Annual Report

2009/10

Masterpieces
We are passionate about creating fine chocolates. And our technical advisers, all of them trained pastry chefs, take pride in sharing their extensive know-how and boundless creativity with our artisan customers at our 13 Chocolate Academies located around the world. Their masterpieces, a delight for both the eye and the palate, are showcased in this annual report.

BARRY CALLEBAUT

In Brief

Strong year, dynamic growth: sales volume +7.6%, EBIT +7.9%*, net profit 13.5%*

*in local currencies

Strengthening our global Gourmet leadership

Financial performance targets extended through 2012/13

Barry Callebaut at a glance

Barry Callebaut is organized into different regions: Region Europe (incl. Western and Eastern Europe), Region Americas and Region Asia-Pacific. The globally managed Global Sourcing & Cocoa business is reported as a separate segment like a region. There are four different product groups: Cocoa Products, Food Manufacturers Products, Gourmet & Specialties Products and Consumer Products.

	Europe	Americas	Asia-Pacific	Global Sourcing & Cocoa
				
	Food Manufacturers, Gourmet, Consumer **57.7% of consolidated sales volume**	Food Manufacturers, Gourmet **22.3% of consolidated sales volume**	Food Manufacturers, Gourmet **3.7% of consolidated sales volume**	Cocoa **16.3% of consolidated sales volume**
Volume growth vs. prior year	+4.1%	+15.6%	+15.5%	+8.2%
EBIT growth vs. prior year (in local currencies)	+8.3%	+6.3%	+87.6%[1]	+5.4%

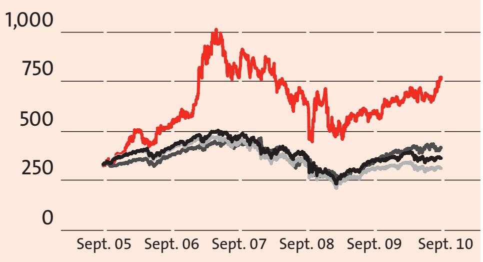
1 Excluding one-off gain on the sale of the Asian Consumer business in the prior year.

Key figures Barry Callebaut Group

for the fiscal year ended August 31,		Change (%) in local currencies	Change (%) in reporting currency	2009/10	2008/09
Income statement					
Sales volume	Tonnes		7.6%	1,305,280	1,213,610
Sales revenue	CHF m	11.3%	6.8%	5,213.8	4,880.2
EBITDA[1]	CHF m	5.8%	3.2%	470.7	456.1
Operating profit (EBIT)	CHF m	7.9%	5.6%	370.4	350.8
Net profit for the year	CHF m	13.5%	10.9%	251.7	226.9
Cash flow[2]	CHF m		9.5%	457.8	418.1
EBIT per tonne	CHF	0.3%	(1.8%)	283.8	289.1
Balance sheet					
Total assets	CHF m		1.6%	3,570.8	3,514.8
Net working capital[3]	CHF m		(4.5%)	964.9	1,010.1
Non-current assets	CHF m		(1.8%)	1,405.8	1,432.2
Net debt	CHF m		(7.6%)	870.8	942.7
Shareholders' equity[4]	CHF m		3.7%	1,302.3	1,255.6
Ratios					
Economic value added (EVA)	CHF m		13.7%	147.7	129.9
Return on invested capital (ROIC)[5]	%			14.8%	13.9%
Return on equity (ROE)	%			19.6%	18.1%
Debt to equity ratio	%			66.9%	75.1%
Shares					
Share price at fiscal year end	CHF		22.5%	703	574
EBIT per share (issued)	CHF		5.6%	71.6	67.8
Basic earnings per share[6]	CHF		10.5%	48.6	44.0
Cash earnings per share[7]	CHF		9.3%	88.6	81.1
Payout per share[8]	CHF		12.0%	14.0	12.5
Other					
Employees			0.3%	7,550	7,525

1 EBIT + depreciation of property, plant and equipment + amortization of intangible assets
2 Operating cash flow before working capital changes
3 Includes current assets and liabilities related to commercial activities and current provisions
4 Total equity attributable to the shareholders of the parent company
5 EBIT x (1–effective tax rate)/average capital employed
6 Based on the net profit for the year attributable to the shareholders of the parent company/basic shares outstanding
7 Operating cash flow before working capital changes/basic shares outstanding
8 Par value reduction instead of a dividend; 2009/10 as proposed by the Board of Directors to the Annual General Meeting

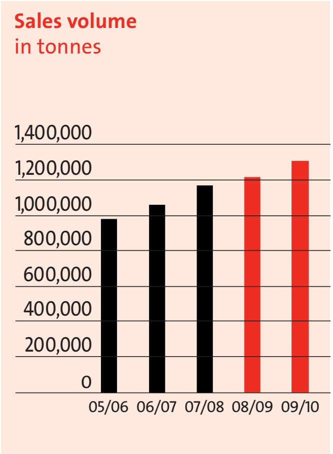
Share price development Barry Callebaut vs. indices
Rebased

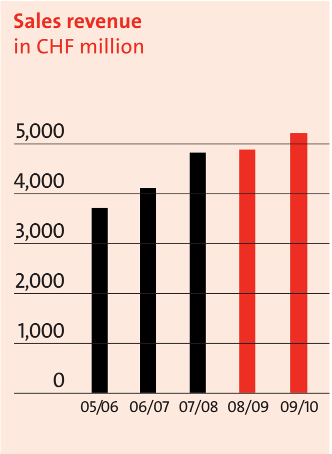


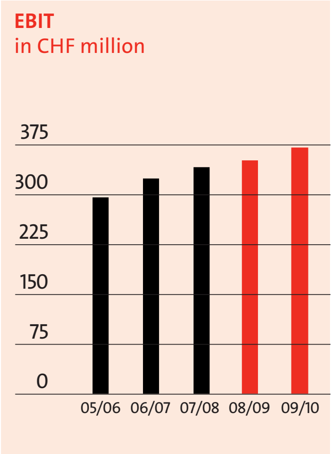
Cocoa price
London Cocoa Terminal Market 6-month forward prices in GBP/tonne

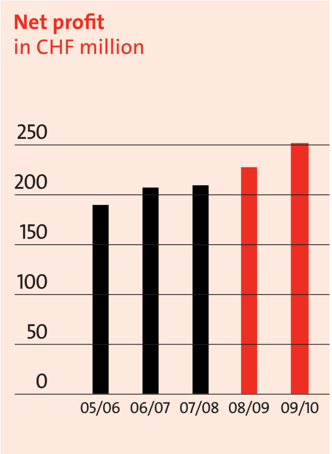
Barry Callebaut AG
SPI Swiss Performance Index
SPI Small & Mid-Cap Index
Dow Jones Euro Stoxx Food & Beverage Index

Key figures by region and product group







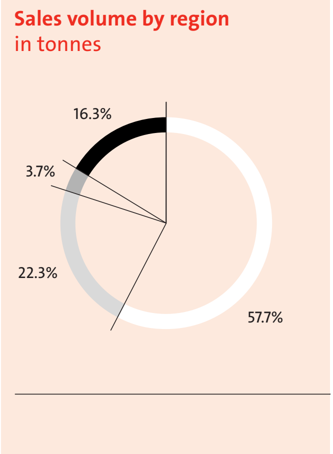


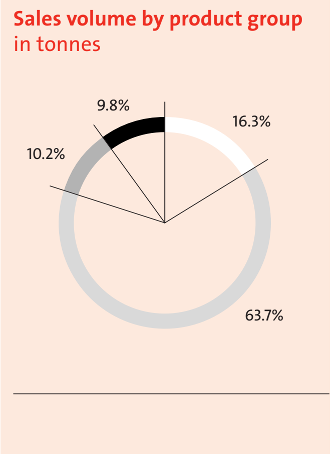
By region

Europe	753,011 Tonnes
Americas	291,399 Tonnes
Asia-Pacific	47,984 Tonnes
Global Sourcing & Cocoa	212,886 Tonnes

By product group

Cocoa Products	212,886 Tonnes
Food Manufacturers Products	830,849 Tonnes
Gourmet & Specialties Products	133,048 Tonnes
Consumer Products	128,497 Tonnes





Key figures by region

for the fiscal year ended August 31,		Change (%) in local currencies	Change (%) in reporting currency	**2009/10**	2008/09[1]
Europe					
Sales volume	Tonnes		4.1%	753,011	723,099
Sales revenue	CHF m	4.8%	(0.5%)	3,042.0	3,056.3
EBITDA	CHF m	7.1%	4.1%	324.1	311.4
EBIT	CHF m	8.3%	6.3%	268.7	252.7
Americas					
Sales volume	Tonnes		15.6%	291,399	252,159
Sales revenue	CHF m	15.7%	10.8%	998.2	901.1
EBITDA	CHF m	7.0%	7.1%	108.1	100.9
EBIT	CHF m	6.3%	7.2%	92.5	86.3
Asia-Pacific					
Sales volume	Tonnes		15.5%	47,984	41,544
Sales revenue	CHF m	23.2%	21.4%	211.1	173.9
EBITDA	CHF m	(26.3%)	(27.5%)	26.2	36.1
EBIT	CHF m	(27.4%)[2]	(28.4%)[2]	20.9	29.2
Global Sourcing & Cocoa					
Sales volume	Tonnes		8.2%	212,886	196,808
Sales revenue	CHF m	29.9%	28.5%	962.5	748.9
EBITDA	CHF m	5.8%	3.6%	75.2	72.6
EBIT	CHF m	5.4%	3.9%	54.5	52.5

Key figures by product group

for the fiscal year ended August 31,		Change (%) in local currencies	Change (%) in reporting currency	**2009/10**	2008/09[1]
Industrial Products					
Sales volume	Tonnes		8.3%	1,043,735	963,858
Cocoa Products	Tonnes		8.2%	212,886	196,808
Food Manufacturers Products	Tonnes		8.3%	830,849	767,050
Sales revenue	CHF m	14.1%	9.7%	3,679.2	3,354.5
Cocoa Products	CHF m	29.9%	28.5%	962.5	748.9
Food Manufacturers Products	CHF m	9.6%	4.3%	2,716.7	2,605.6
EBITDA	CHF m	6.1%	4.4%	350.5	335.8
EBIT	CHF m	7.5%	6.3%	290.6	273.5
Food Service/Retail Products					
Sales volume	Tonnes		4.7%	261,545	249,752
Gourmet & Specialties Products	Tonnes		17.3%	133,048	113,466
Consumer Products	Tonnes		(5.7%)	128,497	136,286
Sales revenue	CHF m	5.1%	0.6%	1,534.6	1,525.7
Gourmet & Specialties Products	CHF m	19.4%	14.3%	707.6	619.0
Consumer Products	CHF m	(4.6%)	(8.8%)	827.0	906.7
EBITDA	CHF m	1.8%	(1.1%)	183.1	185.2
EBIT	CHF m	1.9%[3]	(0.8%)[3]	146.0	147.2

1 Certain comparatives have been reclassified to conform with the current period's presentation
2 +87.6% in local currencies (+85.0% in CHF) excl. the one-off gain on the sale of the Asian Consumer business in prior year
3 +16.0% in local currencies (+12.9% in CHF) excl. the one-off gain on the sale of the Asian Consumer business in prior year

Strategy

Based on Barry Callebaut's financial targets for the period 2009/10 through 2012/13[1], the company aims to significantly outperform the global chocolate market. Barry Callebaut's ambitious growth strategy is based on three pillars: expansion, innovation and cost leadership.

Expansion

Barry Callebaut intends to accelerate the growth of its Gourmet business.
With regard to the industrial customers, the company wants to strengthen its position in the mature markets of Western Europe and North America.
In recently entered emerging markets like Russia, China, Japan, Mexico and Brazil, Barry Callebaut aims to develop their full potential. Lastly, the company will carefully evaluate how to enter other emerging markets.
Implementing existing outsourcing volumes and strategic partnerships as well as securing further outsourcing deals with regional and local food manufacturers will remain an essential part of the business strategy.

Innovation

Barry Callebaut is recognized as the reference for innovation in the chocolate industry. Dedicated R&D teams around the world focus on two different areas: Fundamental research into the health-enhancing properties of the cocoa bean and pro-active research and development leading to cutting-edge cocoa and chocolate products such as the development of the Controlled Fermentation technology. The applied R&D teams, on the other hand, support customers to improve their products and recipes as well as their production processes on their own production lines.
In total, Barry Callebaut's R&D department manages about 1,750 projects, runs almost 7,600 trials and conducts more than 400 technical visits with its customers every year.

Cost leadership

Cost leadership is an important reason why for example international customers outsource chocolate production to Barry Callebaut. The company is continuously improving its operational efficiency by upgrading the technology and achieving higher scale effects through better capacity utilization, by optimizing product flows, logistics and inventory management, as well as by reducing energy consumption and lowering fixed costs. In total, manufacturing costs per tonne in fiscal year 2009/10 were reduced by another 5% (in local currencies).

1 These targets are on average 6–8% volume growth per annum and average EBIT growth in local currencies at least in line with volume growth – barring any major unforeseen events.

Highlights

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

December 2009
Barry Callebaut completed the acquisition of the Spanish chocolate maker Chocovic, S.A., specializing in specialty products for industrial and artisanal customers.

January 2010
Launch of multiple-certification project – UTZ, Rainforest Alliance and other product certification labels – with cocoa farmer cooperatives in Ivory Coast in response to market needs and trends.

March 2010
Barry Callebaut and the Malaysian Cocoa Board signed a Memorandum of Understanding on a collaborative research project to increase the value of Malaysian cocoa beans with the Controlled Fermentation method.

May 2010
Barry Callebaut inaugurated a new chocolate factory located in Extrema, Minas Gerais, near São Paulo, Brazil – the company's first chocolate factory in South America.

During the World Exhibition in Shanghai from May until October, Barry Callebaut acted as the unique supplier to Godiva, Neuhaus and Guylian at the Belgian Chocolate Corner.

August 2010
Barry Callebaut extended the successful farmer program "Quality Partner Program" (QPP) from Ivory Coast to cocoa-farming regions in Cameroon, the fourth largest cocoa producer in Africa.

September 2010
Barry Callebaut signed a long-term global supply agreement with Kraft Foods Inc., making Barry Callebaut the key global cocoa and industrial chocolate supplier to the world's second largest food company.

Vision and values

Our vision

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

Our goal is to be No. 1 in all attractive customer segments and in all major world markets.

Our heritage, our knowledge of the chocolate business – from the cocoa bean to the finest finished products – make us the business partner of choice for the entire food industry, from individual artisans to industrial manufacturers and global retailers.

We seek to apply our constantly evolving expertise to helping our customers grow their businesses, and we are passionate about creating and bringing to market new, healthy products that taste good, delight all senses, and are fun to enjoy.

Our strength comes from the passion and expertise of our people for whom we strive to create an environment where learning and personal development is ongoing, entrepreneurship is encouraged, and creativity can flourish.

Our values

Customer focus By anticipating market trends and investing time and effort to fully understand customer needs, we go to great lengths to provide products and solutions of superior value through a business partnership with every customer that is characterized by professionalism and mutual trust.

Passion Our pride in what our company does inspires and motivates us to give our best at work. We are eager to learn about our business and to share our know-how and enthusiasm with others.

Entrepreneurship With the goal to create superior customer value, we constructively challenge the status quo and explore opportunities to innovate: new eating trends, new markets, new ideas for products and services, and new ways of doing business. We are willing to take controlled risks and are determined to persevere.

Team spirit Whether in the field, on the shop floor or in administration – we are one team, sharing a common purpose and common goals. All members of this team actively engage in open communication and idea sharing and are committed to working together to achieve our common goals across the whole organization.

Integrity We show respect for our fellow team members and all our stakeholders and are honest, trustworthy, and open-minded in all our business activities and relationships. We live up to high ethical standards that promote fairness, equality, and diversity.

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

Company history

Barry Callebaut, headquartered in Switzerland, resulted from the merger between Belgian chocolate producer Callebaut and French chocolate maker Cacao Barry in 1996. The merger combined Cacao Barry's know-how in procurement and initial processing of cocoa beans with Callebaut's extensive experience in producing and marketing chocolate products. Since 1998, Barry Callebaut has been listed on the SIX Swiss Exchange.

Today, the company is a fully integrated chocolate company with a global presence. It provides comprehensive chocolate solutions to the entire food industry. As the outsourcing partner of choice, Barry Callebaut has an estimated 40% share of volumes in the open market. It is present in 26 countries, currently operates 43 production facilities, employs about 7,500 people and generated sales of CHF 5.2 billion in fiscal year 2009/10.

