjustments for:			
Depreciation and amortisation of tangible and intangible non-current assets		94,624	98,208
Impairment of assets		8,967	4,125
Elimination of foreign exchange (gain) loss		2,451	(2,305)
Elimination of interest (income)		(4,312)	(5,774)
Elimination of interest expense		53,603	68,519
Elimination of other non-operating expense (income)		213	(13,548)
Operating cash flow before working capital changes		**194,708**	**269,300**
(Increase) Decrease in trade accounts receivable		(5,300)	142,572
(Increase) Decrease in inventories		(37,476)	(75,106)
(Increase) Decrease in other current assets		(113,586)	(1,962)
(Increase) Decrease in other non-current assets		(9,852)	(2,222)
Increase (Decrease) in trade accounts payable		18,753	(4,205)
Increase (Decrease) in other current liabilities		78,796	8,805
Increase (Decrease) in valuation of open commitments and cocoa inventories		33,832	52,279
Elimination of impact of the movement in unrealised exchange results on working capital changes		(2,964)	(16,120)
Elimination of impact of accrued interests		(2,778)	(3,494)
Elimination of accrued taxes		6,287	(2,327)
Cash generated from operations		**160,420**	**367,520**
Interest paid		(50,714)	(64,898)
Income taxes paid		(26,061)	(20,424)
Realised exchange gain/(loss)		513	18,424
Net cash flow from operating activities		**84,158**	**300,622**

Consolidated Statement of Cash Flows

Cash flows from investing activities

for the year ended August 31, 2002			
in thousands of Swiss Francs	Notes	**2001/02**	2000/01
Purchase of property, plant and equipment, other assets and business		(59,228)	(68,008)
Proceeds from sale of property, plant and equipment		3,000	49,307
Expenditure for development projects		(14,603)	(12,091)
Acquisition of subsidiaries	23	(72,481)	–
Acquisition of minority interests		(4,023)	–
Other non-operating income/(expense)		–	3,126
Interest received		4,202	5,648
Net cash flow from investing activities		**(143,133)**	**(22,018)**

Cash flows from financing activities

Increase (Decrease) in short-term debt	47,318	(165,934)
(Decrease) in loans and deposits related parties	–	(2,414)
Increase in long-term debt	10,100	3,692
(Decrease) in long-term debt	(13,329)	(16,660)
(Increase) in deposits long-term	(728)	(57)
Decrease (Increase) in deposits short-term	(188)	177
Increase (Decrease) in other non-current liabilities	8,929	(916)
Dividends paid	(32,962)	(31,934)
Dividends paid to minority shareholders	(462)	(224)
Acquisition of treasury shares	(5,890)	(5,891)
Sale of treasury shares	3,263	8,204
Net cash flow from financing activities	**16,051**	**(211,957)**

Effect of change in minority interests	(2,063)	(3,343)
Effects of exchange rate changes	4,101	(1,457)
Net increase (decrease) in cash and cash equivalents	**(40,886)**	**61,847**
Cash and cash equivalents at beginning of year	53,096	(8,751)
Cash and cash equivalents at end of year	**12,210**	**53,096**

Cash and cash equivalents	59,705	81,521
Bank overdrafts	(47,495)	(28,425)
Cash and cash equivalents as defined for the cash flow statement	**12,210**	**53,096**

Consolidated Statement of Changes in Equity

for the year ended August 31, 2002 in thousands of Swiss Francs	**Share capital**	**Legal reserves**	**Accumulated deficit**	**Treasury shares**	**Cumulative translation adjustment**	**Total**
at August 31, 2000	517,000	198,430	(28,008)	(68,568)	29,992	648,846
Dividends paid			(31,934)			(31,934)
Acquisition of treasury shares				(5,891)		(5,891)
Sale of treasury shares			(711)	8,915		8,204
Decrease minority share			776			776
Current year translation adjustments					(19,691)	(19,691)
Internal merger gain		49,106	(49,106)			–
Net profit for the year			97,055			97,055
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
Current year 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**

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 0.03 million (2000/01: CHF 65.5 million) treasury shares bought by Barry Callebaut AG. The treasury shares held by Barry Callebaut AG as per August 31, 2001, have almost entirely been used as partial payment in connection with the acquisition of the Stollwerck Group.

Treasury shares are valued at cost and have been deducted from equity. The fair value on August 31, 2002, of the treasury shares amounted to CHF 0.03 million (2000/01: CHF 53.3 million).

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the shareholders.

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.

The following changes in accounting principles have been introduced in accordance with the requirements of the respective standards:

Following the introduction of IFRS 39, Financial Instruments: Recognition and Measurement, available-for-sale investments are carried at fair value and all derivative financial instruments have been recognised as assets or liabilities.

Basis of consolidation

The consolidated financial statements of the Group include all the assets and liabilities 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. The 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 the 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 does not apply hedge accounting according to the provisions of IFRS.

All derivatives are recognised on the balance sheet at their fair value. These derivatives typically provide economic hedges towards underlying commercial exposures. Changes in the fair value of such derivatives are recognised directly in the income statement.

Summary of Accounting Policies

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 realisable 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 realisable 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 realised 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 recognised 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 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 IFRS 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 recognised on the trade date. Financial assets 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 in the net profit or loss for the period in which it arises.

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

Summary of Accounting Policies

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 capitalised and amortised 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 recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining useful life of those assets. Negative goodwill in excess of the fair value of those assets is recognised in the income statement immediately.

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

Other intangible assets

Other acquired intangible assets (e.g. patents, trademarks, licences) are amortised on a straight-line basis over their anticipated useful life but not exceeding 20 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 capitalised as an intangible asset if it can be demonstrated that the project will probably generate future economic benefits. Development costs that have been capitalised are amortised on a straight-line basis over the period of its expected benefits. The amortisation periods adopted do not exceed 5 years.

Property, plant and equipment

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

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 value of an asset are capitalised 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 periodically 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 recognised 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 risk and rewards of ownership to the lessee.

Assets held under finance leases are recognised 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.

Summary of Accounting Policies

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 recognised 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 recognised. 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 dependents. The cost of these benefits is actuarially determined and included in the related function expenses over the employees' working lives. The related liability is included in long-term liabilities.

Employee share participation plans

No compensation cost is recognised in these financial statements for options granted to employees from employee share participation plans.

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 recognised 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 recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. 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.

Revenues from sales and services

Revenues from the sale of goods are recognised when a title passes to the buyer. Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the cost of returns.