1999	Acquisition of Carma AG in Switzerland
2002	Acquisition of the Stollwerck Group in Germany
2003	Acquisition of Dutch Group Graverboom B.V. (including Luijckx B.V.)
2003	Acquisition of Brach's Confections Holding, Inc. in the U.S.
2004	Acquisition of the vending mix business of AM Foods in Sweden
2005	Opening of a chocolate factory in California, U.S.
2007	Opening of a chocolate factory in Chekhov, Russia
2007	Divestment of Brach's Confections Holding, Inc., U.S.
2007	Signing of major long-term outsourcing contracts with Nestlé, Hershey's and Cadbury
2007	Acquisition of a cocoa factory in Pennsylvania, U.S.
2008	Opening of a chocolate factory in Suzhou, China
2008	Opening of a sales office and Chocolate Academy in Mumbai, India
2008	Acquisition of a 60% stake in KLK Cocoa in Malaysia
2008	Sale of African Consumer business
2008	Opening of four Chocolate Academies in Suzhou, China; Zundert, The Netherlands; Chekhov, Russia; and Chicago, U.S.
2008	Acquisition of IBC, specialist in decorations, in Kortrijk-Heule, Belgium
2008	Outsourcing agreement with Morinaga in Japan and start of production in new factory
2008	Acquisition of a 49% stake in Biolands, Tanzania
2009	Opening of a chocolate factory in Monterrey, Mexico
2009	Sale of Asian Consumer business to Hershey's
2009	Distribution agreement signed with Bunge Alimentos in Brazil
2009	Acquisition of Danish vending mix company Eurogran
2009	Acquisition of Spanish chocolate maker Chocovic, S.A.
2010	Opening of a chocolate factory in Extrema, Brazil
2010	Signing of a major global supply agreement with Kraft Foods Inc.

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

Contents

Strong year with dynamic top- and bottom-line growth

Market conditions in fiscal year 2009/10 were challenging with a still rather fragile world economy, a flat global chocolate market, high raw material prices and important currency fluctuations. Barry Callebaut's growth strategy, together with a robust business model, efficiency gains as well as tight cost control allowed the company to achieve top results: sales volume up 7.6%, EBIT +7.9% and net profit +13.5% (both in local currencies). Barry Callebaut will further refine its existing growth strategy in order to broaden as well as deepen the expansion of its business.

Q The global chocolate market declined for the first time in more than a decade in the previous fiscal year. Has it returned to positive growth and how did Barry Callebaut perform under the given market conditions?

Andreas Jacobs, Chairman Until April 2010, the global chocolate confectionery market was flat in volume terms. Thereafter, it began to recover but, with a slight plus of 0.3%,[1] it has still not returned to its previous long-term average growth rate of 2–3% per year. Our industry was faced with volatile and high raw material prices. Barry Callebaut navigated very well through these challenges: At +7.6%, our sales volume again significantly outperformed the global chocolate market. Despite the continued pressure from the combined cocoa ratio[2] on profitability, we generated a strong operating profit growth of 7.9% in local currencies (+5.6% in CHF) and achieved an excellent net profit growth of 13.5% (+10.9% in CHF).

Q What were the most important factors in reaching your targets amid such a challenging market environment?

Juergen B. Steinemann, CEO First and foremost, we have a strong global footprint, which makes us an attractive partner for our international customers as we can serve them with a comprehensive range of products around the world. Besides that, we can offer a broad range of products to regional customers. We clearly benefited from our targeted expansion to emerging chocolate markets, most of which performed very well. Emerging markets will become increasingly important in compensating for lower growth rates in more mature markets. In our Gourmet business we have powerful international brands with Callebaut and Cacao Barry that offer great chocolate products with convenient applications. Last but not least, our cost leadership as well as our innovation power round off all these success factors.

Q Do you see any need to reprioritize your corporate strategy?

AJ The past two truly challenging years confirmed that our strategy has served us well in growing and developing our business. Therefore, we do not see the need for a revolution but rather an evolution: One of our strategic pillars, "geographic expansion", was in particular need of some fine-tuning because we also see opportunities to expand in scale, breadth and depth. We intend to accelerate the growth of our Gourmet business. With regard to industrial customers, we want to strengthen our position in the mature markets of Western Europe and North America. In the emerging markets that we have recently entered, we aim to develop their full potential. Lastly, we will carefully evaluate how to enter other emerging markets. Implementing existing outsourcing

1 Source: Nielsen, September 2009–August 2010
2 The (forward) combined cocoa ratio is the combined sales price for cocoa butter and cocoa powder relative to the cocoa bean price.

volumes and strategic partnerships as well as securing further outsourcing deals with local and regional food manufacturers will remain an essential part of our business strategy.

Q You mentioned Gourmet as one of your key growth areas. Can you tell us more about your strategy going forward?

JBS We intend to further strengthen the global leadership of our Gourmet & Specialties business. It is very different from our industrial business: We are talking about different customers, needs, products, and market mechanisms. We are now in the process of combining the best of both worlds, i.e. we are positioning our Gourmet business as " independent from but interdependent" with our industrial business. This means that we have appointed dedicated management teams in Western Europe and North America, our biggest markets, who will get their own profit and loss responsibility within the Region to even better steer the implementation of the Gourmet strategy. We will better segment the different customer groups and markets and adapt our product range to meet their needs. At the same time, Gourmet will remain interdependent with the Group's industrial factories and benefit from their scope and manufacturing efficiency. Looking further ahead, we will develop Callebaut and Cacao Barry into global Gourmet brands and build our marketing activities around them.

Q You recently announced that Barry Callebaut had become Kraft Foods' key cocoa and industrial chocolate supplier. Do you still see outsourcing and strategic partnerships as a trend?

JBS We are very pleased about this major long-term partnership agreement with the world's second largest food company. It is our first global agreement and the first one that involves our entire value chain. We were only able to secure it by making a coordinated team effort across all regions, functions and product groups – and because we are fully dedicated to cocoa and chocolate. This contract confirms the trend towards outsourcing and long-term partnership agreements. However, we are not only focusing on gaining large, global volumes; we are also keen on securing long-term contracts with major local or regional food manufacturers.

"We do not see the need for a revolution but rather an evolution of our strategy. One of our strategic pillars, 'geographic expansion', was in particular need of some fine-tuning because we also see opportunities to expand in scale, breadth and depth."

Andreas Jacobs
Chairman of the Board of Directors

Q **There is increasing concern over insufficient cocoa supplies. Do you share these concerns?**

AJ We still see a lot of unsustainable agricultural practices, mainly in West Africa, that have led to lower yields and quality. To address this situation, we started working directly with cooperatives and are training cocoa farmers on how to improve crop yields and quality: We initiated our very own Quality Partner Program (QPP) in Ivory Coast in 2005 and recently extended it to Cameroon. We are a major shareholder in some other farmer programs: Biolands in Tanzania and Bio United in Sierra Leone. Beyond that, our new, unique Controlled Fermentation method will give us access to superior-quality cocoa beans and increase yields.

Q **Your activities seem to focus primarily on the quality of the cocoa beans – but not on working practices. What are you doing to eliminate child labor on cocoa farms?**

AJ We do not own any cocoa farms but we fully acknowledge our responsibility. We strongly condemn slavery and abusive labor practices that exploit children or put them in a hazardous or harmful work environment. We believe that poverty is the main reason why farmers resort to abusive child labor practices. We are convinced that improving cocoa farmer livelihoods is imperative in the fight against poverty. For a decade, Barry Callebaut has been working in concert with other leading companies and independent organizations to improve the social conditions of cocoa farmers. We will not be able to end poverty in Africa by ourselves but we can contribute to a betterment of the situation – and with our active presence in these countries and our programs we will continue to do so.

Q **What key trends do you see in the chocolate market, and with what kind of innovations will you respond to them?**

JBS As many of our customers are currently struggling to pass the high raw material costs on to retailers, we see a strong move towards cost-efficient product solutions and a growing interest in compounds and fillings, areas where we have expanded our offering. Health-conscious consumers want more permissibility when eating chocolate. For this growing group, we offer applications that are free from allergens, for example, or that contain higher levels of cocoa flavanols as well as functional ingredients. We have a full range of rebalanced chocolate – alternatives with less fat, sugar and calories. We recently launched three innovations: A reformulated 100% dairy-free alternative to milk chocolate, the first chocolate with Stevia – a natural sugar substitute without a laxative effect –, as well as the first batches of chocolate based on Controlled Fermentation for premium chocolatiers.

Q **What does Barry Callebaut do to attract and retain qualified employees to support its growth ambitions?**

AJ The most important resource we have in making high performance happen is our people. It is our aim to give all employees a chance to realize their full potential by offering them opportunities to broaden their skills and experiences and by providing them structured feedback on their performance. While we want to continue to attract talented people from outside to bring in new ideas, we are committed to developing more of our future leadership from within.

At this point, I would like to thank all our employees for their excellent work. Without their great dedication to our company, we would not have been able to achieve these gratifying results. Sincere thanks also go to our highly esteemed customers and shareholders.

Q What challenges do you see for the coming fiscal year 2010/11, and can you confirm your performance targets?

JBS We are cautiously optimistic with regard to the economic situation. We believe that growth will continue to pick up even though the pace of recovery might vary geographically. As a consequence, we assume that the global chocolate market will only grow approximately 1–2%, i.e. still below the long-term average of 2–3% per annum. We expect raw material prices to stay above the historical averages and to remain volatile. Our strategic priorities will be accelerating the growth of our Gourmet business, implementing recent outsourcing and strategic partnership agreements, setting the stage for the next wave of geographic growth in emerging markets, and enhancing our organizational structures for further successful growth. We will also focus on securing our long-term supply of cocoa beans, the foundation of our business. With our fine-tuned strategy, we are confident that we will be able to achieve our financial targets[3] for the extended period 2009/10 through 2012/13.

[3] These targets are on average 6–8% volume growth per annum and average EBIT growth in local currencies at least in line with volume growth – barring any major unforeseen events.

"Our strategic priorities will be accelerating the growth of our Gourmet business, implementing recent outsourcing and strategic partnership agreements, setting the stage for the next wave of geographic growth in emerging markets, and enhancing our organizational structures for further successful growth."

Juergen B. Steinemann
Chief Executive Officer

Philippe Vancayseele, Master Pastry Chef, Chocolate Academy Wieze, Belgium: "Making pralines in the 'Chocolate Corner' of the Belgian pavilion at the World Expo 2010 in Shanghai, China, will remain a lasting memory for me. We received about 30,000 visitors every day. Asians are crazy about good quality chocolate; many came just for one praline! The World Expo was a unique opportunity for us to delight millions of Asian consumers with our fine Belgian chocolates."

Board of Directors and Executive Committee

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

Board of Directors

Andreas Jacobs, Chairman

Andreas Schmid, Vice Chairman

Rolando Benedick

James L. Donald

Markus Fiechter

Stefan Pfander

Urs Widmer

General Counsel & Corporate Secretary

Roland Maurhofer

The Board of Directors proposes to the Annual General Meeting of the Shareholders that Jakob Baer be elected as new member of the Board of Directors.

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

Executive Committee

1 Juergen B. Steinemann, Chief Executive Officer

2 Victor Balli, Chief Financial Officer

3 Massimo Garavaglia, Western Europe

4 David S. Johnson, Americas

5 Dirk Poelman, Chief Operations Officer

6 Steven Retzlaff, Global Sourcing & Cocoa

7 Hans Vriens, Chief Innovation Officer

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Philippe Bertrand, Master Pastry Chef and decorated as "Meilleur Ouvrier de France", Chocolate Academy Meulan, France: "The latest trends are crunchy, fondant and a dash of 'exotic' ingredients, such as Yusu, a Japanese citrus fruit, Matcha green tea or Wasabi. I am sure they will be associated with speciality chocolates such as plantation and origin chocolates. On the other hand, chocolate products with a long history or that are associated with a family of cocoa growers are also being discovered."

Europe – Strong performance amidst challenging market conditions

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

"After bottoming out by the end of calendar year 2009, the chocolate confectionery markets in Western Europe saw a stagnating first semester followed by a second half with slightly increasing consumption – Eastern Europe still shows negative growth rates. Thanks to our strong footprint in most of the European countries as well as our balanced portfolio ranging from artisanal Gourmet customers to large corporate accounts, we weathered the challenging economic environment with adverse currency effects and fierce competition in our Food Manufacturers business very well."

In total, Barry Callebaut increased its **sales volume** in Region Europe by 4.1% to 753,011 tonnes. In local currencies, **sales revenue** outperformed the volume growth (+4.8%), but was negatively affected by currency translation effects and decreased to CHF 3,042.0 million or by 0.5% in CHF. **Operating profit** (EBIT) in the region rose strongly to CHF 268.7 million, up 8.3% in local currencies (+6.3% in CHF), thanks to efficiency gains, slight margin improvements and strict cost control.

Overall, the major chocolate confectionery markets in Western Europe reported a 0.9% growth rate led by Germany (+2.3%) and Italy (+1.6%), while the U.K. and France slightly contracted. Eastern Europe showed a drop of 5.3%, driven by declines in Russia (–7.4%) and Ukraine (–10.7%).[1]

Western Europe – Particularly successful in specialties products
In the **Food Manufacturers** business, we saw very strong growth in our decorations business and increasing demand for nut and specialties products as well as for compounds and fillings. These are attractive market segments on which we will focus more in the near future. We experienced increasing demand for certified chocolate and growing interest in our own Quality Partner Program (QPP). The long-term global supply agreement we signed with Kraft Foods Inc. confirms the trend towards outsourcing and strategic partnerships.

In December 2009, Barry Callebaut closed the acquisition of Spanish chocolate maker Chocovic; the full integration was completed in July 2010. Chocovic significantly strengthened our market position with respect to compounds and fillings and made us the leader for industrial as well as artisanal products in Spain and Portugal. Chocovic's specialties activities also contributed to the development of new business in other regions.

[1] Source: Nielsen, September 2009–August 2010

Massimo Garavaglia
President Western Europe

Additional information:
www.barry-callebaut.com/gourmet and www.cacao-barry.com and www.chocolate-academy.com and www.barry-callebaut.com/beverages and www.barry-callebaut.com/consumers

The contribution from the **Gourmet & Specialties Products** business was particularly noteworthy. The European gourmet markets recovered after having been hit by the recession. The bakery/pastry and confectionery segment showed a stronger upturn than the HORECA (hotels, restaurants, catering) business. Our distributors and artisans maintained a low stock policy due to uncertainties about the strength of the recovery as well as still tight credit lines from their banks. As a result of the acquisition of Chocovic, market share gains, organizational optimization and a strong focus on both existing customers as well as new business opportunities, Barry Callebaut was able to achieve considerable growth in sales volume as well as revenue.

Following the trend towards the increasing popularity of at-home consumption, Barry Callebaut launched a new series of 13 ready-to-use Gourmet products under the Cacao Barry brand for the domestic kitchen. In partnership with Lenôtre, the ambassador of French gastronomy across the world, this "Home Cooking" product series was launched in France and will soon be launched in other European countries.

With the acquisition of Chocovic, we now have a new Chocolate Academy in Spain, expanding the network to six representations all over Europe with a total of 12 technical advisers and 100 Ambassadors, who inspire the 20,000 professionals attending the more than 300 demonstrations and 100 training courses organized throughout the year.

The sales volume of our **Beverages** division grew very strongly, driven by the acquisition of Eurogran. The company has now been successfully integrated into Barry Callebaut within a challenging time schedule and is already exceeding the planned synergies. Beverages has proven to be a highly attractive market – especially in Europe, where Barry Callebaut is now the market leader. A strong trend during this fiscal year was seen in the growing interest of our customers to develop cocoa-based capsule solutions for tabletop coffee machines.

In line with its strategic objective, the **Consumer Products** business was able to increase its sales in major markets outside Germany and improved its country portfolio. We started a process of carving out our consumer business from our other activities in order to put it on a stand-alone basis, which will facilitate the eventual divestment. Our plan remains unchanged to focus on our industrial and artisanal business and divest our consumer activities.

Key figures for Region Europe

		Change %		**2009/10**	2008/09*
		in local currencies	in reporting currency		
Sales volume	Tonnes		4.1%	753,011	723,099
Sales revenue	CHF m	4.8%	(0.5%)	3,042.0	3,056.3
EBITDA	CHF m	7.1%	4.1%	324.1	311.4
EBIT	CHF m	8.3%	6.3%	268.7	252.7

* Restated figures due to first-time application of IFRS 8.

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

Eastern Europe – Strong growth despite still challenging market conditions

Overall, the economic environment in the Eastern Europe Region is improving, but still below our growth expectations. The chocolate confectionery market suffered much more than in Western Europe.[1] In contrast, Barry Callebaut's overall volume and sales revenue in the region grew at a double-digit pace compared to the previous fiscal year. The combination of outsourcing, new business gains due to increased sales efforts in countries such as Turkey and the former Soviet countries (CIS) as well as the continued geographic expansion of our Gourmet & Specialties Products business led to this positive result. In addition, intensified sales efforts in the market of Hungary paid off in the form of double-digit volume growth. The most important growth driver was – as in the last fiscal year – Poland, but even Russia managed to deliver positive growth despite the difficult conditions.