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. Other grants are recognised in income over the periods of the related costs.

Financial liabilities

Borrowings are initially recognised at the proceeds received, net of transaction costs. They are subsequently carried at cost. This corresponds materially to amortised cost using the effective interest rate method.

Provisions

Provisions are recognised 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.

Summary of Accounting Policies

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 properly communicated.

Borrowing costs

Interest costs on borrowings to finance the construction of property, plant and equipment are capitalised, 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. Organisation and business activity

Barry Callebaut AG ("The company") was incorporated on November 24, 1994, under Swiss law having its head office in Zurich, Mainaustrasse 2, Switzerland.
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.
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, 2002, Barry Callebaut's market capitalisation based on outstanding shares was CHF 801.4 million.
Stollwerck AG, Cologne, in which Barry Callebaut AG indirectly owns a 98.66% shareholding, is listed on the German Stock Exchange (ISIN Number: DE0007280000). As of August 31, 2002, Stollwerck's market capitalisation based on outstanding shares was EUR 222.4 million.
The Barry Callebaut Group is the world leader in industrial chocolate, which serves a wide range of food and beverage companies that use chocolate, cocoa and related products. The company offers a broad and expanding range of chocolate and other cocoa-based products for sale to its customers and produces over 1,500 recipes of processed products. Barry Callebaut is fully vertically integrated from sourcing of the raw material through production of semi-finished products and further production of processed industrial chocolate products.
The principal brands under which the Company operates are Barry Callebaut, Callebaut, Cacao Barry, Van Leer, Carma and Van Houten for chocolate products and Bensdorp, Van Houten and Chadler for cocoa powder and vending mix.
The principal countries in which the Group operates include Belgium, Brazil, Cameroon, Canada, France, Germany, Italy, Ivory Coast, Netherlands, Poland, Senegal, Singapore, Switzerland, the United Kingdom and the USA.
Barry Callebaut provides detailed information on its business activities in its annual and semi-annual 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.)
On October 1, 2000, the group sold the Gummi Bear Fruitgum Business to a third party.
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 has been paid with treasury shares. For reasons of practicality, the balance sheet as per August 31, 2002, was used for the acquisition accounting.
The Group has made a mandatory public offer in accordance with German stock exchange regulations to buy out the remaining shareholders of Stollwerck AG (3.9%), which expired on October 17, 2002. Under the provisions of this public offer the Group acquired additional 2.56% of the share capital. The Group intends to squeeze out the remaining minority shareholders in return for appropriate cash compensation, and to delist the Stollwerck shares.
On November 4, 2002, Barry Callebaut AG's Board of Directors authorised these financial statements for issue.

2. Group companies

As per December 13, 2001, Barry Callebaut AG merged with Van Houten Africa Holding SA, a former subsidiary. The merger was effective as of September 1, 2001. The principal subsidiaries of Barry Callebaut are the following (owned 100% unless indicated otherwise):

Country	Subsidiary
Switzerland	Barry Callebaut Sourcing AG
	Barry Callebaut Schweiz AG
	Van Houten Service AG
	Chocolat Alprose SA (96.1%)
Belgium	Barry Callebaut Services N.V.
	Barry Callebaut Belgium N.V.
	Jacques Chocolaterie SA (96.1%)
Brazil	Barry Callebaut Brasil SA
Cameroon	Société Industrielle Camerounaise des Cacaos SA (67.2%)
	Chocolaterie Confiserie Camerounaise Chococam SA (72.0%)
Canada	Barry Callebaut Canada Inc.
France	Barry Callebaut Manufacturing France SA
	Barry Callebaut France SA
	Chocodif SA
	Omnigest SA
	Stollwerck France S.à r.l. (96.1%)
Gabon	Chocogab (70.7%)
Germany	Barry Callebaut Deutschland GmbH
	Van Houten GmbH & Co. KG
	C. J. van Houten & Zoon Holding GmbH
	Van Houten Beteiligungs GmbH
	Van Houten Beteiligungs AG & Co. KG
	Stollwerck AG (96.1%)
	Gubor Schokoladenfabrik GmbH (96.1%)
	Thüringer Schokoladewerk Beteiligungs GmbH (90.1%)
	Hildebrand Kakao- und Schokoladenfabrik GmbH (96.1%)
Germany	Wurzener Dauerbackwaren GmbH (96.1%)
	Stollwerck Log-Trans Spedition GmbH (96.1%)
	IPSG Industrieplanung u. Service GmbH (96.1%)
Great Britain	S & A Lesme Ltd.
	Barry Callebaut UK Ltd.
	Barry Callebaut Manufacturing (UK) Ltd.
Italy	Barry Callebaut Italia S.p.A.
	Barry Callebaut Manufacturing Italy (formerly Aztec S.r.l.)
	Stollwerck Italia S.p.A. (96.1%)
Ivory Coast	Société Africaine de Cacao SACO SA
	Barry Callebaut Négoce SA
	SN Chocodi SA (98.6%)
	Alliance Cacao SA (51.5%)
Mexico	Barry Callebaut Mexico SA (in liquidation)
Netherlands	Barry Callebaut Holding B.V.
	Barry Callebaut Netherlands B.V.
Panama	Adis Holdings Inc.
Poland	Barry Callebaut Polska Sp.z.o.o.
Senegal	Chocosen S.A.
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd.
	Van Houten (Singapore) Pte. Ltd.
Spain	Barry Callebaut Ibérica SL
USA	Barry Callebaut USA Inc.
	Chadler US Inc.

The Group had 7,583 and 4,911 employees at August 31, 2002 and 2001, respectively.

Notes

3. Trade accounts receivable

in thousands of Swiss Francs	**2001/02**	2000/01
Trade accounts receivable	345,202	253,427
Provision for doubtful debts	(18,093)	(22,287)
	327,109	**231,140**

Last year the Group entered into a securitisation program with an asset-purchasing company for trade receivables in BC Belgium, BC France, and BC United Kingdom. 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 175.0 million at August 31, 2002 (2000/01: CHF 155.3 million) are derecognised from the balance sheet.

The credit risk is not transferred. The discount amounting to CHF 19.3 million at August 31, 2002 (2000/01: CHF 15.1 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, amounting to CHF 24.7 million at August 31, 2002 (2000/01: CHF 22.8 million), are classified as a payable towards the asset-purchasing company (see Note 12).

4. Inventories

in thousands of Swiss Francs	**2001/02**	2000/01
Cocoa beans stock	384,146	394,259
Semi-finished and finished products	334,115	207,228
Other raw materials and packaging materials	207,748	187,436
	926,009	**788,923**

At August 31, 2002, the Group held cocoa beans stock for an amount of CHF 384.1 million (2000/01: CHF 394.3 million). In an industrial environment stock policies are mostly aimed at minimising 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.

5. Valuation of open commitments and cocoa inventories

In prior year the fair value of these commitments and cocoa inventories (CHF – 6.9 million) was not yet shown in a separate caption but was included in inventories.

in thousands of Swiss Francs	**2001/02**	2000/01
Fair value of physical and terminal market sales commitments of cocoa products	(565,153)	91,391
Fair value of physical and terminal market purchase commitments of cocoa products	362,599	(68,679)
Fair value revaluation on cocoa inventories	147,403	(29,638)
Fair value of related foreign exchange forward purchase contracts	2,359	– [a]
Fair value of related foreign exchange forward sales contracts	10,468	– [a]
	(42,324)	**(6,926)**

[a] Information not available. In prior year included in Other Current Assets and Other Current Liabilities.

Notes

6. Other current assets

in thousands of Swiss Francs	**2001/02**	2000/01
Prepaid expenses	6,211	5,078
Accrued income	3,991	11,659
Prepaid taxes	24,002	12,192
Receivables from governments	50,029	26,645
Margin calls paid	126,485	95
Current account KJ Jacobs AG	–	25,094
Advances to cocoa suppliers	8,513	9,639
Receivables from asset-purchasing company	26,210	19,392
Unrealised profits on financial foreign exchange contracts	10,196	3,938
Other	12,086	10,558
	267,723	**124,290**

7. Property, plant and equipment

in thousands of Swiss Francs	**Land and buildings**	**Plant and machinery**	**Furniture equipment and motor vehicles**	**Under construction**	**Total 2001/02**	Total 2000/01
Cost						
Beginning of the period	317,054	778,665	118,057	39,603	1,253,379	1,330,400
Change in Group structure	168,650	258,254	70,564	2,925	500,393	–
Additions	1,911	20,156	8,155	29,007	59,229	68,008
Disposals	(1,591)	(33,773)	(4,570)	(24)	(39,958)	(102,188)
Currency translation adjustments	(15,059)	(37,542)	(5,229)	(1,435)	(59,265)	(43,899)
Reclassifications	9,660	23,149	(841)	(33,493)	(1,525)	1,058
at August 31	**480,625**	**1,008,909**	**186,136**	**36,583**	**1,712,253**	**1,253,379**
Accumulated depreciation						
Beginning of the period	148,131	533,742	87,400	(4)	769,269	786,395
Change in Group structure	59,142	147,077	53,920	–	260,139	–
Depreciation charge	8,866	45,138	10,014	716	64,734	72,117
Impairment losses	2,591	5,159	1,217	–	8,967	4,125
Disposals	(290)	(32,559)	(3,896)	–	(36,745)	(69,303)
Currency translation adjustments	(5,929)	(23,992)	(3,573)	–	(33,494)	(23,984)
Reclassifications	2,482	4,836	(7,311)	–	7	(81)
at August 31	**214,993**	**679,401**	**137,771**	**712**	**1,032,877**	**769,269**
Net at September 1, 2001	168,923	244,923	30,657	39,607	–	484,110
Net at August 31, 2002	**265,632**	**329,508**	**48,365**	**35,871**	**679,376**	**–**

Repair and maintenance expenses for the business year 2001/02 amounted to CHF 46.2 million (2000/01: CHF 48.1 million). The fire insurance value of property, plant and equipment amounted to CHF 2,380.0 million and CHF 1,514.3 million at August 31, 2002 and 2001, respectively.

The impairment losses charged to the income statement pertain for an amount of CHF 7.2 million to the planned shutdown by the end of October 2002 of the production site in Bussum (the Netherlands).

At August 31, 2002, tangible assets held under financial leases amounted to CHF 1.0 million (2000/01: CHF 1.0 million).

Bank borrowings are secured by mortgages on properties for a value of CHF 84.7 million (2000/01: CHF 22.9 million) (see Note 28).

Notes

8. Investments

in thousands of Swiss Francs	Participation	**2001/02**	2000/01
Jacquot, France	25%	4,285	4,482
Other		435	715
Total Investments		**4,720**	**5,197**

9. Intangible assets

in thousands of Swiss Francs	**Goodwill**	**Brand names**	**Development costs**	**Other**	**Total 2001/02**	Total 2000/01
Cost						
Beginning of the period	371,270	25,625	13,214	9,370	419,479	402,858
Additions	50,404	–	14,603	47	65,054	17,218
Disposals	–	–	–	(1,898)	(1,898)	(19)
Currency translation adjustments	(2,444)	–	(433)	(485)	(3,362)	(1,765)
Change in Group structure	–	–	–	1,622	1,622	–
Reclassifications	–	–	4,621	10	4,631	1,187
at August 31	**419,230**	**25,625**	**32,005**	**8,666**	**485,526**	**419,479**
Accumulated depreciation						
Beginning of the period	86,577	3,825	291	3,655	94,348	68,513
Additions	21,757	2,576	4,022	1,533	29,888	26,092
Disposals	–	–	–	(1,898)	(1,898)	(2)
Currency translation adjustments	(446)	–	(16)	(231)	(693)	(272)
Change in Group structure	–	–	–	1,456	1,456	–
Reclassifications	–	–	–	15	15	17
at August 31	**107,888**	**6,401**	**4,297**	**4,530**	**123,116**	**94,348**
Net at September 1, 2001	284,693	21,800	12,923	5,715	–	325,131
Net at August 31, 2002	**311,342**	**19,224**	**27,708**	**4,136**	**362,410**	**–**

The remaining amortisation period of goodwill on acquisitions varies between 3 and 18 years.
The remaining amortisation period of other intangibles varies between 1 and 18 years.
Net goodwill amounted to CHF 311.3 million at August 31, 2002 (2000/01: CHF 284.7 million).

Development costs amounting to CHF 27.7 million mainly relate to the FOCUS project. This project is aimed at the optimisation, redesign or substantial improvement of a number of key business processes in Europe. The depreciation period is 5 years and started as from this year.

Capitalised costs in connection with the E-Commerce project (CHF 4.6 million) that were classified in 2000/01 under Plant, Property and Equipment have been reclassified into Intangible Assets (development costs).