As the purchasing power of consumers is growing, demand for more innovative and premium products is also increasing. We have noticed that new trends have not always originated from the big multinationals; sometimes they came from local, fast growing players. To support this development, we will continue to invest in more local R&D people.

In our **Food Manufacturers** business, we achieved a double-digit increase in volumes and profits in an overall declining market thanks to more efficient operations and a better product mix. With the market picking up in Russia in the last quarter of fiscal year 2009/10, Barry Callebaut generated slightly positive growth in an overall tough market. We noted additional business originating from the CIS countries, where new players have invested in high quality chocolate confectionery. In the ice cream business, we see more players using real chocolate instead of compound.

Russia and the CIS countries showed very strong volume growth in our **Gourmet & Specialties Products** business as we extended our product portfolio and further expanded our distribution network. Overall, Barry Callebaut increased volumes by double digits in this product group. While we achieved our ambitious growth targets in Turkey and Poland, Greece suffered from the country's financial difficulties.

1 Source: Nielsen, September 2009–August 2010

Filip De Reymaeker
President Eastern Europe

Americas – Substantial growth in a mixed market environment

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

"Despite aggressive competition and overall soft economic market conditions, Barry Callebaut achieved solid results in Region Americas. In fiscal year 2009/10, we rounded off our strong manufacturing footprint in the region with capacity expansions at existing facilities and with the inauguration of our first chocolate factory in South America in May 2010. Barry Callebaut is now in a favorable position to tap a tremendous market potential – not only in Brazil but throughout the entire region."

The mature economies of the United States and Canada slowly returned to positive GDP growth after being hit hard by the financial crisis. However, consumer confidence softened and the economic recovery stalled in the second half of the fiscal year. In contrast, the developing regions of Brazil and Mexico showed consistent strength. Brazil navigated the crisis relatively well and its 2010 GDP growth is expected to accelerate to 6.4%. Mexico was strongly affected by the crisis, but is projected to rebound to a growth rate of 4.3% for 2010. Growth potential in the Latin American region looks promising at an estimated 4.2% per annum over the 2011–2012 period,[1] which bolsters our confidence in our recent expansions in Mexico and Brazil.

Chocolate consumption in the United States dipped to low levels in early 2010 but rebounded strongly in the third quarter of our fiscal year; overall, the chocolate market in the United States grew by 2.7%. We also benefited from growth in the Brazilian chocolate market, where volumes increased by 3.5%.[2]

Region Americas achieved strong overall **sales volume** growth of 15.6% to 291,399 tonnes, driven by long-term outsourcing and supply agreements with key Corporate Accounts as well as through broad-based growth in our Gourmet business. Regional **sales revenue** was just shy of the CHF 1 billion mark at CHF 998.2 million, corresponding to an increase of 15.7% in local currencies (+10.8% in CHF) versus last year. **Operating profit** (EBIT) rose considerably by 6.3% in local currencies (+7.2% in CHF) and amounted to CHF 92.5 million, positively influenced by the volume growth in both the **Food Manufacturers** and the **Gourmet & Specialties** Products business, partly offset by infrastructure investments to support the ongoing growth, including the start-up costs for the new factory in Brazil.

The inauguration of our new chocolate factory in Extrema, Minas Gerais, Brazil, on May 27, 2010 marked another milestone in Barry Callebaut's strategy to selectively expand its geographic presence to those emerging markets that offer above-average growth opportunities. The combination of our new chocolate factory with our existing cocoa factory in Ilhéus, Bahia, rounds off our local, integrated footprint and we are now

1 Source: The World Bank, summer 2010
2 Source: Nielsen, September 2009–August 2010

David S. Johnson
CEO and President Americas

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

well positioned to become the No. 1 chocolate supplier to Brazil's fast growing food service industry, which includes restaurants, fast food restaurants, bakeries, pastry shops, in-store bakeries, caterers, hotels, chocolatiers, hospitals and school canteens. These markets offer Barry Callebaut significant growth opportunities.

The success of our Chocolate Academy in Chicago continued. Our staff of professional chefs and technical advisers conducted formal training courses for artisans, pastry chefs and other professional users, providing a forum to improve their skills and techniques while informing them of the latest chocolate-making trends.

The **Food Manufacturers Products** business volume grew by double-digits, driven by large key accounts, leading to an overall gain in market share. Barry Callebaut's strong global presence enabled us to win further business volume with customers based in Region Americas who were looking to Barry Callebaut to meet their worldwide needs, of which our recently announced deal with Kraft Foods Inc. is a good example. In addition to base-business growth, our corporate innovations continue to drive specialties sales, strengthening our overall image as a leader in the cocoa and chocolate industry. One new launch this year was our ACTICOA™ chocolate, which provides high cocoa flavanol products for health-conscious consumers.

Over the period under review, the North American food service market served by our Gourmet team experienced an only modest recovery from the economic crisis in terms of overall volume. However, the **Gourmet & Specialties Products** business clearly outperformed general economic trends thanks to substantial growth in higher-end import brands such as Callebaut and Cacao Barry. Moving forward, we are expanding our Gourmet & Specialties business in Latin America with a combination of local brands and Callebaut and Cacao Barry imports.

Key figures for Region Americas

		Change %		**2009/10**	2008/09*
		in local currencies	in reporting currency		
Sales volume	Tonnes		15.6%	291,399	252,159
Sales revenue	CHF m	15.7%	10.8%	998.2	901.1
EBITDA	CHF m	7.0%	7.1%	108.1	100.9
EBIT	CHF m	6.3%	7.2%	92.5	86.3

* Restated figures due to first-time application of IFRS 8.

Asia-Pacific – A strong growth story continues

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

"The general growth dynamics in Asia did not translate into higher chocolate consumption in all markets in fiscal year 2009/10: While some chocolate markets such as China, India, Indonesia and Malaysia showed significant growth, Japan – one of the major markets – was flat. Throughout the region, the market for compound is still growing faster than for chocolate. However, our Gourmet business will continue to benefit from demand for high-quality chocolate as more companies upgrade from compound to chocolate and from further expansion in the HORECA (hotels, restaurants, catering) sector."

In 2009 economic growth rates in Asia-Pacific were mixed, ranging from a GDP decline of 5.2% in Japan to an impressively resilient growth rate of around 9% for China. In 2010, GDP growth in the region is expected to range between 4.5% and 9.5%.[1] The regional chocolate confectionery market grew by 4.0%,[2] much faster than the global market, and we expect it to keep growing at the same pace. The launch of several innovative products such as rebalanced and ACTICOA™ chocolate strengthened our position in Asia-Pacific as innovation leader.

In Region Asia-Pacific, Barry Callebaut increased its **sales volume** by 15.5% to 47,984 tonnes. **Sales revenue** went up by 23.2% in local currencies (+21.4% in CHF) and came in at CHF 211.1 million. Key drivers for this strong growth were a higher demand for quality chocolate, including the company's imported European Gourmet products, and market share gains. Due to the disposal of the Asian consumer business in the previous fiscal year, **operating profit (EBIT)** decreased by 27.4% in local currencies (–28.4% in CHF) and amounted to CHF 20.9 million. Without this one-off effect, EBIT grew 87.6% in local currencies (+85.0% in CHF).

The volumes in our **Food Manufacturers** business grew at double-digit rate. In China, the economy is booming and so is the chocolate confectionery market, growing on average at 8.2%.[2] Both our multinational as well as local customers showed a very good performance. The other main growth markets were Korea, Malaysia and Australia.

In our **Gourmet & Specialties Products** business, we saw strong demand for both European brands as well as for the local brands – both showed double-digit growth in almost every market.

1 Source: The World Bank, summer 2010
2 Source: Nielsen, September 2009–August 2010

Maurizio Decio
President Asia-Pacific

Key figures for Region Asia-Pacific

		Change % in local currencies	Change % in reporting currency	2009/10	2008/09*
Sales volume	Tonnes		15.5%	47,984	41,544
Sales revenue	CHF m	23.2%	21.4%	211.1	173.9
EBITDA	CHF m	(26.3%)	(27.5%)	26.2	36.1
EBIT	CHF m	(27.4%)[1]	(28.4%)[1]	20.9	29.2

* Restated figures due to first-time application of IFRS 8.
1 +87.6% in local currencies (+85.0% in CHF) excluding the one-off gain on the sale of the Asian Consumer business in the prior year.

Natascha Schwarzer, Master Pastry Chef, Chocolate Academy Zurich, Switzerland:
"When I created this dessert, I was thinking about how the different textures, flavors and colors I was putting together would blend and complement each other, enhancing the final product; I was also thinking about the people who would actually be enjoying my composition. I'm hoping the patrons ordering this dessert are filled with eager anticipation and I am definitely aiming for a 'wow' effect when it is served."

Global Sourcing & Cocoa – Creating value through our core ingredients

"With our strong presence in cocoa origin countries, we have direct access to our main raw material: high-quality cocoa beans. As in the previous fiscal year, we saw volatile cocoa markets and new historical highs driven by fears of a poor crop and heavy speculative buying. Having the adequate tools and teams in place, we dealt very well with this challenging situation. Interest in organic cocoa leveled off but demand from customers switching to certified products such as Rainforest Alliance, UTZ Certified or Fair Trade increased considerably."

The globally managed Global Sourcing & Cocoa business is now reported as a separate operating segment like a Region. On the one hand, the segment is responsible for the global procurement of our high-quality raw materials such as cocoa, sugar, dairy products, oils, fats, nuts and other ingredients as well as packaging material. On the other hand, Global Sourcing & Cocoa is the global cocoa production unit for semi-finished products such as cocoa liquor, cocoa butter and cocoa powder. We sell about half of these products to our industrial customers, who use them in their products, and the other half is for our own use.

Global Sourcing & Cocoa strongly increased the **volume** of cocoa products sold to third-party customers by 8.2% to 212,886 tonnes. North and South America were the top performers, with both showing double-digit growth. **Sales revenue** came in at CHF 962.5 million – a significant increase in local currencies of 29.9% (+28.5% in CHF) – due to both higher cocoa bean prices and higher volumes. **Operating profit** (EBIT) grew by 5.4% in local currencies (+3.9% in CHF) to CHF 54.5 million, positively influenced by the good management of our butter and powder activities.

Managing the volatile raw material markets

Cocoa prices were very volatile this fiscal year. Jumping aggressively in the initial months, the terminal market price for cocoa in London reached a 33-year high in July but then fell back to close at GBP 1,954 per tonne on August 31, 2010, around last year's level. The markets were concerned about the size of the 2009/10 crop in Ivory Coast and Ghana, accountable for over 50% of the world's cocoa production. These concerns did not materialize and there was even a small surplus. The quality of this year's crop was relatively good and did not significantly deviate from the 2008/09 crop. There is strong evidence that the crop in Ivory Coast will grow during the coming year and that the world crop for 2010/11 will close with a surplus.

Since raw materials account for about 70% of our costs, their market prices represent one of the major risks in our core business. Barry Callebaut navigated its way through the volatile cocoa markets quite well and limited its exposure to price fluctuations by applying a variety of sourcing strategies and risk management tools, such as vendor assessment, price hedging through cocoa derivatives, futures and physical forward contracts as well as arbitrage management. Using a Historical Value at Risk Engine Model, we also kept our overall financial risk exposure to commodity price risks within the limits defined by the Board of Directors.

Steven Retzlaff
President Global Sourcing & Cocoa

Additional information:
www.barry-callebaut.com/cocoa-to-chocolate and **www.barry-callebaut.com/csr** and **www.qualitypartnerprogram.com**

Moving up the cocoa supply chain

Barry Callebaut does not own any cocoa farms but it has intensified its efforts to move closer to the farmer. Direct sourcing puts us in the best position to control the quality of our beans. It is our goal to move upstream in the cocoa supply chain and further increase the proportion of directly sourced cocoa. With our Quality Partner Program (QPP), for example, we now work directly with 48 cooperatives representing some 40,000 cocoa farmers in Ivory Coast, the largest cocoa-producing country in the world. Since we started the program in 2005, we have more than tripled the beans sourced from QPP cooperatives and this growth will accelerate in the coming fiscal year. In August 2010, we launched QPP in Cameroon. Another example is Biolands in Tanzania. Since 2008, we have held a 49% stake in the company, one of the largest producers of certified organic cocoa in Africa. Barry Callebaut has supported the expansion of Biolands' farmer-centric model to Sierra Leone. Biolands has registered several thousands of farmers under its direct sourcing model. During fiscal year 2009/10, Barry Callebaut directly sourced 65% of its cocoa beans from cooperatives, intermediaries and government bodies in the cocoa origin countries.

Powder and butter prices challenging for pressing margins

We saw high demand for cocoa powder since the market segments using cocoa powder as an ingredient – mainly the bakery, ice cream and beverage industries – did not suffer as much from the global economic crisis as the chocolate confectionery market, where cocoa butter is used to a great extent. Due to the stagnation in the global chocolate market, cocoa butter stocks further increased. As a result, the combined cocoa ratio[1] was under pressure because the high cocoa powder prices could not compensate or the low cocoa butter prices. The combined cocoa ratio showed a recent improvement but it is too early to say whether this will last.

1 The (forward) combined cocoa ratio is the combined sales price for cocoa butter and cocoa powder relative to the cocoa bean price.

Combined cocoa ratio
Factor × terminal market price
6-months forward

Key figures for Global Sourcing & Cocoa

		Change %		2009/10	2008/09*
		in local currencies	in reporting currency		
Sales volume	Tonnes		8.2%	212,886	196,808
Sales revenue	CHF m	29.9%	28.5%	962.5	748.9
EBITDA	CHF m	5.8%	3.6%	75.2	72.6
EBIT	CHF m	5.4%	3.9%	54.5	52.5

* Restated figures due to first-time application of IFRS 8.

Sharpening our focus, stepping up our commitment

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

"Corporate Social Responsibility (CSR) or sustainability goes beyond making a profit. It requires a balance between social, environmental and economic goals – or People, Planet, Profit. In alignment with our strategy and business objectives, our Executive Committee (ExCo) has made the strategic choice to focus on three spheres of activity: Cocoa, Environment and Employees. To ensure measurable progress, the ExCo has defined so-called 'signature programs' for each sphere and named an ExCo member to serve as each program's champion."

Cocoa – Empowering cocoa farmers to increase incomes and improve family livelihoods
Cocoa is a typical product of the tropics and very labor-intensive: About 4.5 million smallholder cocoa farmers in about 30 countries situated around the equator produce more than 3.5 million tonnes of cocoa every year. Without cocoa, there is no chocolate. Therefore, helping to ensure sustainability in the cocoa sector is an imperative for us. This is why we work with cocoa farmers to improve crop yields and quality, thereby enhancing farmer incomes and improving family livelihoods. It is a win-win business partnership: farmers can earn more and improve their livelihoods through higher yields and better quality; we benefit by having sufficient quantities of quality cocoa to meet our ambitious growth strategy; and consumers benefit from sustainably produced chocolate. Improving farmer livelihoods is key in the fight against poverty; poverty is the main reason for unfair labor practices, including abusive child labor. Ensuring responsible labor practices is a major concern of our industry and consumers worldwide.

Signature Program: Quality Partner Program (QPP) in Ivory Coast and Cameroon
ExCo program champion: Juergen Steinemann, CEO

Environment – Conserving energy to reduce our impact on the environment
We share one planet, and need to make wise use of its natural resources. Processing cocoa and making chocolate is energy-intensive and requires a lot of transport. As a responsible company, we need to do our part to reduce overall energy consumption in our factories and facilities, reduce our carbon emissions and increase our use of "green" energy.

Signature Program: Energy management
ExCo program champion: Dirk Poelman, Chief Operating Officer

Gaby Tschofen
Vice President Corporate Communications & CSR

Employees – Developing our people to help our company continue to prosper and grow
It is our people who make Barry Callebaut competitive and successful. It is in our interest to give all our employees a chance to realize their full potential by offering development and training opportunities and providing regular feedback on their performance. While we want to continue to attract talented people from the outside to gain new ideas, we are committed to developing more of our future leaders from within.

Signature Program: Performance Management & Development Program PMDP
ExCo program champion: David S. Johnson, CEO and President Americas

As the heart and engine of the chocolate industry, we are committed to taking the lead in empowering cocoa farmers to become more productive, in becoming as energy-efficient as possible as a company, and in developing our people. This CSR roadmap will guide our actions so we can continue to grow responsibly.