Notes

10. Short-term debt

in thousands of Swiss Francs	**2001/02**	2000/01
Amounts due to banks	625,324	547,118
Current portion of long-term bank borrowings	202,868	39,260
Interest-bearing loans from employees	1,090	1,544
Finance lease obligation	268	232
	829,550	**588,154**

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 CHF, in GBP and in USD. Rates of annual interest are mainly variable and range from 0.75% to 5%.

Such short-term debt at August 31, 2002, also includes the bridge credit facility of EUR 51.5 million entered into for financing the acquisition of the Stollwerck Group. The shares of Stollwerck AG serve as a collateral for this facility (see Note 28).

11. Provisions

in thousands of Swiss Francs	**Provision for restructuring costs**	**Other provisions**	**Total**
Balance at beginning of period	31,040	18,046	49,086
Change in Group structure	3,972	41,603	45,575
Additional provisions	90,652	3,449	94,101
Used	(10,207)	(11,406)	(21,613)
Reversed	(371)	(946)	(1,317)
Reclassifications	(4,120)	4,120	–
Currency translation adjustments	(188)	(338)	(526)
at August 31, 2002	**110,778**	**54,528**	**165,306**

Restructuring provisions mainly relate to provisions set up for restructuring charges in connection with the acquisition of the Stollwerck Group (CHF 80.0 million), the shutdown of the production site in Bussum, the Netherlands (CHF 9.9 million), and to ongoing industrial restructuring activities in several countries.

Other provisions include provisions for litigation, claims, and negative outcome of onerous contracts.

12. Other current liabilities

in thousands of Swiss Francs	**2001/02**	2000/01
Accrued wages and social charges	58,249	36,368
Pension liabilities	5,354	2,368
Interests accrued	2,687	2,861
Year-end rebates and commissions	21,774	6,034
Other taxes	13,754	6,786
Margin calls received	38	–
Payable to KJ Jacobs AG	412	–
Payable to asset-purchasing company	24,694	22,832
Unrealised losses on financial foreign exchange contracts	13,609	2,945
Other	142,816	49,352
	283,387	**129,546**

“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.

Notes

13. Long-term debt

in thousands of Swiss Francs	**2001/02**	2000/01
Bank borrowings		
(in various currencies – 69% in EUR – and the majority		
at variable rates varying between 3% and 11.25% p.a.)	346,788	289,601
Less current portion (Note 10)	(202,868)	(39,260)
Interest-bearing loans from employees	1,400	2,258
Long-term other loans	65	79
Finance lease obligation	824	917
	146,209	**253,595**

Financial covenants pertaining to long-term debt, stemming from loans relating to the consolidation of the Barry acquisition loans in February 1998, have been waived by relevant creditors upon granting of bridge credit facilities (see Note 10) by such same lenders at the occasion of the Stollwerck acquisition on August 5, 2002. The remaining balance of so-called Barry acquisition loans along with the newly contracted Stollwerck bridge loans which are all classified under short-term debt will be part of a new refinancing package the Group plans to enter into.

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 Stollwerck Group.

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

in thousands of Swiss Francs	**2001/02**	2000/01
2002/03	–	211,665
2003/04	15,704	6,585
2004/05	23,077	7,550
2005/06	62,138	25,979
2006/07 and thereafter (2001)	8,801	1,816
2007/08 and thereafter (2002)	36,489	–
	146,209	**253,595**

14. Obligations under finance leases

	Minimum lease payments		**Present value of minimum lease payments**	
in thousands of Swiss Francs	**2001/02**	2000/01	**2001/02**	2000/01
Amounts payable under finance leases				
Within one year	316	282	268	232
In the second to the fifth year inclusive	875	637	824	562
More than five years	–	355	–	355
	1,191	**1,274**	**1,092**	**1,149**
less: future finance charges	(99)	(125)	n/a	n/a
Present value of lease obligations	**1,092**	**1,149**	**1,092**	**1,149**
less amount due for settlement within 12 months			(268)	(232)
Amount due for settlement after 12 months			824	917

The Group entered into finance leasing arrangements for certain buildings and machinery. The average term of finance leases entered into is 10 years. The average effective borrowing rate was 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. Other non-current liabilities

in thousands of Swiss Francs	**2001/02**	2000/01
Pension liabilities (Note 24)	129,897	60,724
Other	1,740	2,669
	131,637	**63,393**

16. Minority interests

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

	2001/02	2000/01
Alliance Cacao S.A.	48.5%	48.5%
Chocogab S.A.	29.3%	28.6%
Chocolatière Confiserie Camerounaise-Chococam S.A.	28.0%	27.8%
SN Chocodi S.A.	1.4%	1.4%
Société Industrielle Camerounaise des Cacaos S.A.	32.8%	32.9%
VH Africa Holding S.A.	–	49.0%
Stollwerck AG	3.9%	–
Gubor Schokoladenfabrik GmbH	3.9%	–
Thüringer Schokoladewerk Beteiligungs GmbH	9.9%	–
Hildebrand Kakao- und Schokoladenfabrik GmbH	3.9%	–
Wurzener Dauerbackwaren GmbH	3.9%	–
Stollwerck Log-Trans Spedition GmbH	3.9%	–
IPSG Industrieplanung u. Service GmbH	3.9%	–
Chocolat Alprose S.A.	3.9%	–
Jacques Chocolaterie S.A.	3.9%	–
Stollwerck Italia S.p.A.	3.9%	–
Stollwerck France S.à r.l.	3.9%	–

Movements in minority interests

in thousands of Swiss Francs	**2001/02**	2000/01
Opening balance	2,546	6,497
Minority share of profits/(losses)	(1,732)	270
Purchase of minority shares	(45)	(3,343)
Dividends paid to minority shareholders	(462)	(224)
Change in Group structure	3,434	(847)
Currency translation adjustment	(286)	193
at August 31	**3,455**	**2,546**

17. Share capital

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

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

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

Notes

18. Other operating expenses / Restructuring provisions Stollwerck

Impairments on assets of CHF 12.0 million have been reversed in 2001/02 in other operating expenses.

Operating expenses include also CHF 4.5 million (2000/01: CHF 4.6 million) research and development costs.

Restructuring provisions Stollwerck (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	**2001/02**	2000/01
Financial income		
Interest income	4,312	5,774
Income from investments	92	1,037
Positive exchange differences	163,649	38,379 [a]
Financial expense		
Interest expense	(53,603)	(68,519)
Bank charges	(2,151)	(2,055)
Negative exchange differences	(166,100)	(36,074) [a]
	(53,801)	**(61,458)**

[a] Foreign exchange gains and losses have been reclassified from non-operating income and expense into financial income and expense. Prior year figures have been restated accordingly.