Assuming responsibility – also in industry partnerships
As a member of the **World Cocoa Foundation** (WCF), we help fund research and development programs that benefit farmers in the cocoa-growing regions of Africa, Southeast Asia and the Americas. We also support the **Sustainable Tree Crops Program** (STCP). Since 2000, STCP has been working to improve the economic and social well-being of tree crop farmers in West and Central Africa and the environmental sustainability of their agricultural systems. Barry Callebaut also joined with the **World Cocoa Foundation** and the **Bill & Melinda Gates Foundation** to improve the livelihoods of cocoa-farming households in Ivory Coast, Ghana, Nigeria, Cameroon and Liberia.

The key elements of our Corporate Social Responsibility (CSR) roadmap:

QPP – Quality cocoa for a better life
Our Quality Partner Program (QPP) works to enable cocoa farmers to improve the quality of their farms so they can produce more and better-quality beans and thereby increase their incomes and improve their livelihoods. Today, we work with 48 cooperatives representing some 40,000 cocoa farmers in Ivory Coast. Our QPP targets are:

– Increase the number of QPP member cooperatives, as well as the volume and the quality of the beans they harvest
– Every QPP cooperative has a farmer field school by 2014
– Every QPP cooperative has its own nursery in place by 2015

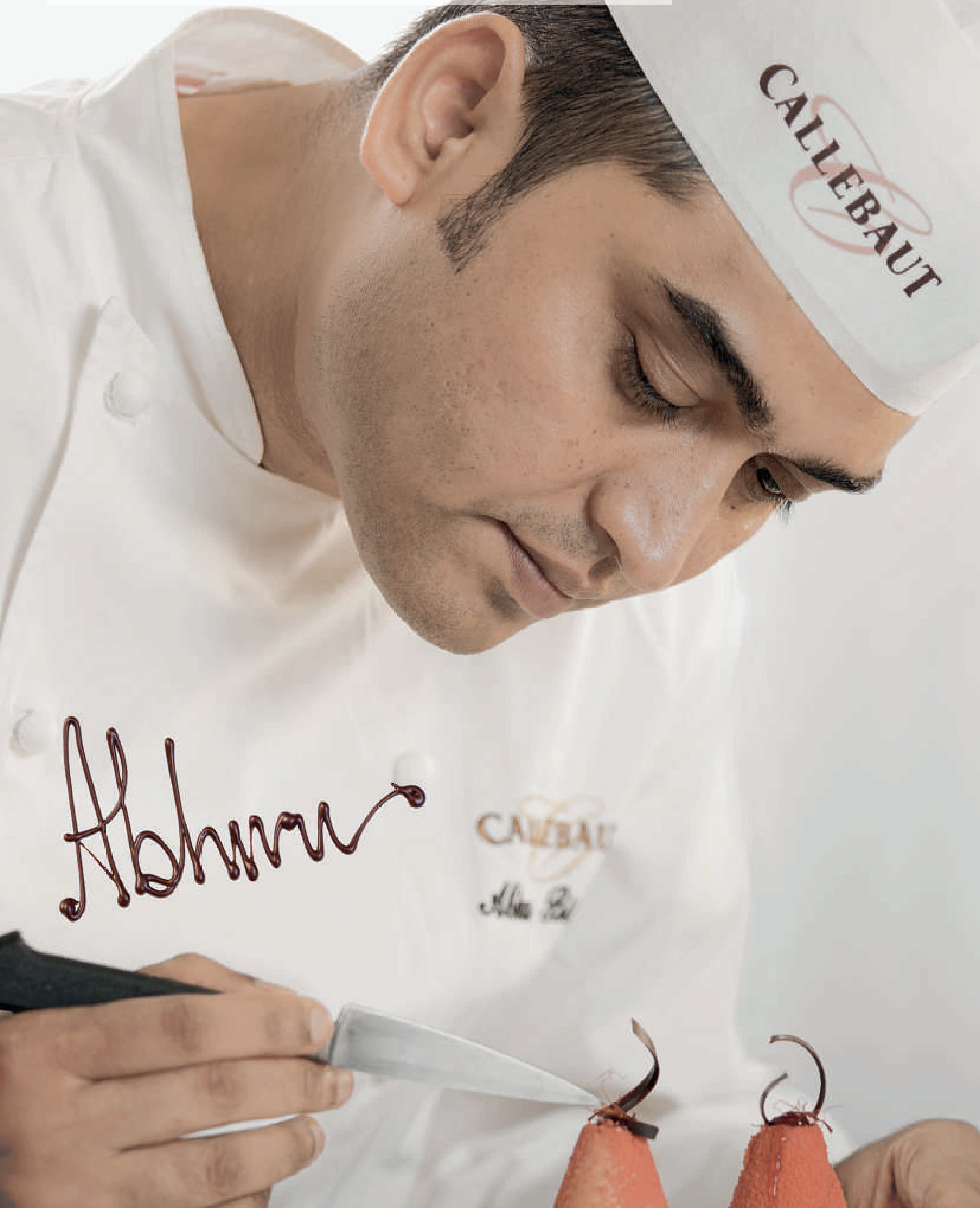
Committed to minimizing the environmental impact
Barry Callebaut strives to be as energy-efficient as possible by conserving energy, reducing carbon emissions and using more "green" energy. We seek to continuously improve the performance in every plant, create awareness amongst our employees regarding our environmental footprint and comply with all relevant laws, rules and regulations in the countries where we operate. The targets we want to reach by 2013:

– 20% reduction of energy consumption per tonne
– 20% reduction of carbon emissions per tonne
– 20% of energy to come from renewable sources

Employee development
Barry Callebaut is a fascinating company to work for: Globally active and making a delicious product everybody likes – chocolate. We want to engage our employees in contributing to our company's high performance standards and offer development opportunities to gain the necessary skills and experiences for today's business challenges, but also to prepare our future leaders. Our employee targets are:

– 100% completion rate of Performance Management & Development Process (PMDP) for management positions by December 31, 2010
– Filling 70% of key positions from within

Abhiru Biswas, Master Pastry Chef, Chocolate Academy Mumbai, India: "I was inspired by a class called 'Creative Art on the Plate' during training at Hotel School. I also watched online demonstrations by French pastry chefs who had acquired the title of 'Meilleur Ouvrier de France' and I admired their skills. My own passion was enhanced by the expertise of these distinguished French pastry chefs, and I now try to fuse French and Indian Patisserie."



Expanding our footprint and increasing our operational efficiency

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

"Barry Callebaut's factory network currently consists of 43 factories. We extended our factory base during this fiscal year in order to close some geographical gaps as well as to access new, emerging markets: The inauguration of our Brazilian chocolate factory in Extrema in May 2010 puts us in a better position to unlock the attractive growth potential of the South American chocolate market. Focused continuous improvement initiatives contributed to an increase in overall efficiency and a reduction in manufacturing costs per tonne."

In addition to building our first chocolate factory in South America, we increased the capacity of some of our existing plants: For instance, we added a liquid chocolate line in Pennsauken, U.S., as well as in Lodz, Poland, and installed a drops line in Singapore.

In the course of this fiscal year, Barry Callebaut invested a total of CHF 119.3 million in the extension, maintenance as well as optimization of the factory base. By speeding up our efficiency, we were able to reduce manufacturing costs per tonne of activity by 5%[1] in this fiscal year.

In order to make our continuous improvement process more effective, we began a project with an external specialist to increase Barry Callebaut's manufacturing efficiency and introduce standardized and uniformly structured work processes. This project is now underway at selected pilot plants in each region. During the implementation, a team of local Barry Callebaut employees at each site is being trained that will later implement this new way of working at the other plants in their region.

Four focus areas of our continuous improvement program

First, Barry Callebaut is taking action to ensure the continuous improvement of its **quality standards**. All our factories worldwide must fulfill BRC standards by the end of 2011 – BRC stands for British Retail Consortium and is one of the five food safety standards recognized by the Global Food Safety Initiative, a platform that regroups global retailers and a large number of food manufacturers. Today, 60% of our factories have already achieved BRC Grade A certification. The majority of them are located in Europe.

1 In local currencies

Dirk Poelman
Chief Operations Officer

Raw materials represent about 70% of our total costs. Therefore, secondly, we have initiated special projects in the main regions in order to optimize the use of these materials and to reduce waste.

A third focus area of continuous improvement is **energy and the reduction of carbon emissions:** Processing cocoa and making chocolate is energy-intensive. As a responsible company, we aim to reduce Barry Callebaut's energy consumption and increase our use of renewable energy. This will reduce overall carbon emissions originating from our activities. Three main targets were defined, to be realized by the end of fiscal year 2013:

- 20% reduction of energy consumption per tonne
- 20% reduction of carbon emissions per tonne
- 20% of energy to come from renewable sources

With a 4% reduction in our overall energy use per tonne at the end of year one, we are slightly behind our target of 5% yearly savings. However, since some of the energy efficiency improvements were not realized until the second half of the year, we expect to catch up in meeting our target in the coming months. This fiscal year, we were able to reduce our carbon emissions by 4% per tonne, mainly from the reduction of energy consumption. By increasing the share of renewable energy sources, we will be able to speed up the reduction in carbon emissions and reach our 4-year goals. For instance, we are already using cocoa shells to produce steam. To extend this, we are optimizing the efficiency of our shell burners, review the possibilities to extend our capacity to produce steam based on this bio mass and we are setting up a test plant for the production of bio gas, based on the fermentation of cocoa shells. This will be tested in San Pedro in Ivory Coast.

The **maintenance management system** – our fourth focus area – which we began to implement this fiscal year, has already been rolled out at 12 sites in the Group. This tool will also allow us to improve the purchasing of our spare parts through volume pooling in the different regions. Compared to last year, we were able to reduce our total maintenance costs by 4% per tonne.

Reducing energy consumption and costs with new technology
Barry Callebaut routinely invests in new technology to reduce its energy needs. During this fiscal year, our team of process engineers successfully developed a totally new technology for breaking cocoa beans that can reduce the yearly gas consumption of a single liquor-making line by 1,830 megawatt hours or an equivalent of 340 tonnes of CO_2. This application has already been successfully introduced at our cocoa factory in Louviers, France, and the global roll-out is planned for all our cocoa factories over the next two years.

Significant output improvement in Cameroon
We implemented a project in our factory in Douala, Cameroon, to enhance product quality and output volume. It led to a number of improvements: The implementation of preventive maintenance and operating procedures, the upgrade and tuning of existing factory equipment as well as technical training to increase knowledge at staff and operator level. Thanks to this project, we were already able to increase output by 20% versus prior year. In addition, new investments were recommended, which will be put in place in fiscal year 2010/11.

Optimizing transport flows
With the acquisition of the Chocovic chocolate factory, customers who had previously been supplied from Belgium and France can now be served from Spain. This has reduced average transport distances by 700 km per tonne, improved service levels thanks to reduced lead times – and produced 160 tonnes of CO_2 emission savings. Replacing conventional road transport with intermodal solutions – combining road, rail and waterway networks – reduced the cost per km for long distances and also enabled us to put in place more environmentally friendly flows.

Barry Callebaut and its customers – Partnering for success

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

Barry Callebaut works in close partnership with its approximately 6,000 industrial customers and tens of thousands of artisanal customers worldwide. Our ability to produce a comprehensive and unique range of specially tailored products – manufactured from almost 2,000 recipes – that meet our customers' specifications truly sets us apart from the competition.

Of the large number of projects we had the pleasure to conclude with our customers during this fiscal year, we would like to highlight some examples in each of the different product groups:

Food Manufacturers Products:
Barry Callebaut's role as chocolate supplier to the world-renowned Belgian chocolate makers **Godiva**, **Guylian** and **Neuhaus** during the World Expo in Shanghai from May until October 2010 generated much attention – both from customers and the media. Every day, 30,000 visitors at the Belgian pavilion were delighted by the exquisite chocolate creations of Belgian artisanal chocolatiers.

Gourmet & Specialties Products:
Hotel Chocolate is one of the fastest growing chocolate retail businesses in Europe and the world. Ever since it was founded 15 years ago, it has been brazenly committed to bringing quality and innovation to the high street and is now present in the U.K., the U.S. and the Middle East. Barry Callebaut is proud to be Hotel Chocolate's key supplier, fuelling its growth and helping it overcome many challenges from the supply chain to product development, in particular their change from solid to liquid supply.

Consumer Products:
Käfer is an internationally acclaimed brand of premium products for connoisseurs and gourmets all over the world. Stollwerck is proud to be the sole licensee of the entire line of Käfer chocolate. Together with Käfer, it developed an exquisite portfolio of pralines and truffles that is now being launched in the German food retail sector. Presented in an especially designed display, it enables retailers to expand their gourmet expertise and enhance their offering on the premium confectionery shelf.

We put customers first, which is why we are very proud to serve some of the best-known names in the food industry:

Chocolat Frey (Switzerland) *"As the No. 1 producer in the Swiss chocolate market, we don't view Barry Callebaut as a conventional supplier but rather as a business partner – which is also why we decided to become involved in Barry Callebaut's Quality Partner Program. With this program, Barry Callebaut gives us precise information on the origin of the beans and we can be assured that the farmers receive a fair price."*

Cacao Fine Chocolates (Australia) *"Undoubtedly, Barry Callebaut is our preferred supplier of premium chocolate. With its Australian and international support team, we never have to go far for assistance and knowledge. The relationship between Barry Callebaut and us has been built on a mutual understanding of the importance of quality and service, two priorities that very much go hand in hand."*

J.CO Donuts & Coffee (Singapore) *"Barry Callebaut delivers the finest of their premium quality products with a consistency that we can always trust while providing excellent customer service for its clientele. We are proud to have Barry Callebaut as our supplier."*

Magnat 100% chocolate (Russia) *"As the leading, most indulgent brand in the Russian ice cream market, we searched the world for the best chocolate for our ice cream. Only Barry Callebaut chocolate was able to satisfy our needs and the tastes of Russian ice cream lovers. Barry Callebaut is our strategic and most valuable partner."*

To serve our customers most effectively, Barry Callebaut is organized by region. There are four different product groups: Cocoa Products, Food Manufacturers Products, Gourmet & Specialties Products and Consumer Products.




Business Segment	**Industrial Business**		**Food Service/Retail Business**	
Product Group	**Cocoa Products**	**Food Manufacturers Products**	**Gourmet & Specialties Products**	**Consumer Products**
Activity	Processing cocoa into semi-finished goods that are partly sold to industrial customers and partly used for in-house needs.	Providing chocolate to multinational and national branded consumer goods manufacturers who incorporate these ingredients in their consumer products.	Providing chocolate products that are specifically designed for artisanal and professional users such as chocolatiers, bakers and pastry chefs as well as for the Food Service industry, which includes restaurants, in-store bakeries, caterers, hotels and canteens.	Supplying global retailers with private label and branded products. In order to help bring innovations to the market, Barry Callebaut also has its own local consumer brands: Sarotti (Germany), Jacques (Belgium) and Alprose (Switzerland).

Jérôme Landrieu, Master Pastry Chef, Chocolate Academy Chicago, Illinois, U.S.:
"I sometimes feel that chefs lose sight of the end consumer when making their chocolate creations. It was therefore clear to me and my team that we also needed to offer non-professional-level classes to teach consumers about our premium chocolates. Local grocery stores and markets are now carrying our Callebaut products, and we are offering consumers courses to develop and refine their palates."


Chicago Chocolate Academy


Detecting trends and developing winning products for our customers

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

"At Barry Callebaut, we have dedicated innovation teams proactively developing and offering innovative products in response to emerging consumer trends. There are also regional Research & Development (R&D) teams that focus on the requests and inquiries of our several thousand customers worldwide, addressing their needs as rapidly as possible. We call these applied R&D teams. In total, our R&D department manages about 1,750 projects a year and runs almost 7,600 trials in their quest for success. Furthermore, we conduct more than 400 technical visits to instruct our customers on how to use our products more efficiently."

Barry Callebaut is the only global cocoa and chocolate manufacturer with an integrated R&D network. We operate 15 R&D centers worldwide, where we conduct applied R&D for our customers. The innovation and applied R&D teams use 14 pilot facilities and 15 application labs to conduct small-scale test runs producing high-quality cocoa and chocolate products, to make end applications, and to improve products and recipes for our customers and their production processes.

Key market trends that drive our R&D efforts

We expect cocoa raw material prices to rise in the coming years. Because of this, we have to find new ways to manufacture products with the same quality, but at lower costs. Many of our customers are increasingly moving towards cost-efficient product solutions and we see a growing interest in compounds and fillings, where we already have the broadest assortment of products in the industry for every possible application. On the other hand, indulgence remains the best rationale for premium chocolate products. That is why we also notice that many of our key customers are focusing on the development of "premium-praline-type" products with multiple ingredients for sale in mass retail. With our broad specialty assortment as well as our capabilities in fillings, inclusions, new texture elements and decorations, we are well positioned to successfully support our customers.