Interest expense includes interest paid under a commodity repurchase agreement for an amount of CHF 6.0 million for the year 2001/02 (2000/01: CHF 10.0 million).

Interest expense for 2001/02 also includes interest paid under a securitisation program of trade receivables for an amount of CHF 5.6 million (2000/01: CHF 5.5 million).

20. Non-operating income, net

in thousands of Swiss Francs	**2001/02**	2000/01
Non-operating income		
Gain related to sale of property, other assets and business	–	16,422
Other	183	3,512
	183	**19,934**

in thousands of Swiss Francs	**2001/02**	2000/01
Non-operating expense		
Other non-operating expense	(396)	(6,386)
	(396)	**(6,386)**

Non-operating income, net	**(213)**	**13,548** [a]

[a] Foreign exchange gains and losses have been reclassified from non-operating income and expense into financial income and expense. Prior year figures have been restated accordingly.

Notes

21. Taxes

Tax losses carried forward utilised during the year 2001/02 were CHF 40.9 million (2000/01: CHF 119.5 million). The tax relief hereon however was limited (CHF 0.8 million; 2000/01: CHF 3.4 million) because the major part related to Barry Callebaut AG for which the tax effectiveness of the utilisation of tax losses carried forward is only marginal due to its holding status.

At August 31, 2002, the Group had unutilised tax losses carried forward of approximately CHF 502.1 million (2000/01: CHF 393.6 million) that are available for offset against future taxable income. Of these CHF 502.1 million, CHF 296.1 million can be used for an unlimited period of time. The remaining CHF 206.0 million expire as follows: CHF 0.1 million in 2003, CHF 0.7 million in 2005, CHF 0.7 million in 2006, CHF 201.4 million in 2007, CHF 2.0 million in 2008, CHF 0.5 million in 2009, CHF 0.4 million in 2010 and CHF 0.2 million in 2011.

in thousands of Swiss Francs	**2001/02**	2000/01
Tax expenses		
Current taxes	20,093	21,838
Deferred taxes	(319)	2,512
Release of tax provisions	–	(1,600)
	19,774	**22,750**

in thousands of Swiss Francs	**2001/02**	2000/01
Reconciliation of tax expenses		
Income before taxes and minority interest	39,162	120,075
Addition of non-tax-effective Stollwerck restructuring provisions	80,000	–
Income before taxes and minority interest and before Stollwerck restructuring provisions	119,162	120,075
Expected taxes at the domestic rates applicable to profit in the countries concerned	31,939	34,291
Weighted average-applicable tax rate	26.80%	28.56%
Tax relief on losses carried forward	(800)	(3,395)
Tax effect of non-deductible expenses	8,443	18,893
Tax effect of income not subject to tax	(14,830)	(25,101)
Release of tax provisions at consolidated level, net	–	(1,600)
Adjustments related to prior years	(4,978)	(338)
	19,774	**22,750**

The non-tax-effective provisions relate to the restructuring charges of CHF 80.0 million in connection with the acquisition of the Stollwerck Group.

Notes

Deferred taxes

in thousands of CHF	Balance at September 1, 2000	Deferred tax (income)/ expense 2000/01	Effect of acquisitions	Currency translation adjustments	Balance at August 31, 2001	Deferred tax (income)/ expense 2001/02	Effect of acquisitions	Currency translation adjustments	Balance at August 31, 2002
Deferred tax assets									
Deferred tax depreciation fixed assets	(225)	8,156	–	(116)	7,815	**(2,883)**	(4,767)	(367)	(202)
Deferred tax inventories	–	–	–	–	–	**1,893**	(1,057)	35	871
Deferred tax provisions	(715)	(6,113)	–	195	(6,633)	**5,373**	(3,588)	305	(4,543)
Deferred tax other assets	(886)	(3,025)	–	183	(3,728)	**3,374**	–	54	(300)
Deferred tax other liabilities	(1,424)	(2,514)	–	398	(3,540)	**(4,248)**	201	44	(7,543)
Capitalisation of tax loss carry-forwards	(3,200)	3,200	–	–	–	**(9,884)**	316	377	(9,191)
	(6,450)	**(296)**	**–**	**660**	**(6,086)**	**(6,375)**	**(8,895)**	**448**	**(20,908)**
Deferred tax liabilities									
Deferred tax depreciation fixed assets	34,242	(1,522)	–	(1,570)	31,150	**(3,427)**	26,359	(2,119)	51,963
Deferred tax inventories	2,001	5,243	–	(25)	7,219	**(2,195)**	279	(142)	5,161
Deferred tax provisions	2,399	3,046	–	(63)	5,382	**9,935**	(3,576)	(173)	11,568
Deferred tax other assets	(5,638)	(1,300)	–	346	(6,592)	**14,038**	9,636	(121)	16,961
Deferred tax other liabilities	2,800	(2,659)	–	(36)	105	**(6,898)**	(894)	361	(7,326)
Capitalisation of tax loss carry-forwards	–	–	–	–	–	**(5,397)**	(13,461)	402	(18,456)
	35,804	**2,808**	**–**	**(1,348)**	**37,264**	**6,056**	**18,343**	**(1,792)**	**59,871**
Total deferred tax	**29,354**	**2,512**	**–**	**(688)**	**31,178**	**(319)**	**9,448**	**(1,344)**	**38,963**

22. Earnings per share

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

	2001/02	2000/01
Net result attributable to ordinary shareholders, used as numerator for basic earnings per share	21,120	97,055
After-tax effect of income and expense on dilutive potential ordinary shares	–	–
Adjusted net result used as numerator for diluted earnings per share	21,120	97,055

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

	2001/02	2000/01
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares	219,809	251,826
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	4,950,191	4,918,174
Weighted average number of dilutive treasury shares held in coverage of the stock option plan	219,809	251,826
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	**2001/02**	2000/01
Current assets	(224,375)	–
Non-current assets	(248,910)	–
Acquisition goodwill	(46,381)	–
Short-term liabilities	221,264	–
Long-term liabilities	180,632	–
Minority interest	3,434	–
Total purchase price	**(114,336)**	**–**
Part of purchase price not paid in cash	37,606	–
Less: cash and bank overdrafts acquired	4,249	–
Cash flow for acquisition, net of cash and bank overdrafts acquired	**(72,481)**	**–**

24. Employee benefits

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 recognised in the balance sheet

in thousands of Swiss Francs	**2001/02**	2000/01
Pension funds		
defined benefit plans	119,264	56,416
defined contribution plans	2,651	2,296
Other post-retirement benefit plans	511	372
Other long-term employee benefits	7,471	1,640
	129,897	**60,724**

Assets recognised in the balance sheet

in thousands of Swiss Francs	**2001/02**	2000/01
Pension funds		
defined benefit plans	975	3,050
	975	**3,050**

Notes

Reconciliation of assets/liabilities recognised in the balance sheet

in thousands of Swiss Francs	**Defined benefit retirement plans**	**Other post-employment benefits**	**Total 2001/02**	Total 2000/01
Present value of funded obligations	117,404	2,732	120,136	108,227
Fair value of plan assets	(65,191)	–	(65,191)	(72,727)
Excess of liabilities/(assets) of funded obligations	52,213	2,732	54,945	35,500
Present value of unfunded obligations	86,404	7,499	93,903	31,193
Unrecognised past services cost of non-vested benefits	–	–	–	243
Net unrecognised actuarial gains/(losses)	(20,057)	131	(19,926)	(9,262)
Unrecognised assets	–	–	–	–
Net accrued liabilities	**118,560**	**10,362**	**128,922**	**57,674**

Expenses recognised in the income statement

in thousands of Swiss Francs	**Defined benefit retirement plans**	**Other post-employment benefits**	**Total 2001/02**	Total 2000/01
Current service cost	5,630	675	6,305	8,207
Interest cost	6,506	16	6,522	5,541
Expected return on plan assets	(4,995)	0	(4,995)	(6,140)
Net actuarial (gain)/loss recognised in the year	336	(8)	328	(4)
Loss/(gain) in early retirement, curtailments, settlements	3,879	15	3,894	17
Past service cost	6,013	1,968	7,981	51
Employees' contributions	(1,063)	0	(1,063)	(1,068)
Total defined benefit expenses	**16,306**	**2,666**	**18,972**	**6,604**

The actual return on plan assets in 2001/02 was negative for an amount of CHF 7.0 million (2000/01: negative return of CHF 6.3 million).

Movement of defined benefits net liabilities

in thousands of Swiss Francs	**Defined benefit retirement plans**	**Other post-employment benefits**	**Total 2001/02**	Total 2000/01
at September 1	53,385	4,289	57,674	59,945
Changes in Group structure	59,816	3,911	63,727	–
Currency translation adjustments	(1,646)	(146)	(1,792)	(1,245)
Total defined benefit expenses	16,306	2,666	18,972	6,604
Contributions	(5,558)	(10)	(5,568)	(2,116)
Benefits paid	(3,743)	(348)	(4,091)	(5,514)
at August 31	**118,560**	**10,362**	**128,922**	**57,674**

Notes

Principal actuarial assumptions used

	2001/02	2000/01
Discount rates	5.6%	5.6%
Expected rate of salary increase	2.2%	1.9%
Expected return on plan assets	6.8%	7.2%

Share compensation plan

The Group has adopted various plans to attract, retain and motivate management and employees and to reward them for their contribution to the performance of the Group.

The Group is running 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.

Stock option plan

	Number of options 2001/02	**Weighted average exercise price (CHF/share)**	Number of options 2000/01	Weighted average exercise price (CHF/share)
Outstanding at September 1	314,500		314,500	
Granted during the year	–		–	
Exercised during the year	–		–	
Forfeited during the year	196,500		–	
Outstanding as at August 31	**118,000**		**314,500**	
Exercisable as at August 31	**118,000**	**270**	**186,000**	**250**

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

The total options outstanding at August 31, 2002, had exercise prices ranging from CHF 234.50 to CHF 322 (2000/01: CHF 234.50 to CHF 322).

Notes

Stock option plan

	Number of options 2001/02	Number of options 2000/01
Expiry date – August		
2003	24,200	32,500
2004	24,200	32,500
2005	21,200	60,500
2006	36,200	60,500
2007	12,200	60,500
2008	–	34,000
2009	–	34,000
	118,000	**314,500**

The Group is running an employee stock ownership program. Under this plan a specific limited group of executives and members of the Board of Directors are granted shares on a basis of 25% per year over four years. Once granted the shares have a blocking period of minimum two years.

Employee stock ownership program

	Number of shares 2001/02
Outstanding at September 1	127,610
Granted during the year	41,400
Forfeited during the year	–
Outstanding as at August 31	**86,210**

Notes

25. Information by segment and geographical area

I – Primary segment information: geographical by location of assets

in thousands of Swiss Francs	Europe 2001/02	Europe 2000/01	Americas 2001/02	Americas 2000/01	Asia Pacific/Africa 2001/02	Asia Pacific/Africa 2000/01	Eliminations 2001/02	Eliminations 2000/01	Consolidated 2001/02	Consolidated 2000/01
Revenue										
External sales	1,875,260	1,813,580	635,059	625,716	111,518	109,303	–	–	2,621,837	2,548,599
Inter-segment sales	238,818	243,297	15,694	12,801	304,383	207,589	(558,895)	(463,687)	–	–
Income from sales and services	**2,114,078**	**2,056,877**	**650,753**	**638,517**	**415,901**	**316,892**	**(558,895)**	**(463,687)**	**2,621,837**	**2,548,599**
Segment result	89,996	158,270	17,530	10,442	(14,350)	(727)	–	–	93,176	167,985
Operating income	**89,996**	**158,270**	**17,530**	**10,442**	**(14,350)**	**(727)**	**–**	**–**	**93,176**	**167,985**
Non-operating income, net									**(213)**	**13,548**
Financial cost, net									**(53,801)**	**(61,458)**
Total taxes									**(19,774)**	**(22,750)**
Minority interest									**1,732**	**(270)**
Net profit for the year									**21,120**	**97,055**