Although chocolate is the ultimate comfort food, consumers are interested in healthier alternatives to standard chocolate: More and more, they are choosing products that are free from allergens or that have "cleaner labels" – like gluten-free, lactose-free, and without artificial colors and aromas. Alternatives also include chocolates with higher levels of cocoa flavanols or functional ingredients. Increasing obesity levels are an acknowledged health issue worldwide. Barry Callebaut needs to actively develop indulgent chocolate alternatives containing fewer calories, less fat and less sugar – we call these applications "rebalanced". This fiscal year, we conducted more than 200 customer projects in this area.

Hans Vriens
Chief Innovation Officer

Controlled Fermentation – Reinventing premium chocolate from the ground up

Over the past few years, Barry Callebaut worked intensively on enhancing cocoa fermentation. This year, we introduced a revolutionary new method under the banner of Controlled Fermentation aimed at producing chocolate with even more authentic and intense cocoa flavors. Through patented, unique fermentation techniques, Barry Callebaut manages to yield superior cocoa quality. Cocoa beans produced by Controlled Fermentation have a fruitier, more intense flavor pallet, can be tailored to deliver exclusive tastes – at customers' requests – and can also have a higher concentration of healthy, functional components such as cocoa flavanols. This new fermentation method also brings advantages to cocoa farmers themselves since better quality leads to lower rejection rates from bean processors and thus higher income for farmers.

Barry Callebaut has implemented the Controlled Fermentation process in a number of plantations across Africa as part of our Quality Partner Program and our collaboration with Biolands. Barry Callebaut also signed a Memorandum of Understanding with the Malaysian Cocoa Board: Controlled Fermentation will allow us to match the taste of Indonesian cocoa with the taste of West African cocoa since many consumers in Europe and North America are used to the flavor of West African cocoa.

Further expanding our R&D resources

We added four new pilot lines and application laboratories this year. Besides the new facilities in Extrema (Brazil), Port Klang (Malaysia) and Osaka (Japan), we opened a new cocoa-processing pilot line and an application laboratory in Louviers (France), making Barry Callebaut the only company worldwide to operate these facilities side by side. This gives us the possibility to create new prototypes and innovations for our customers, ranging from the processing of the cocoa beans to the finished chocolate.

We are very proud to have launched several major product innovations exclusively for three Gourmet customers during the fiscal year:

Dairy-free alternative to milk chocolate

Barry Callebaut found an ideal partner in Celtic Chocolates, one of Ireland's leading chocolatiers and providers of gourmet chocolate for people with allergies and food intolerances, to develop and launch a 100% dairy-free alternative to milk chocolate. It is the perfect solution for adults and children with a milk allergy or lactose intolerance who were unable to indulge in milk chocolate before as well as for the increasing number of people with food intolerances.

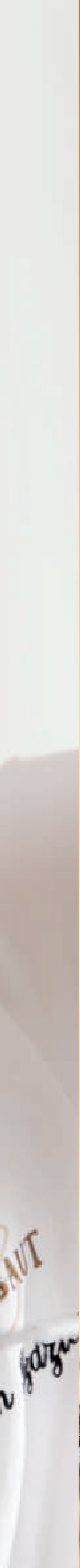
Premium chocolate for premium confectioners

The renowned Dutch premium chocolate specialist Visser Chocolade is Barry Callebaut's first customer for chocolate made with cocoa beans especially treated with the company's unique Controlled Fermentation method. Chocolate made from these specially cured cocoa beans is the ideal ingredient for demanding chocolate professionals like Visser Chocolade. The unique chocolate also offers a new look for premium chocolate, where even dark, cocoa-rich chocolate has a lighter color like milk chocolate.

First chocolate sweetened with Stevia extract

Stevia, a plant native to subtropical and tropical regions, is widely known for its sweet leaves, which can be used as a natural sugar substitute. Barry Callebaut has been the first to launch chocolate sweetened with Stevia extract without a laxative effect on an industrial scale – a unique selling proposition. Barry Callebaut launched the chocolate exclusively with Cavalier, a renowned family-owned company in Belgium that has exclusively produced chocolate products with no added sugar since 1996.

Marcin Pazdzior, Master Pastry Chef, Chocolate Academy Lodz, Poland: “I graduated from the Culinary School in my hometown Wroclaw, Poland; then I acquired professional expertise in one of the best pastry shops and hotels in town. In the courses I teach for our artisanal customers, I try to emphasize that the most important factor when working with chocolate is devotion. Devotion always leads to success.”



Shaping careers and growing future leaders

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

"Barry Callebaut's business environment constantly demands higher performance. The most important resource in making performance happen is our employees. As a company, we want to help them to be prepared for the increasing responsibilities that are required of them as our business continues to grow. That is why we strengthened the current performance management process by creating the new Performance Management & Development Process (PMDP), which gives us greater strategic control of our personnel development activities and also serves as a powerful instrument for succession planning."

It is our employees who make Barry Callebaut successful. To achieve our ambitious business goals, we need to define clear targets for each employee and prepare them for the future challenges in our demanding business environment. With the new PMDP, we have developed a business tool that helps to align the efforts and targets of individuals with the strategic priorities and goals of our company. We strongly believe that offering excellent personal development and career opportunities is the fuel for our future success. That is why the PMDP emphasizes the personal development and career aspirations of our bonus-eligible employees. In addition, it helps each employee to understand how his or her job fits within the broader mission of Barry Callebaut and how success is ultimately defined.

An important tool for personal development and...

The PMDP is a business steering instrument for Barry Callebaut. It is closely tied to the business planning cycle and the company's overall targets. As of fiscal year 2010/11, the PMDP is initiated at the beginning of each fiscal year with a performance review meeting between managers and employees. In this discussion, employee performance is assessed and the relevant targets for the new fiscal year are defined.

A central aspect of the newly introduced PMDP is a discussion of the employees' development. Together with their manager, employees identify their talents, experiences and skills in order to determine appropriate development actions, including internal and external training. Targeted employee development supports our high-performance culture and helps to determine what steps are to be taken next in individual career planning.

...Barry Callebaut's succession planning

The PMDP will also play an important role in Barry Callebaut's succession planning as this input enables us to detect our high performing leaders. At Barry Callebaut, we aim to grow the majority of our leaders from within. The PMDP will support us in identifying and promoting outstanding people for management positions from within the company.

Barbara Becker
Head of Global Human Resources

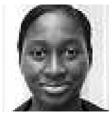
Additional information:
www.barry-callebaut.com/trainees

Yourfuture@BC: Starting a challenging career with the global market leader

Barry Callebaut recently repositioned its trainee program Yourfuture@BC. The program offers talented university graduates the opportunity to work in different positions within Barry Callebaut in order to acquire business knowhow and to prepare them for challenging international careers as functional specialists. It is divided into two to three assignments. Participants are offered the opportunity to work abroad and in several positions within one of our five functional areas: Sales & Marketing, Finance & Controlling, Sourcing, Innovations and Operations. Yourfuture@BC also offers excellent development opportunities through training courses and feedback sessions with a personal coach and a mentor.

Two former trainees talk about the experience they gained in their specific field and what their next career steps after program completion will be:

Maa Adoma Addae-Afoakwa, Graduate Trainee, Ghana

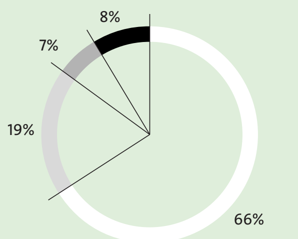


"I never thought I would cut cocoa beans myself! Being in the program has helped me a lot to understand Barry Callebaut's business – from the said cocoa beans to the finished product on retail shelves. While working in different countries like Ghana, Ivory Coast, France and the U.K., I also gained lots of insights with respect to the different cultures. I am now looking forward to continuing my career within Barry Callebaut in the area of project implementation in my home country Ghana."

Frédéric De Wolf, Graduate Trainee, Barry Callebaut Belgium

"I now have a very good idea of how our company is organized. The program also helped me to further develop my career visions. In the coming years, I plan to focus on building my commercial skills and becoming more familiar with our products from an application point of view by understanding our customers and markets better – which I will do in my new function as Product Manager for our Food Manufacturers business in Eastern Europe. I think this is an ideal starting point."

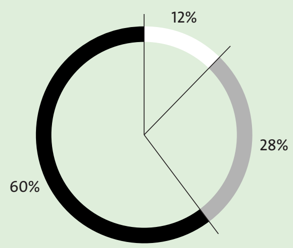
Number of employees per geographic region



Europe	4,959
Americas	1,462
Asia-Pacific	492
Africa	637

Number of employees: 7,550

Number of employees per function



Management	926
Office staff	2,094
Factory staff	4,530

Average seniority in years

Europe	13.5
Americas	8.9
Asia-Pacific	5.0
Africa	9.5

Personnel expenses in CHF million

2009/10	488.5
2008/09	489.6
2007/08	520.3

Excellence Award 2010 – Rewarding peak performance

The Excellence Award recognizes managers and their teams who are willing to go the extra mile, who are putting all their passion into their work and, thus, have made a positive impact on the company in the fiscal year. The seven Excellence Award 2010 winners were nominated by their Presidents.

And the winners are:

Bernard Castermant, Plant Manager, Dijon – *for successfully managing a complex plant in difficult economic circumstances.*

Alain Freymond, Cocoa Trader, Zurich – *for coming up with a specific cocoa pricing solution that meets the expectations of our customer Kraft and leverages Barry Callebaut's strengths.*

An Parrein, Manager Applied R&D Europe, Wieze – *for implementing and bringing to market the complex project of certified cocoa and chocolate products with different internal and external stakeholders.*

Gaby Tschofen, VP Corporate Communications & CSR, Zurich – *for having done an outstanding job in developing Barry Callebaut's communications strategy and shaping the image and reputation of our company among our various stakeholders, both internal and external, in the past nine years.*

Philippe Janvier, Vice President Sales & Trade Marketing Gourmet Western Europe, Meulan – *for successfully turning around the Food Service business in Europe and thus increasing our Gourmet results.*

Jean-Olivier Tasté, Vice President Global Accounts Food Manufacturers Europe, Wieze – *for his remarkable contribution to the successful achievement of the global supply agreement with Kraft.*

Sarah O'Neil, Director of Sales and Marketing Corporate Accounts Food Manufacturers North America, Chicago – *for playing a critical support role in securing the Kraft deal, having always been there with her knowledge and problem-solving skills.*

The Excellence Award winners 2010
From left: Bernard Castermant, Alain Freymond, An Parrein, Gaby Tschofen, Philippe Janvier, Jean-Olivier Tasté and Sarah O'Neil

Chairman's Award 2010
For outstanding employee personalities

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

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

The Chairman's Award was inaugurated in 1995 by Klaus Jacobs, the former Chairman of Jacobs Holding AG and founder of Barry Callebaut. Since then, the Chairman's Award has been given to a selected number of employees each year.

In 2010, fourteen Barry Callebaut employees from eleven countries received the award and were invited together with their spouses or partners to come to Switzerland to be given the award by Chairman Andreas Jacobs and CEO Juergen Steinemann.

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

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

The 2010 winners are:
Back, from left: Christian Böcker (Sweden), Juergen Steinemann (CEO), Maciej Moritz (Poland), Rene Nkwamen (Cameroon), Hervé Raoul Koffi (Ivory Coast), Andreas Jacobs (Chairman), Michael Lohde (Germany), Geert Bosteels (Belgium)

Front, from left: Esther Wälchli (Switzerland), Cristina Podico (Italy), Miriam Madrigal (U.S.), Elena Rossi (Italy), Ana Carolina Bomfim Silva (Brazil), Anna Maria Lagrow (U.S.), Andrew Duong (U.S.). Not in the picture: Alicia Lim (Singapore)

Contents

The CFO's view

Q How did Barry Callebaut manage to achieve double-digit net profit growth despite the relatively weak economic environment?

Victor Balli The key is to generate top-line momentum and grow sales volumes much faster than the market. If we can continuously reduce manufacturing and logistics costs per tonne at the same time and keep overhead costs stable – both a major focus of our company for years – we can create a strong basis for profitable growth.

Q With the level of top-line growth you have achieved, would it be possible to show an even greater operating leverage?

VB If the Group continues to grow volumes at the current pace, it is difficult to increase profits even faster. We are constantly investing in new factories or expanding existing lines and operations. As the outsourcing partner of choice we cannot afford to make any mistakes. As such we need to invest in quality and services as well. Over time, though, we should be able to further optimize current processes and achieve better leverage.

Q How do you manage the volatility of raw material prices and other risks within the business?

VB First of all, for about 80% of our sales we run a business model that allows us to pass on fluctuations in costs of raw material prices to our customers. We quote market prices to our customers and once we receive an order, we hedge the underlying raw materials needed. Similarly, we constantly eliminate all transactional currency exchange risks through our central treasury department. My risk department monitors commodity prices and currency exposures on a regular basis using a Value at Risk (VaR) model.

Q Your net financial expenses are going down year by year. Will this continue?

VB This fiscal year, we benefited from lower average interest rates, a flat net debt and our stable financing structure. This should continue for at least another year. While there is no refinancing pressure, we constantly monitor the financial and capital markets to look for windows of opportunity to further improve our capital structure and the average term of our financing.

"Competitive financing and tax cost, focus on working capital plus daily management of risks are vital for our growth strategy."

Victor Balli
Chief Financial Officer

Q Following a review of Barry Callebaut's annual accounts by SIX Swiss Exchange, you have announced that you will modify the company's accounting model. What effect will this have and when will it be applied?

VB The review showed that there are different expert views on how to best apply IFRS on our business model. While Barry Callebaut was cleared of all charges, we nonetheless decided to adapt a less controversial accounting model effective fiscal year 2010/11, in line with the Group's strategy of increased sourcing in the origin countries. In the new model, we will value inventories at the lower of cost and net realizable value. The cocoa price risks related to inventories exceeding firm chocolate sales commitments will be hedged with cocoa futures in a fair value hedge relationship. I expect the revised model to produce essentially the same result for the income statement as today.

Q Information Management is also under your responsibility. What contribution did this department make to the overall Group?

VB The IT/IM department is an important pillar for the fast development of our business. Without the appropriate systems we would not be able to cope with the speed of our growth. Most of our factories and operations worldwide run on a common SAP platform. This allows us to smoothly add new factories and create transparency and traceability along the entire supply chain. We have continuously increased IT/IM investments over the past years and they now run at about CHF 30 million per annum; at the same time, IT operating expenses were kept flat.

Q What is your main focus for fiscal year 2010/11?

VB Besides achieving our guidance in terms of growth and profitability, we will continue to closely monitor and reduce our working capital. At the same time, we will try to simplify and centralize our support and overhead processes. Finally, securing long-term credit facilities at competitive terms, maintaining our attractive tax rate plus finding and keeping good talents are a permanent focus of my teams.

New program "Capital Excellence" started

In view of our fast growth combined with the high volatility of raw material prices, pressure from customers paying later and attempts of suppliers to reduce credit terms, Barry Callebaut initiated a program called "Capital Excellence" this fiscal year. The objective is to reduce working capital by 20% over 3 years on a comparable basis. The program is driven by financial controllers but operational business people are also heavily involved. It is also part of the bonus incentive plan of most managers. In the first year, we made good progress in inventory and receivables management while payables need further improvement.

Specific actions and achievements

a) Inventories (days sales in inventory)
Stocks were significantly reduced thanks to a focus on better planning and review of inventory levels needed. There was an overall reduction of 11.7 days of sales coverage.

b) Receivables (days sales outstanding)
Average days outstanding were reduced by 1.4; there was a strong focus on reducing overdues and optimizing the collection process including electronic invoicing/EDI.

c) Payables (days payable outstanding, DPO)
Despite a substantial increase in awareness within our purchasing organization, we only marginally improved DPOs. It was difficult to renegotiate existing contracts and payment terms need to be benchmarked against potential increases in price. We plan to introduce supply chain financing to improve our payable situation next year.

Overall "Capital Excellence" achieved a positive impact of CHF 114 million (or 11.3% of net working capital) on average over the past year, excluding fluctuations of foreign exchange rates and raw material prices.

Financial Review

Consolidated Income Statement

Sales volume showed solid growth of 7.6% from 1,213,610 tonnes to 1,305,280 tonnes, to which all regions and both the Industrial and the Food Service/Retail Products contributed. In the Food Service/ Retail Products, the growth recorded in Gourmet & Specialties Products more than compensated for the decline in the Consumer Products business. The latter was affected by the disposal of our business in Asia during the prior year. Additionally, there was a shift of volumes between the Product Groups (from Food Manufacturers to Consumer Products) due to restatements of prior year figures in line with the segment reporting changes introduced in 2009/10.

Revenue from sales and services grew by 6.8% from CHF 4,880.2 million to CHF 5,213.8 million. The positive impact of the high raw material prices, namely for cocoa, on revenue were largely offset by significant foreign currency translation effects. Adjusted for these effects, revenues from sales and services grew by 6.5%, driven by the volume increase as pointed out above.