I – Primary segment information: geographical by location of assets – continued

in thousands of Swiss Francs	Europe 2001/02	Europe 2000/01	Americas 2001/02	Americas 2000/01	Asia Pacific/Africa 2001/02	Asia Pacific/Africa 2000/01	Eliminations 2001/02	Eliminations 2000/01	Consolidated 2001/02	Consolidated 2000/01
Other information										
Segment assets	2,059,685	1,443,972	349,729	382,411	242,154	222,768	–	–	2,651,568	2,049,151
Corporate assets	–	–	–	–	–	–	–	–	–	–
Consolidated total assets	**2,059,685**	**1,443,972**	**349,729**	**382,411**	**242,154**	**222,768**	**–**	**–**	**2,651,568**	**2,049,151**
Segment liabilities	1,686,647	1,083,252	88,813	102,707	165,348	140,394	–	–	1,940,808	1,326,353
Corporate liabilities	–	–	–	–	–	–	–	–	13,798	22,887
Consolidated total liabilities	**1,686,647**	**1,083,252**	**88,813**	**102,707**	**165,348**	**140,394**	**–**	**–**	**1,954,606**	**1,349,240**
Capital expenditure	110,288	51,259	6,179	15,668	7,888	18,299	–	–	124,355	85,226
Depreciation and amortisation	(63,137)	(64,007)	(20,085)	(23,601)	(11,402)	(10,601)	–	–	(94,624)	(98,209)
Non-cash expenses other than depreciation	(80,000)	–	–	–	–	–	–	–	(80,000)	–

II – Secondary business segment information

in thousands of Swiss Francs	Cocoa & Sourcing 2001/02	Cocoa & Sourcing 2000/01	Food Manufacturers 2001/02	Food Manufacturers 2000/01	Gourmet & Specialties 2001/02	Gourmet & Specialties 2000/01	Consumer Products 2001/02	Consumer Products 2000/01	Corporate 2001/02	Corporate 2000/01	Eliminations		Consolidated	
Revenue from external sales	623,035	495,505	1,392,090	1,416,601	420,978	427,207	185,734	209,286	–	–	–	–	2,621,837	2,548,599
Inter-segment sales	984,260	836,956	165,557	154,405	121	–	–	–	–	–	(1,149,938)	(991,361)	–	–
Total sales	1,607,295	1,332,461	1,557,647	1,571,006	421,099	427,207	185,734	209,286	–	–	(1,149,938)	(991,361)	2,621,837	2,548,599
Gross profit	219,845	221,997	438,092	434,288	159,906	123,526	64,985	57,357	–	–	–	–	882,828	837,168
Carrying amount of segment assets	970,586	804,116	664,351	717,217	150,558	119,651	610,325	123,085	255,748	285,082			2,651,568	2,049,151
Capital expenditure	18,081	25,654	32,157	33,114	8,638	2,604	59,170	3,224	6,309	20,630			124,355	85,226

The carrying amount of segment assets in the segment Corporate includes the goodwill for the Barry acquisition.

Capital expenditure includes the purchase of property, plant and equipment and the acquisition of goodwill.

Notes

III – Revenue from external sales by geographical location of customers

	Europe		Americas		Asia Pacific/Africa		Eliminations		Consolidated	
in thousands of Swiss Francs	**2001/02**	2000/01	**2001/02**	2000/01	**2001/02**	2000/01	**2001/02**	2000/01	**2001/02**	2000/01
External sales revenue	1,728,700	1,688,526	706,707	667,655	186,430	192,418	–	–	2,621,837	2,548,599

The definition of segments used in the primary and secondary business information is as follows:

Geographical segments:

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

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

Asia Pacific/Africa consists of all other countries.

Business segments:

Currently the Group is structured into the business units Cocoa, Sourcing & Risk Management, Food Manufacturers, Gourmet & Specialties, and Consumer Products. The results of the consumer product activities, previously incorporated in the Gourmet & Specialties business unit, are reported separately for the first time in fiscal 2001/02. Prior year secondary segment information has been restated to reflect properly this new business unit structure.

Cocoa, Sourcing & Risk Management consist of all types of cocoa liquor, cocoa butter, cocoa cake and cocoa powder products.

Food Manufacturers consist of all finished chocolate products that are sold to industrial clients.

Gourmet & Specialties products mainly consist of branded chocolate, mixtures for catering equipment, fruit preparation, and specialties, cocoa powder and related products sold to hotels, restaurants, canteens, chocolatiers and bakeries.

Consumer Products was established as an independent business unit in the preceding year and includes all consumer product operations in Europe, North America and Asia Pacific.

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

26. Financial risk management

The Group's activities 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 minimise 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 recognised in the balance sheet of the consolidated financial statements.

Notes

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. 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 recognised in the balance sheet of the consolidated financial statements.

Interest rate risk

In order to obtain the lowest all-in funding cost, the Group substantially borrows at floating money market rates. Interest rates swaps may be occasionally used to convert borrowings from floating to fixed rates as and when appropriate. Open interest rates swaps are fair-valued and recognised in the balance sheet of the consolidated financial statements.

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 credit risk exposure in the event other parties fail to perform their obligation was CHF 829.9 million as of August 31, 2002 (2000/01: CHF 592.5 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

69.9% 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.

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

in thousands of Swiss Francs	**2001/02**	2000/01
Sales to related parties	6,474	6,072
Operating expenses charged by related parties	2,454	4,142
Operating income charged to related parties	(2,181)	(495)
Royalties	–	(289)
Accounts receivable related parties	634	25,727
Accounts payable related parties	4,017	2,598
Net financial expenses/(income) to related parties	–	(368)
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.

Notes

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. 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	**2001/02**	2000/01
Contingent liabilities		
Guarantees to third parties	1,454	2,659
Restrictions on title to assets	84,738	22,877
Shares pledged as security for liabilities	114,335	–
Commitments		
Future capital expenditures	2,170	515
Foreign exchange sales obligations	903,722	1,067,113
Foreign exchange purchase obligations	1,147,730	938,228
Physical sales obligations	988,638	1,398,611
Physical purchase (including repurchase) obligations	1,713,405	887,958
Cocoa terminal market sales	881,874	391,799
Cocoa terminal market purchases	1,082,915	285,398

At August 31, 2002, the Group had contingent liabilities in respect of bank and other guarantees arising in the ordinary course of business from which it is anticipated that no material liabilities will arise. In the ordinary course of business the Group has given guarantees amounting to CHF 1.5 million (2000/01: CHF 2.7 million) to third parties.

Restriction on title to assets amounting to CHF 84.7 million (2000/01: CHF 22.9 million) entirely relate to mortgages on land and property.

Shares of Stollwerck AG with a book value of CHF 114.3 million are pledged as security for liabilities and serve as a collateral for the bridge credit facility of EUR 51.5 million entered into in August 2002 for financing the acquisition (see Note 10).

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 recognised in the balance sheet, this would represent a contingent liability or a reduction of the recorded liability respectively.

Notes

Operating lease arrangements

in thousands of Swiss Francs	**2001/02**	2000/01
Lease paid under operating leases	4,369	4,268
Future operating lease commitments	20,400	16,030

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

in thousands of Swiss Francs	**2001/02**	2000/01
Within one year	5,036	2,834
In the second to the fifth year inclusive	9,916	7,679
After five years	5,448	5,517

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

In September 2002, a political conflict between the government and rebels started in Ivory Coast. So far the production plants of the Group in Ivory Coast have not yet been affected. A contingency plan is set in place and actions are taken to avoid risks for the Group in case the conflict escalates.

Report of the Group Auditors to the General Meeting of the Shareholders of Barry Callebaut AG, Zurich

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 20 to 48) of Barry Callebaut AG for the year ended August 31, 2002.

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

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

ARTHUR ANDERSEN AG

Thomas Stenz

Stefan Weuste

Zurich, November 5, 2002

Financial Statements of Barry Callebaut AG

Balance Sheet

Assets

for the year ended August 31, 2002		
in Swiss Francs	**2001/02**	2000/01
Current assets		
Cash	658,848	778,139
Accounts receivable from Group companies	33,593,954	7,449,809
Accounts receivable from shareholder	–	25,093,513
Short-term loans granted to Group companies	93,094,820	135,219,154
Other receivables and prepayments	2,855,762	1,578,473
Total current assets	**130,203,384**	**170,119,088**
Non-current assets		
Fixed assets	428,703	1,127,894
Financial assets		
Treasury shares	31,422	53,318,835
Investments	860,609,825	862,606,543
Intangible assets		
Capitalised costs of the capital increase and the going public	16,166,332	16,166,332
less accumulated amortisation	(16,166,332)	(12,933,064)
Trademarks	99,720	124,650
Total non-current assets	**861,169,670**	**920,411,190**
Total assets	**991,373,054**	**1,090,530,278**

Liabilities and shareholders' equity

for the year ended August 31, 2002		
in Swiss Francs	**2001/02**	2000/01
Current liabilities		
Accounts payable to third parties	366,145	916,556
Accounts payable to Group companies	1,225,432	5,575,244
Accounts payable to shareholder	411,733	–
Short-term loans from Group companies	196,796,872	300,602,458
Accrued liabilities	10,914,267	1,294,692
Accrued taxes	1,260,380	909,481
Total liabilities	**210,974,829**	**309,298,431**
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	181,992,241
Reserve for treasury shares	31,940	65,544,223
Retained earnings	106,346,892	16,695,383
Total shareholders' equity	**780,398,225**	**781,231,847**
Total liabilities and shareholders' equity	**991,373,054**	**1,090,530,278**

Statement of Income and Retained Earnings

for the year ended August 31, 2002

in Swiss Francs	**2001/02**	2000/01
Income		
Dividend income	69,048,052	15,904,525
Financial income	3,706,988	3,946,457
License income	20,608,870	18,931,118
Gain from the sale of investments	–	2,167,715
Other	1,281,172	985,047
	94,645,082	**41,934,862**
Expenses		
Personnel	14,422,425	2,317,930
Financial expenses	7,072,265	11,715,249
Amortisation and depreciation	4,126,074	3,406,322
License expenses	13,411,626	2,156,587
Unrealised loss on treasury shares	–	4,058,061
Realised loss on treasury shares	11,275,059	710,606
Other	5,073,653	8,466,963
	55,381,102	**32,831,718**
Income before taxes	**39,263,980**	**9,103,144**
Taxes	(106,382)	(629,800)
Net income for the year	**39,157,598**	**8,473,344**
Retained earnings		
Balance, beginning of year	16,695,383	40,156,539
Dividend	(32,961,990)	(31,934,500)
Withdrawal from legal reserves	17,943,617	–
Dissolution of reserve for treasury shares	65,512,284	–
Net income for the year	39,157,598	8,473,344
Balance, end of year	**106,346,892**	**16,695,383**

Notes to Financial Statements

for the year ended August 31, 2002

in Swiss Francs	**2001/02**	2000/01
1. Liens, guarantees and pledges in favour of third parties: The Company is a co-debtor for bank loans of EUR 133.9 million (CHF 196.9 million; 2000/01: EUR 158.7 million or CHF 238.0 million) obtained by Barry Callebaut Services N.V., Belgium, and EUR 815,000 (CHF 1,198,865; 2000/01: EUR 895,000 or CHF 1,357,536) obtained by Van Houten GmbH & Co. KG, Germany. VAT Group with KJ Jacobs AG; 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	739,500	494,500
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**	
	2001/02	2000/01
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%
VH Africa Holding SA, Switzerland	–	51%

VH Africa Holding SA, Switzerland, merged with Barry Callebaut AG as per December 13, 2001. The merger was effective as of September 1, 2001.

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

Notes to Financial Statements

for the year ended August 31, 2002

in Swiss Francs	**2001/02**	2000/01
10. Treasury shares:		
The Company holds 200 (2000/01: 248,800) treasury shares as of August 31, 2002. In 2001/02 the Company bought 34,806 shares at an average price of CHF 169.23 per share (2000/01: 24,629 shares at an average price of CHF 239.19) and sold 283,406 shares at an average price of CHF 158.75 per share (2000/01: 33,508 shares at an average price of CHF 244.51). As of August 31, 2002, the treasury shares have been revalued to the average closing price of August 2002 of CHF 157.11 per share (2000/01: to the average closing price of August 2001 of CHF 214.30 per share).		
11. Authorised 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	69.9%	69.9%
13. Allocation of retained earnings		
The Board of Directors proposes to allocate the balance of retained earnings as follows:		
Available retained earnings	106,346,892	
Dividend	(35,673,000)	
Carry forward	**70,673,892**	

Report of the Statutory Auditors to the General Meeting of the Shareholders of Barry Callebaut AG, Zurich

As statutory auditors, we have audited the accounting records and the financial statements (balance sheet, statement of income and retained earnings and notes/pages 52 to 55) of Barry Callebaut AG for the year ended August 31, 2002.

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 the Swiss law and the Company's articles of incorporation.

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

ARTHUR ANDERSEN AG

Thomas Stenz

Stefan Weuste

Zurich, November 5, 2002

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- □ Barry Callebaut Institute

Agenda

Annual General Meeting 2001/02, Zurich

December 11, 2002

Press release and interim accounts 2002/03

April 9, 2003

Press release, press conference and investors' meeting on 2002/03 annual accounts, Zurich

November 11, 2003

Annual General Meeting 2002/03, Zurich

December 10, 2003

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