Gross profit increased by 4.0% to CHF 736.2 million from CHF 707.8 million in prior year. Gross profit was negatively affected by translation effects and the low combined cocoa ratio throughout the year but the volume growth, in particular the disproportionately high growth of the higher margin Gourmet business, more than compensated for these effects. In local currencies, gross profit grew by 6.3%.

Gross profit in relation to revenue from sales and services edged down to 14.1% from 14.5% in the prior year. Gross profit per tonne receded slightly by 3.3% to CHF 564 from CHF 583 the year before. This is mainly due to translation effects as most currencies weakened against the Group's reporting currency, the Swiss franc.

Marketing and sales expenses amounted to CHF 120.8 million, almost constant compared to prior year (CHF 120.3 million). Additional costs coming from acquisitions and the growth in sales were partly compensated for by positive foreign currency effects and partly by cost-saving measures, without compromising on the Group's strategy to strengthen customer relationships.

General and administration expenses decreased slightly to CHF 248.8 million from CHF 250.6 million. The effects from growth and acquisitions were offset by cost savings and positive effects from the currency translation.

Other income in the amount of CHF 20.5 million was recorded compared to CHF 34.4 million in prior year. In both years, this position included operating but non-sales-related income items, such as gains on disposals of subsidiaries and assets, sales of waste products and income generated by the Group's Training Center, Schloss Marbach. Prior year's figure included the gain on disposal of the Asian Consumer business.

Other expenses amounted to CHF 16.6 million compared to CHF 20.5 million in the prior year. This position comprises restructuring costs, litigation and severance payments, impairment charges and losses on sales of property, plant and equipment and other non-recurring items.

Operating profit (EBIT) increased by 5.6% to CHF 370.4 million, compared to CHF 350.8 million in the prior year. Excluding the impact from foreign currency translation, the EBIT growth amounted to 7.9%. All regions and product groups made a positive contribution to EBIT; also to EBIT growth all contributed except for Region Asia-Pacific and the Consumer Products Group, which benefited from the non-recurring gain on the sale of the Asian Consumer business in prior year. The biggest absolute contribution to EBIT came from Region Europe in terms of geography and from Food Manufacturers in terms of product groups. The biggest contributions to EBIT growth came from Region Europe and the Gourmet Product Group.

EBIT per tonne receded slightly to CHF 283.8 from CHF 289.1 due to currency translation effects. The decline of EBIT per tonne in Global Sourcing & Cocoa (due to the effects of the combined cocoa ratio development) and Asia (due to the non-recurring gain on the sale of the Consumer business in prior year) were compensated for by a higher EBIT per tonne in the other regions. This is the result of expenses growing at a slower rate than volume due to tight cost control and scale effects on overhead costs. In local currencies, EBIT per tonne edged up by 0.3%.

Financial income declined to CHF 2.0 million from CHF 5.9 million in the preceding year as a result of both lower interest income and the absence of gains on derivative financial instruments this year.

Financial expenses were significantly lower at CHF 83.1 million compared to CHF 97.5 million in the prior year. This decrease resulted mainly from lower average interest rates on the floating rate debt and currency translation effects, which, however, were partly offset by losses on derivative financial instruments related to the hedging of interest rates.

Result from investment in associates and joint ventures amounted to CHF –0.2 million compared to CHF 0.5 million in the year before and contains the Group's share in equity movements of equity-accounted investees, i.e. participations in companies, over which the Group has significant influence but not control.

Income taxes increased to CHF 37.3 million from CHF 32.7 million in prior year. This is mainly the result of a higher profit before income taxes whereas the Group's effective tax rate was almost constant at 12.9% compared to 12.6% the year before.

Net profit for the year amounted to CHF 251.7 million, a strong growth of 10.9% compared CHF 226.9 million in prior year. In local currencies, the increase amounted to 13.5%. This is the result of the higher operating result and lower net financial expenses. Net profit for the year attributable to the shareholders of the parent company amounted to CHF 251.2 million, compared to CHF 226.9 million in the precedent year.

Basic earnings per share increased by 10.5% to CHF 48.62, up from CHF 43.99 last year. **Cash earnings per share,** defined as operating cash flow before working capital changes divided by basic shares outstanding, showed a considerable improvement of 9.3% to CHF 88.60 up from CHF 81.05 in prior year.

Consolidated Balance Sheet and financing structure

Total assets at the end of August 2010 stood at CHF 3,570.8 million, an increase of CHF 56.0 million or 1.6% compared to CHF 3,514.8 million one year before. This is mainly the result of higher assets required due to the growth of the business, partly compensated for by currency translation effects and operational improvements related to working capital management.

Net working capital was further reduced by CHF 45.2 million or 4.5% to CHF 964.9 million at the end of August 2010 compared to CHF 1,010.1 million at the end of the prior year. This is the result of the favorable impact from foreign currency translation and operational improvements, partly offset by higher inventories, receivables and other current assets resulting from the volume growth and by higher net derivative financial assets and liabilities.

Net debt at August 31, 2010 decreased by CHF 71.9 million to CHF 870.8 million from CHF 942.7 million in prior year, benefiting from currency effects due to the strong Swiss franc. The weighted average maturity of the Group's total debt portfolio including undrawn committed facilities decreased from 6 to 5 years.

Equity – including equity attributable to the shareholders of the parent company and non-controlling interests – increased by CHF 47.1 million or 3.7% to CHF 1,303.2 million from CHF 1,256.1 million at the end of August 2009. Equity attributable to the shareholders of the parent company amounted to CHF 1,302.3 million compared to last year's CHF 1,255.6 million. The debt-to-equity ratio improved from 75.1% to 66.9% and the solvency ratio improved from 35.7% to 36.5%. The increase in equity and the improvement of the aforementioned key figures resulted from the positive impact of net profit on equity, although this was offset to a large extent by significant foreign currency translation impacts and the repayment of share capital in lieu of a dividend. The return on invested capital (ROIC) increased to 14.8% from 13.9% in the prior year.

Consolidated Cash Flow Statement

Operating cash flow before working capital changes improved considerably by 9.5% to CHF 457.8 million compared to CHF 418.1 million in the prior year.

The cash outflow for working capital changes was significantly higher mainly due to the higher cash outflow for inventories as a result of the business growth and high raw material prices, partly offset by higher payables. Cash outflow for interest and taxes on the other hand was lower than in prior year.

This resulted in an overall decline in the **Net cash flow from operating activities** (including working capital changes) to CHF 177.7 million down from CHF 240.6 million the year before.

Net cash flow from investing activities amounted to CHF –156.1 million, compared to CHF –138.9 million in the preceding year. This year's amount included the cash outflow of CHF –36.2 million for the acquisition of a business in Spain and deferred payments for earlier acquisitions (prior year CHF –16.9 million for acquisition and CHF 17.2 million from the disposal of subsidiaries). The biggest outflow in both years, however, related to capital expenditures for operations such as capacity expansions, replacements, modernizations and Information Technology (CHF –145.1 million in the current and CHF –144.4 million in the prior year). This position also includes proceeds from the sale of assets (CHF 19.6 million in the current and CHF 2.4 million in the prior year) as well as some other minor items.

Net cash flow from financing activities amounted to CHF –23.0 million compared to CHF –78.1 million in prior year. This position mainly includes the net proceeds from the issue of new debt in the amount of CHF 47.4 million (in prior year repayment of CHF –10.1 million), the repayment of share capital of CHF –64.6 million (in prior year CHF –59.4 million) and the net purchase/sale of treasury shares in the amount of CHF –5.7 million (prior year CHF –8.8 million).

Consolidated Income Statement

for the fiscal year ended August 31,	Notes	2009/10	2008/09
in thousands of CHF			
Revenue from sales and services		**5,213,779**	**4,880,177**
Cost of goods sold		(4,477,608)	(4,172,355)
Gross profit		**736,171**	**707,822**
Marketing and sales expenses		(120,781)	(120,324)
General and administration expenses		(248,794)	(250,608)
Other income	6	20,456	34,357
Other expenses	7	(16,641)	(20,494)
Operating profit (EBIT)		**370,411**	**350,753**
Financial income	8	2,021	5,904
Financial expenses	9	(83,122)	(97,493)
Result from investments in associates and joint ventures	17	(225)	484
Profit before income taxes		**289,085**	**259,648**
Income tax expenses	10	(37,342)	(32,723)
Net profit for the year		**251,743**	**226,925**
of which attributable to:			
– shareholders of the parent company		251,226	226,907
– non-controlling interest		517	18
Earnings per share	11		
Basic earnings per share (CHF/share)		48.62	43.99
Diluted earnings per share (CHF/share)		48.47	43.85

Consolidated Statement of Comprehensive Income

for the fiscal year ended August 31, in thousands of CHF	Notes	2009/10	2008/09
Net profit for the year		**251,743**	**226,925**
Cash flow hedges	14	(3,580)	(6,339)
Tax effect on cash flow hedges		1,585	2,566
Currency translation differences		(138,026)	(86,930)
Other comprehensive income for the year, net of tax		**(140,021)**	**(90,703)**
Total comprehensive income for the year		**111,722**	**136,222**
of which attributable to:			
– shareholders of the parent company		111,309	136,257
– non-controlling interest		413	(35)

Consolidated Balance Sheet

Assets

as of August 31, in thousands of CHF	Notes	2010	2009
Current assets			
Cash and cash equivalents		17,360	33,993
Short-term deposits		750	2,137
Trade receivables and other current assets	12	587,380	524,847
Inventories	13	1,186,231	1,294,545
Current income tax assets		2,760	5,489
Derivative financial assets	14	370,580	221,649
Total current assets		**2,165,061**	**2,082,660**
Non-current assets			
Property, plant and equipment	15	830,866	872,458
Investments in associates	17	3,479	4,038
Intangible assets	18	512,494	493,684
Deferred income tax assets	19	51,361	51,918
Other non-current assets		7,586	10,089
Total non-current assets		**1,405,786**	**1,432,187**
Total assets		**3,570,847**	**3,514,847**

Liabilities and equity

as of August 31, in thousands of CHF	Notes	2010	2009
Current liabilities			
Bank overdrafts	20	13,466	29,338
Short-term debt	20	175,938	222,885
Trade payables and other current liabilities	21	769,537	832,440
Current income tax liabilities		41,968	36,026
Derivative financial liabilities	14	371,059	153,922
Provisions	22	15,558	16,751
Total current liabilities		**1,387,526**	**1,291,362**
Non-current liabilities			
Long-term debt	23	699,516	728,293
Employee benefit obligations	24	105,114	122,701
Provisions	22	5,861	4,202
Deferred income tax liabilities	19	58,721	68,455
Other non-current liabilities		10,946	43,689
Total non-current liabilities		**880,158**	**967,340**
Total liabilities		**2,267,684**	**2,258,702**
Equity	25		
Share capital		197,494	262,119
Retained earnings and other reserves		1,104,787	993,437
Total equity attributable to the shareholders of the parent company		**1,302,281**	**1,255,556**
Non-controlling interest		882	589
Total equity		**1,303,163**	**1,256,145**
Total liabilities and equity		**3,570,847**	**3,514,847**

Consolidated Cash Flow Statement

Cash flows from operating activities

for the fiscal year ended August 31, in thousands of CHF	Notes	2009/10	2008/09
Profit before income taxes		289,085	259,648
Adjustments for:			
Depreciation of property, plant and equipment	15	77,861	82,309
Amortization of intangible assets	18	22,428	23,065
Impairment of property, plant and equipment	7, 15	–	566
Recognition of negative goodwill on acquisitions	1	–	(1,502)
(Gain) on disposal of property, plant and equipment, net		(6,152)	(30)
(Gain) on sale of subsidiary	2	–	(17,950)
Foreign exchange (gain) loss		(15,852)	28,408
Fair value (gain) loss on derivative financial instruments		(58,016)	(47,183)
Fair value (gain) loss on hedged firm commitments		(82,503)	(76,721)
Fair value (gain) loss on inventories		160,038	57,951
Write-down of inventories	13	4,768	5,462
Increase (decrease) of allowance for doubtful receivables		(1,384)	3,024
Increase (decrease) of provisions		2,615	16,033
Increase (decrease) of employee benefit obligations		(6,078)	(8,455)
Equity-settled share-based payments	4, 24	5,716	11,577
Result from investments in associates and joint ventures		225	(484)
(Interest income)	8	(2,021)	(3,883)
Interest expenses	9	67,061	86,223
Operating cash flow before working capital changes		**457,791**	**418,058**
(Increase) decrease in trade receivables and other current assets		(24,513)	(24,199)
(Increase) decrease in inventories		(143,387)	(9,307)
Increase (decrease) in trade payables and other current liabilities		2,025	(19,004)
Use of provisions		(11,151)	(4,231)
Cash generated from operations		**280,765**	**361,317**
(Interest paid)		(62,221)	(77,604)
(Income taxes paid)		(40,800)	(43,070)
Net cash flow from operating activities		**177,744**	**240,643**

Consolidated Cash Flow Statement

Cash flows from investing activities

for the fiscal year ended August 31, in thousands of CHF	Notes	**2009/10**	2008/09
Purchase of property, plant and equipment	15	(119,258)	(113,314)
Proceeds from sale of property, plant and equipment		19,580	2,370
Purchase of intangible assets	18	(25,850)	(31,129)
Proceeds from sale of intangible assets		–	61
Acquisition of subsidiaries, net of cash acquired	1	(36,199)	(16,938)
Acquisition of associates and joint ventures		–	(164)
Proceeds from disposal of subsidiaries	2	–	17,198
Purchase of short-term deposits		–	(1,396)
Proceeds from sale of short-term deposits		1,309	175
Purchase of other non-current assets		(141)	(589)
Proceeds from sale of other non-current assets		2,453	2,048
Interest received		1,986	2,787
Net cash flow from investing activities		**(156,120)**	**(138,891)**

Cash flows from financing activities

for the fiscal year ended August 31, in thousands of CHF		**2009/10**	2008/09
Proceeds from the issue of short-term debt		112,546	94,493
Repayment of short-term debt		(136,198)	(246,946)
Proceeds from the issue of long-term debt		151,820	149,077
Repayment of long-term debt		(80,750)	(6,748)
Capital reduction and repayment	25	(64,619)	(59,392)
Purchase of treasury shares	25	(5,988)	(8,808)
Sale of treasury shares		307	–
Dividends paid to non-controlling interest	25	(120)	(68)
Effect of change in non-controlling interest	25	–	300
Net cash flow from financing activities		**(23,002)**	**(78,092)**
Effect of exchange rate changes on cash and cash equivalents		617	5,559
Net increase (decrease) in cash and cash equivalents		**(761)**	**29,219**
Cash and cash equivalents at the beginning of the fiscal year		4,655	(24,564)
Cash and cash equivalents at the end of the fiscal year		3,894	4,655
Net increase (decrease) in cash and cash equivalents		**(761)**	**29,219**
Cash and cash equivalents		17,360	33,993
Bank overdrafts		(13,466)	(29,338)
Cash and cash equivalents as defined for the cash flow statement		**3,894**	**4,655**

Consolidated Statement of Changes in Equity

	Attributable to the shareholders of the parent company							
	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustments	Total	Non-controlling interest	Total equity
in thousands of CHF								
As of August 31, 2008	**321,574**	**(13,604)**	**908,320**	**(1,219)**	**(39,149)**	**1,175,922**	**392**	**1,176,314**
Currency translation adjustments					(86,877)	(86,877)	(53)	(86,930)
Effect of cash flow hedges (note 14)				(6,339)		(6,339)		(6,339)
Taxes recognized in equity (note 14, 19)				2,566		2,566		2,566
Other comprehensive income, net of tax				**(3,773)**	**(86,877)**	**(90,650)**	**(53)**	**(90,703)**
Net profit for the year			226,907			226,907	18	226,925
Total comprehensive income for the year			**226,907**	**(3,773)**	**(86,877)**	**136,257**	**(35)**	**136,222**
Capital reduction and repayment	(59,455)		63			(59,392)		(59,392)
Movements of non-controlling interest (note 25)						–	232	232
Purchase of treasury shares		(8,808)				(8,808)		(8,808)
Equity-settled share-based payments		17,799	(6,222)			11,577		11,577
As of August 31, 2009	**262,119**	**(4,613)**	**1,129,068**	**(4,992)**	**(126,026)**	**1,255,556**	**589**	**1,256,145**
Currency translation adjustments					(137,922)	(137,922)	(104)	(138,026)
Effect of cash flow hedges (note 14)				(3,580)		(3,580)		(3,580)
Taxes recognized in equity (note 14, 19)				1,585		1,585		1,585
Other comprehensive income, net of tax				**(1,995)**	**(137,922)**	**(139,917)**	**(104)**	**(140,021)**
Net profit for the year			251,226			251,226	517	251,743
Total comprehensive income for the year			**251,226**	**(1,995)**	**(137,922)**	**111,309**	**413**	**111,722**
Capital reduction and repayment	(64,625)		6			(64,619)		(64,619)
Movements of non-controlling interest (note 25)						–	(120)	(120)
Purchase of treasury shares		(5,988)				(5,988)		(5,988)
Sale of treasury shares		329	(22)			307		307
Equity-settled share-based payments		7,081	(1,365)			5,716		5,716
As of August 31, 2010	**197,494**	**(3,191)**	**1,378,913**	**(6,987)**	**(263,948)**	**1,302,281**	**882**	**1,303,163**

Summary of Accounting Policies

Organization and business activity

Barry Callebaut AG ("The Company") was incorporated on November 24, 1994 under Swiss law, having its head office in Zurich, Switzerland, at Pfingstweidstrasse 60. Barry Callebaut AG is registered in Switzerland and has been listed on the SIX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2010, Barry Callebaut's market capitalization based on issued shares was CHF 3,632 million (August 31, 2009: CHF 2,968 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.11% of the shares issued (August 31, 2009: 50.21%).

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

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

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

Basis of presentation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

For consolidation purposes, Barry Callebaut AG and its subsidiaries prepare financial statements using the historical cost basis as disclosed in the accounting policies below, except for the measurement at fair value of derivative financial instruments, hedged firm commitments and inventories and except for defined benefit obligation that is accounted for according to the projected unit credit method.

The prior year's Consolidated Balance Sheet has been reclassified to conform with the current period's presentation, whereas financial assets of CHF 0.4 million (2009: CHF 0.5 million) have been combined with other non-current assets.

Management assumptions and significant estimates

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

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

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

Note 1	Acquisitions – Fair value measurement
Note 13	Inventories – Application of broker-trader exemption
Note 14	Derivative financial instruments and hedging activities – Designation of inventory as a hedging instrument
Note 18	Goodwill – Measurement of the recoverable amounts of cash-generating units
Note 19	Deferred tax assets and liabilities – Utilization of tax losses
Note 24	Employee benefit obligation – Measurement of defined benefit obligations

Scope of consolidation/Subsidiaries

The consolidated financial statements of the Group include all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies which it controls. Control is presumed to exist when a company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or otherwise has the power to exercise control over the financial and operating policies of a subsidiary so as to obtain the benefits from its activities. Non-controlling interest are shown as a component of equity in the balance sheet and the share of the net profit attributable to non-controlling interest is shown as a component of the net profit for the period in the Consolidated Income Statement. Newly acquired companies are consolidated from the date control is transferred (the effective date of acquisition), using the purchase method. Subsidiaries disposed of are included up to the effective date of disposal.

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

Purchases and disposals of non-controlling interest in subsidiaries

The Group applies the policy of treating transactions with non-controlling interest equal to transactions with equity owners of the Group. For purchases from non-controlling interest, the difference between consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposal to non-controlling interest are also recorded in equity.

Options over existing non-controlling interest
The Group accounts for written put options over existing non-controlling interest in derecognizing the non-controlling interest and records instead a liability to the extent of the put option exercise price, discounted to the balance sheet date. Should the option expire without being exercised by the minority shareholders, the liability is derecognized and non-controlling interest is recorded.

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

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

Foreign currency translation
For consolidation purposes, assets and liabilities of subsidiaries reporting in currencies other than Swiss francs are translated to Swiss francs using year-end rates of exchange. Income and expenses are translated at the average rates of exchange for the year. Differences arising from the translation of financial statements using the above method are recorded as cumulative translation adjustments in equity.

Major foreign exchange rates

	Closing rate	Average rate	Closing rate	Average rate
		2009/10		2008/09
EUR	1.2925	1.4482	1.5220	1.5189
GBP	1.5740	1.6561	1.7285	1.7501
USD	1.0210	1.0578	1.0666	1.1250

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

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

The Group maintains an asset-backed securitization program for trade receivables, transferring the contractual rights to the cash flows of third-party trade receivables at their nominal value minus a discount. These receivables are derecognized from the balance sheet. The net amount reported under other current assets (see note 12) or other current liabilities (see note 21) is the amount of the discount minus the receivables already collected at the balance sheet date but not yet remitted to the asset-purchasing company.

Derivative financial instruments and hedging activities
The nature of its business exposes the Group to a variety of risks. The Group's overall risk management program acknowledges volatility of markets and seeks to minimize the potential adverse effects on the financial performance of the Group in a cost-efficient manner. Further information on risk management can be found under note 26.

The Group uses derivative financial instruments in accordance with its risk management policies to hedge its exposure to chocolate sales (related commodity price risks), which consist of the price risk of cocoa and other commodities such as dairy, sweeteners and nuts, foreign exchange risks and interest rate risks arising from operational, financing and investment transactions.

The Group's purchasing and sourcing center frequently buys and sells cocoa beans and other chocolate ingredients for the purpose of generating a profit from short-term fluctuations in price or dealer's margin. The practice of net cash settlement of commodity purchase and sale contracts results in these contracts qualifying as derivative financial instruments.

Following the Group's risk management policy, generally the operating group companies do not hold derivative financial instruments for trading purposes.

Derivative financial instruments are accounted for at fair value with fair value changes recognized in the income statement.

Accounting Policies

Hedge accounting

For manufacturing and selling of their products, the operating companies require commodity raw materials such as cocoa beans and semi-finished cocoa products as well as non-cocoa components such as dairy, sweeteners and nuts. The value of the Group's open sales and purchase commitments and inventory of raw materials changes continuously in line with price movements in the respective commodity markets. The Group uses commodity futures, forward contracts and inventory to manage price risks associated with the firm sales commitments of industrial chocolate (Contract Business – see risk management note 26).

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

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

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

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

For the chocolate price risk related to the sales contract of industrial chocolate (Contract Business), the firm sales commitments, including cocoa and non-cocoa components, such as sweeteners, dairy and nuts, are designated as the hedged items while the forward purchase commitments and Contract Business inventories related to cocoa and non-cocoa components as well as cocoa future contracts are designated as the hedging instruments. The hedging instruments (purchase side) as well as the hedged items (sales side) are measured at fair value at the balance sheet date. The components of sales contracts represent commodities and are quoted in an active market or are reliably determinable. The fair values thus calculated for the hedged items are recorded under the position "Fair value of hedged firm commitments" included in trade receivables and other current assets or trade payables and other current liabilities depending on whether the resulting amount is positive or negative. The fair values thus calculated for the hedging instruments are recorded under the position "Derivative financial assets" or "Derivative financial liabilities" depending on whether the resulting amount is positive or negative.

For foreign currency exchange risks related to the firm sales commitments of industrial chocolate (Contract Business), fair value hedge accounting is also applied. The hedge relationship is between the unrecognized firm sales commitment (hedged item) and the foreign currency forward sales contract (hedging instrument). The changes in fair value of the hedging instrument are recognized in the income statement. The cumulative change in the fair value of the firm sales commitment attributable to the foreign currency risk is recognized as an asset or liability with a corresponding gain or loss in the income statement.

Cash flow hedging – for interest rate risks

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

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

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

No hedge accounting designation

The Group's purchasing and sourcing center and the In-house Bank of the Group fair value their derivative financial instruments without applying hedge accounting.

Price List Business commodity risk hedging is based on forecasted sales volume and excluded from hedge accounting, as no derivatives can be clearly designated to the forecasted price list sales. Therefore, these derivatives are carried at fair value with fair value changes recognized in the income statement.

In respect of the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied. Any gain or loss on the financial derivative used to economically hedge this risk is recognized in the income statement thus compensating the gains and losses that arise from the revaluation of the underlying asset or liability.

Inventories

The Group principally acquires cocoa beans, any semi-finished products resulting from cocoa beans (such as cocoa liquor, butter, cake or powder), other raw materials such as sweeteners, dairy and nuts and has industrial chocolate inventories with the purpose of selling them in the near future and generating a profit from fluctuations in price or broker-traders' margin. The Group therefore acts as a broker-trader of such commodities and these inventories are measured at fair value less costs to sell in accordance to the broker-trader exemption per IAS 2.5 (Inventories).

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

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

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

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

Financial assets

Financial assets are accounted for in accordance with IAS 39, Financial Instruments: Recognition and Measurement. Accordingly, financial assets are classified into the following categories: held-to-maturity, at fair value through profit or loss, loans and receivables and available-for-sale. Financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity except for loans and receivables originated by the Group are classified as held-to-maturity investments. Financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as at fair value through profit or loss. All other financial assets, excluding loans and receivables, are classified as available-for-sale.

All purchases and sales of financial assets are recognized on the trade date. Financial assets are recognized when the Group becomes a party to the contractual provisions and are initially measured at fair value, which is the consideration given for them, plus transaction costs in the case of financial assets and liabilities not at fair value through profit or loss. Available-for-sale and fair value through profit or loss investments are subsequently carried at fair value by reference to their quoted market price at the balance sheet date, without any deduction for transaction costs that the Group may incur on their sale or other disposal.

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

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

Financial assets are derecognized, using the weighted average method, when the Group loses control of the contractual rights to the cash flows of the assets or when the Group sells or otherwise disposes of the contractual rights to the cash flows, including situations where the Group retains the contractual rights but assumes a contractual obligation to pay the cash flows that comprise the financial asset to a third party. Such control is lost when the rights and benefits specified in the contract are realized, expired, or are surrendered.

Intangible assets

Goodwill

Goodwill on acquisitions is the excess of acquisition-date fair value of total consideration transferred and the acquisition-date fair value of assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

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

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

Accounting Policies

Research and development costs

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

Development costs for projects relate to software, recipes and innovation and are capitalized as an intangible asset if it can be demonstrated that the project is expected to generate future economic benefits. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized on a straight-line basis over the period of their expected useful life. The amortization periods adopted do not exceed five years.

Other intangible assets

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

Property, plant and equipment

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

Buildings (including warehouses and installations)	20 to 50 years
Plant and machinery	10 to 20 years
Office equipment, furniture and motor vehicles	3 to 10 years

Maintenance and repair expenditures are charged to the income statement as incurred.

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

Leased assets

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

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

Financial liabilities

Financial liabilities are initially recognized at fair value, net of transaction costs, when the Group becomes a party to the contractual provisions. They are subsequently carried at amortized cost using the effective interest rate method. A financial liability is removed from the balance sheet when the obligation is discharged, cancelled, or expires.

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate thereof can be made. Provisions are recorded for identifiable claims and restructuring costs. Restructuring provisions mainly comprise employee termination payments. Specific provisions for restructuring costs are recorded at such time as the management approves the decision to restructure and a formal plan for restructuring is communicated.

Employee benefit obligations/Post-employment benefits

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

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

For defined benefit plans, the actuarial costs charged to the income statement consist of current service cost, interest cost, expected return on plan assets and past service cost, gains or losses related to curtailments or early settlements as well as actuarial gains or losses to the extent they are recognized. The past service cost for the enhancement of pension benefits is accounted for over the period that such benefits vest.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the 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 also included in the position Employee benefits.

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

Other long-term employee benefits
Other long-term employee benefits represent amounts due to employees under deferred compensation arrangements mandated by certain jurisdictions in which the Group conducts its operations. Benefit cost is recognized on an actuarial basis in the income statement. The related liability is included in other long-term liabilities.

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

Dividends
Dividends on ordinary shares are recognized as a liability when they are approved by the shareholders.

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

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

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

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

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, which is mainly upon shipment. Appropriate provisions are made for all additional costs to be incurred in connection with the sales including the cost of returns. Additionally, gains and losses related to derivative financial instruments used for hedging purposes are recognized in revenues in accordance with the policies set out in this section.

Revenues and costs related to trading of raw materials, which are fair valued, are netted. Interest income is recognized as it accrues on an effective yield basis, when it is determined that such income will flow to the Group. Dividends are recognized when the right to receive payment is established.

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

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

Segment reporting
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Group's Executive Committee.

For more details refer to "Changes in accounting policies" – IFRS 8.

Accounting Policies

Changes in accounting policies

Amended International Financial Reporting Standards and Interpretations which became effective for this financial year

IFRS 3 (Revised) – Business Combinations (effective July 1, 2009)
The revised standard has been adopted for acquisitions after September 1, 2009. Therefore, the Group has not included acquisition-related expenses in the consideration paid. For further details on business combinations refer to note 1 "Acquisitions".

IFRS 7 (Amendment) – Financial Instruments – Disclosures (effective January 1, 2009)
The amendments to IFRS 7 expand the disclosures required in respect of fair value measurements and liquidity risk. The Group has elected not to provide comparative information for these expanded disclosures in the current year in accordance with the transitional reliefs offered in these amendments. Disclosures in these financial statements (note 26) have been modified to reflect the International Accounting Standards Board's clarification (as part of Improvements to IFRSs [2009]).

IFRS 8 – Operating Segments (effective January 1, 2009)
IFRS 8 supersedes IAS 14 "Segment Reporting". The new standard requires that reportable segments are identified consistent with the internal information upon which the chief operating decision-maker (CODM) is allocating the resources and assessing the performance of the operating segments. The Group has identified the Executive Committee as the CODM. It reviews the segments Global Sourcing & Cocoa, Western Europe, Eastern Europe, Americas and Asia-Pacific. For the purpose of the consolidated financial statements, Western Europe and Eastern Europe were aggregated. Global Sourcing & Cocoa has in the old format of the segment reporting (IAS 14) been allocated to the regions. The prior-year figures have been restated accordingly. In addition to the operating segments, information for the following product groups is also disclosed: Cocoa Products, Food Manufacturer Products, Gourmet & Specialties Products and Consumer Products.

IAS 1 (Revised) – Presentation of Financial Statements (effective January 1, 2009)
The Group has opted to present a separate statement of comprehensive income in addition to the consolidated income statement. Furthermore, the standard includes non-mandatory changes of the titles of the financial statements. The Group has chosen the option to maintain the existing titles.

IAS 23 (Revised) – Borrowing Costs (effective January 1, 2009)
The revised standard eliminates the option of recognizing borrowing costs immediately as an expense, to the extent that they are directly attributable to the acquisition, construction or production of a qualifying asset. Capitalization of such directly attributable costs is now mandatory. This revised standard had no material impact on the Group's consolidated financial statements.

IAS 27 (Revised) – Consolidated and Separate Financial Statements (effective July 1, 2009)
The revised standard requires that effects of all transactions with non-controlling interest are to be recorded in equity if there is no change in control. These transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting treatment when control is lost. Any remaining interest in the entity is remeasured to fair value, and a gain or loss is recognized as a profit or loss. The Group has changed its accounting policy accordingly.

IFRIC 18 – Transfer of Assets from Customers (effective July 1, 2009)
This interpretation clarifies the circumstances in which the definition of an asset within the scope of IFRIC 18 is met, and how to recognize the asset and measure its cost on initial recognition. The Group will apply the interpretation to transactions which meet the respective criteria. As of August 31, 2010, no such transaction exists.

Improvements to IFRS (effective January 1/July 1, 2009)
Several standards have been modified on miscellaneous points. No material impacts on the Group's consolidated financial statements were identified.

The following standards and interpretations that became effective in fiscal year 2009/10 are not relevant to the Group's operations:
- IFRS 2 Amendment – Share-based payments, Vesting conditions and cancellation
- IAS 32 Amendment – Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements, puttable financial instruments and obligations arising on liquidation
- IAS 39 Amendment – Financial Instruments: Recognition and measurement, Eligible hedged items
- IFRIC 15 – Agreements for the construction of real estate
- IFRIC 16 – Hedges of a net investment in a foreign operation
- IFRIC 17 – Distributions of non-cash assets to owners
- Improvements to IFRS 2010

Amended International Financial Reporting Standards and Interpretations, not yet effective for the Group and not early adopted
The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after September 1, 2010, but the Group has not early adopted them:

IFRS 9 – Financial Instruments (effective January 1, 2013)
This standard introduces new requirements for the classification and measurement of financial assets. All recognized financial assets that are currently in the scope of IAS 39 will be measured at either amortized cost or fair value. The standard gives guidance on how to apply the measurement principles. A fair value option is available as an alternative to amortized cost measurement. All equity investments within the scope of IFRS 9 are to be measured on the consolidated balance sheet at fair value with the default recognition of gains and losses in profit or loss. Only if the equity instrument is not held for trading, an irrevocable election can be made at initial recognition to

measure it at fair value through other comprehensive income with only dividend income recognized in profit or loss. All derivatives within the scope of IFRS 9 are required to be measured at fair value. This includes derivatives that are settled by the delivery of unquoted equity instruments, however, in limited circumstances cost may be an appropriate estimate of fair value. The Group has not yet decided whether or not it will early adopt the standard. Thus, potential impacts on the Group's consolidated financial statements were not yet fully assessed.

Improvements for IFRS (effective January 1, 2010)

Several standards have been modified on miscellaneous points. They are not going to have a material impact to the Group's consolidated financial statements. The Group will apply these changes for the accounting period starting September 1, 2010.

Interpretations and amendments to existing standards, not yet effective and not relevant for the Group's operations

IFRS 2 – Share-based payments (effective January 1, 2010)

These amendments clarify the accounting for group-settled share-based payment transactions. In these arrangements, the subsidiary receives goods or services from employers or suppliers, but its parent or another entity in the group must pay those suppliers. An entity that receives goods or services in a share-based arrangement must account for those goods or services no matter which entity in the group settles the transaction and no matter whether the transaction is settled in shares or cash. The IASB additionally clarified that in IFRS 2 a "group" has the same meaning as in IAS 27 – Consolidated and Separate Financial Statements.

IAS 32 – Financial Instruments: Classification of rights issued (effective February 1, 2010)

Under the amendment rights, options and warrants otherwise meeting the definition of equity instruments in IAS 32 issued to acquire a fixed number of an entity's own non-derivative equity instruments for a fixed amount in any currency are classified as equity instruments provided the offer is made pro-rata to all existing owners of the same class of the entity's own non-derivative equity instruments.

IAS 24 – Related party disclosures (effective January 1, 2011)

The revised standard simplifies the disclosures requirements for entities that are controlled, jointly controlled or significantly influenced by a government and clarifies the definition of a related party. A reporting entity might be exempted from the general disclosure requirements set out in IAS 24 in relation to related party transactions and outstanding balances (including commitments), if certain requirements are met.

IFRIC 14 – Prepayments of a minimum funding requirement (effective January 1, 2011)

Under the amended IFRIC 14, if there is a minimum funding requirement for contributions relating to future service, the economic benefit available as a reduction in future contributions (and, therefore, the surplus that should be recognized as an asset) is comprised of: (a) any amount that reduces future minimum funding requirement contributions for future services because the entity made a prepayment; and (b) the estimated future service cost in each period less the estimated minimum funding requirement contributions that would be required for future service in that period if there were no prepayment of those contributions as described in (a).

IFRIC 19 – Extinguishing financial liabilities with equity instruments (effective July 1, 2010)

The interpretation addresses divergent accounting by entities issuing equity instruments in order to extinguish all or part of a financial liability (often referred to as debt-for-equity swaps). An entity should measure the equity instruments issued as extinguishment of the financial liability at their fair value on the date of extinguishment of the liability, unless the fair value is not reliably measureable.

Notes to the Consolidated Financial Statements

Changes in the scope of consolidation
The scope of consolidation has during the fiscal year 2009/10 changed as follows:

Acquisitions

Name and location of company acquired	Date of first consolidation	Acquired stake
Trade & Trade S.A., Spain	December 23, 2009	100%

Disposals

Name and location of company disposed	Date of deconsolidation	Disposed stake
none		

1. Acquisitions 2009/10

In fiscal year 2009/10, the following acquisitions/business combinations took place:

On December 23, 2009, the Group obtained control of Chocovic Group, a Spanish chocolate manufacturing group, by acquiring 100% of the shares and voting interests of Trade & Trade, S.A, Chocovic Group's ultimate parent. As a result of the acquisition, the Group is expected to further expand its core business with industrial and artisanal customers as well as its geographic presence, mainly in Southern Europe.

The following summarizes the major classes of consideration transferred:

in thousands of CHF	2009/10
Consideration	
Cash paid	23,374
Consideration offset with receivables from seller	16,870
Consideration deferred	15,835
Total consideration transferred	**56,079**

The deferred payments are contractually due at the first and fifth anniversary of the closing date. Most of the deferred payment is due short-term. The consideration due on the fifth anniversary of the closing shall be offset with indemnification claims by the Group. No pre-existing relationships were settled in this transaction.

The agreements with the seller do not contain arrangements for contingent considerations.

The Group expensed acquisition-related costs, such as fees for due diligence work and lawyers, of CHF 1.1 million over the course of the project immediately in the Consolidated Income Statement (included in General and administration expenses), of which CHF 0.7 million was recognized in the prior fiscal year.

in thousands of CHF	2009/10
Recognized amounts of identifiable assets acquired and liabilities assumed	
Cash and cash equivalents	2,218
Trade receivables and other assets	42,031
Inventories	8,684
Property, plant and equipment	6,786
Intangible assets	6,291
Deferred income tax assets	290
Bank overdrafts	(7,625)
Trade payables and other current liabilities	(20,247)
Deferred income tax liabilities	(1,012)
Other non-current liabilities	(6,166)
Total identifiable net assets	**31,250**
Goodwill	24,829
Total consideration at fair value	**56,079**

The goodwill of CHF 24.8 million arising from the acquisition is attributable to the skills and technical talents of Chocovic work force, synergies expected to be achieved from integrating the company into the Group's existing business and economies of scale expected from combining the operations of the Group and Chocovic Group. None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of trade receivables and other assets is CHF 42.0 million and includes trade receivables with a fair value of CHF 18.3 million. The gross contractual amount of trade receivables due is CHF 20.8 million, of which CHF 2.5 million is expected to be uncollectible.

The Group has not yet finished the valuation of the defined benefit obligations as the actuarial valuation reports were not yet available.

Contingent liabilities of CHF 2.7 million have been recognized for potential outflow of resources embodying economic benefits arising from past events. The liabilities have not been discounted as the settlement is expected to take place within 12 months. As of August 31, 2010, there has been no change in the amounts recognized at the acquisition date, as there has been no change in the range of outcomes or assumptions used to develop the estimates.

The selling shareholders have contractually agreed to indemnify Barry Callebaut for amounts that may become payable in respect of certain above-mentioned past events. An indemnification asset of CHF 0.8 million, equivalent to the fair value of the indemnified liability, has been recognized by the Group. The indemnification asset is deducted from consideration transferred for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognized for the indemnification asset as at August 31, 2010, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.

The revenue included in the Consolidated Income Statement since December 23, 2009, contributed by Chocovic Group, was CHF 42.5 million. Chocovic Group has also contributed profit of CHF 3.1 million over the same period.

Had Chocovic Group been consolidated from September 1, 2009, it would have contributed revenue of CHF 72.1 million and net profit for the year of CHF 4.4 million to the Consolidated Income Statement.

The initial accounting for the acquisitions of International Business Company (IBC) and the business from the Japanese confectionery Morinaga & Co. Ltd in the comparable period which were determined provisionally, have been completed in the meantime. The finalization of the purchase accounting of the Eurogran acquisition led to a minor adjustment of CHF 0.5 million from Goodwill to Brand names.

Notes

2008/09

In fiscal year 2008/09, the following acquisitions/business combinations took place:

International Business Company (IBC) BVBA

On October 1, 2008, the Group closed the transaction to acquire 100% of the share capital in IBC, a Belgian company active in the chocolate decoration market. The company mainly serves customers in the Group's Gourmet & Specialties business in Europe and was therefore integrated in the Food Service/Retail Business segment and the geographical Region Europe, respectively. Goodwill resulting from that transaction has also been allocated to those segments.

Morinaga Tsukaguchi factory

On December 1, 2008, the Group has acquired assets from the Japanese confectionary Morinaga & Co. Ltd and entered into a long-term supply agreement with Morinaga & Co. Ltd. Due to the substance of the acquisition agreement entered into with Morinaga, the Group has concluded that the acquisition qualifies as a business combination in the scope of IFRS 3. The business was subsequently integrated in the Group's Industrial Business segment and the geographical Region Asia-Pacific since the business does generate its sales solely in Asia. The accounting for the transaction has led to a negative goodwill which was immediately recognized in the Consolidated Income Statement.

Eurogran A/S

On June 1, 2009, the Group has closed the acquisition of the Danish beverage company Eurogran A/S with a subsidiary in United Kingdom. The Danish operations were integrated in the Group's beverage business. The business acquired serves customers in Europe, consequently it was integrated into the Group's Food Service/Retail segment and the geographical Region Europe, respectively. Goodwill resulting from this acquisition was allocated to the same segments as well.

Acquisitions

in thousands of CHF	Pre-acquisition carrying amounts 2008/09	Fair value adjustments 2008/09	Recognized values on acquisition 2008/09
Inventories	7,010	(985)	6,025
Trade receivables and other assets	9,758	(81)	9,677
Property, plant and equipment	16,795	1,209	18,004
Intangible assets	–	3,731	3,731
Other current liabilities and deferred income	(12,331)	(817)	(13,148)
Deferred tax, net	(610)	(1,872)	(2,482)
Other non-current liabilities	(6,227)	(57)	(6,284)
Fair value of assets and liabilities acquired	**14,395**	**1,128**	**15,523**
Goodwill on acquisition			24,890
Negative goodwill on acquisition			(1,502)
Consideration, recognized as current and non-current liability			(18,742)
Consideration, paid in cash[1]			**20,169**
Cash and cash equivalents less bank overdrafts (net) acquired			(2,657)
Cash outflow for acquisition of subsidiaries, net of cash and bank overdrafts acquired			**17,512**

1 Includes legal and consultancy fees of CHF 1.1 million

The goodwill amounting to CHF 24.9 million reflects the value of highly skilled staff, the immediate access to manufacturing resources, supply chain and profound knowledge of the regional market characteristics. The acquisitions allow the Group to leverage on these factors and use related synergies for its strategically targeted regional and business expansion path.

The negative goodwill recognized is related to the acquisition of the Tsukaguchi factory and is mainly the result of differences between the value at which property, plant and equipment were acquired and their fair value assessed by the Group and reflecting the business plan underlying the acquisition.

The effect of last year's acquisitions on the Group's sales were approximately CHF 42 million on net sales revenue and CHF 5.3 million on net profit from continuing operations. Had the acquisitions occurred on September 1, 2008, the Group's net sales revenue would have been approximately CHF 4,923 million and the net profit from continuing operations approximately CHF 229 million.

2. Disposals

Disposals in 2009/10

No subsidiaries were disposed of in 2009/10.

Disposals in 2008/09

Van Houten (Singapore) Pte Ltd

On February 28, 2009, Barry Callebaut has sold its Consumer Products subsidiary Van Houten (Singapore) Pte Ltd, domiciled in Singapore, to The Hershey Company and has also licensed the Van Houten brand name and trademarks to Hershey's for use in relation to the sale of consumer products in Asia-Pacific, the Middle East, and Australia/New Zealand.

The transaction resulted in a total gain of CHF 17.9 million (net of transaction costs).

in thousands of CHF	**2009/10**	2008/09
Current assets		3,907
Property, plant and equipment		5
Financial liabilities		(1,308)
Other liabilities		(2,447)
Net assets disposed of	**–**	**157**
Costs to sell		(628)
Profit/(loss) on current year's disposals		17,950
Total disposal consideration	**–**	**17,479**
Cash and cash equivalents and bank overdrafts (net) disposed of		(281)
Cash inflow on disposals	**–**	**17,198**

Notes

3. Segment information

External segment reporting is based on the internal organizational and management structure, as well as on the internal information reviewed regularly by the Chief Operating Decision Maker. Barry Callebaut's Chief Operating Decision Maker has been identified as the Executive Committee, consisting of the Group Chief Executive Officer, the Chief Financial Officer and the Presidents of the Regions Europe, Americas and Global Sourcing & Cocoa as well as the Chief Operating Officer and the Chief Innovation Officer.

Financial information by reportable segments

	Global Sourcing & Cocoa		Europe		Americas	
in thousands of CHF	**2009/10**	2008/09[1]	**2009/10**	2008/09[1]	**2009/10**	2008/09[1]
Revenues from external customers	962,596	748,899	3,041,943	3,056,318	998,173	901,075
Revenues from transactions with other operating segments of the Group	2,138,833	1,944,585	54,772	44,119	–	–
Net revenue	**3,101,429**	**2,693,484**	**3,096,715**	**3,100,437**	**998,173**	**901,075**
Operating profit (EBIT)	**54,476**	**52,516**	**268,762**	**252,578**	**92,452**	**86,282**
Depreciation and amortization	(20,773)	(20,006)	(55,331)	(58,841)	(15,676)	(14,636)
Impairment losses	–	(237)	–	(329)	–	–
Total assets	**1,538,286**	**1,426,612**	**1,443,612**	**1,520,697**	**593,921**	**574,141**
Additions to property, plant, equipment and intangible assets	(27,349)	(36,330)	(48,997)	(36,892)	(41,706)	(44,120)

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

The Executive Committee considers the business from a geographic view and, hence, Presidents were appointed for each region. Since the Group's sourcing and cocoa activities operate independently of the regions, the Global Sourcing & Cocoa business is reviewed by the Chief Operating Decision Maker as an own segment in addition to the geographical Regions Western Europe, Eastern Europe, Americas and Asia-Pacific. For the purpose of the consolidated financial statements, the Regions Western Europe and Eastern Europe were aggregated since the businesses are similar and meet the criteria for aggregation. Furthermore, the Executive Committee also views the Corporate function independently. The function Corporate consists mainly of headquarters services to other segments and does not generate revenues. Thus, the Group reports Corporate as a reconciling item between the segments and the consolidated figures.

The segment Global Sourcing & Cocoa is responsible for the procurement of ingredients for chocolate production (mainly cocoa; sugar, dairy and nuts are also common ingredients) and the Group's cocoa processing business. Most of the revenues of Global Sourcing & Cocoa are generated with the other segments of the Group. The business conducted in the regions consists of chocolate production for industrial customers, hotel, restaurants and cafeterias (gourmet business) and to a lesser extent, consumer products.

The revenues generated by Global Sourcing & Cocoa with other segments are conducted on an arm's length basis. For internal purposes, some of its operational profits are allocated to the regions which act as major customers of Global Sourcing & Cocoa.

	Asia-Pacific		Total Segments		Corporate		Eliminations		Group	
	2009/10	2008/09[1]	**2009/10**	2008/09[1]	**2009/10**	2008/09[1]	**2009/10**	2008/09[1]	**2009/10**	2008/09
	211,067	173,885	5,213,779	4,880,177	–	–	–	–	5,213,779	4,880,177
	–	–	2,193,605	1,988,704	–	–	(2,193,605)	(1,988,704)	–	–
	211,067	**173,885**	**7,407,384**	**6,868,881**	**–**	**–**	**(2,193,605)**	**(1,988,704)**	**5,213,779**	**4,880,177**
	20,908	**29,227**	**436,598**	**420,603**	**(66,187)**	**(69,850)**	**–**	**–**	**370,411**	**350,753**
	(5,262)	(6,870)	(97,042)	(100,352)	(3,247)	(5,021)	–	–	(100,289)	(105,374)
	–	–	–	(566)	–	–	–	–	–	(566)
	114,038	**116,077**	**3,689,857**	**3,637,527**	**661,502**	**626,282**	**(780,512)**	**(748,962)**	**3,570,847**	**3,514,847**
	(4,274)	(5,766)	(122,326)	(123,108)	(22,783)	(21,335)	–	–	(145,108)	(144,443)

Segment revenue, segment results (operating profit EBIT) and segment assets correspond to the Group's consolidated financial statements. Financial income and expense, the Group's interest in the profit of associates and joint ventures accounted by the equity method and income taxes are not allocated to the respective segment for internal management purposes. These items can be found below in the reconciliation of the EBIT to the net profit for the year.

The following table shows the reconciliation of EBIT to net income for the year as reported in the Consolidated Income Statement:

Reconciliation of EBIT to net profit for the year

in thousands of CHF	**2009/10**	2008/09
Operating profit	**370,411**	**350,753**
Financial income	2,021	5,904
Financial expense	(83,122)	(97,493)
Result from investments in associates and joint ventures	(225)	484
Profit before income taxes	**289,085**	**259,648**
Income taxes	(37,342)	(32,723)
Net profit for the year	**251,743**	**226,925**

Notes

Additional entity-wide disclosures

Information on geographical regions

The entity is domiciled in Switzerland; however, its major revenues are generated in other countries. The following table shows revenues and non-current assets excluding deferred tax assets and pension assets allocated to the entity's country of domicile and the major countries where the Group is generating revenues and/or to those countries where the non-current assets as defined above are material.

	Revenues		Non-current assets	
in thousands of CHF	**2009/10**	2008/09	**2009/10**	2008/09
United States	820,523	713,504	182,103	182,207
Germany	741,936	787,426	127,467	159,854
France	499,132	593,822	100,714	115,060
United Kingdom	492,403	508,588	30,120	33,245
Italy	342,025	341,827	24,630	27,198
Belgium	339,749	350,188	269,770	285,996
Switzerland	49,786	52,333	74,546	52,626
Other	1,928,225	1,532,489	534,010	509,956
Total	**5,213,779**	**4,880,177**	**1,343,360**	**1,366,142**

Information on product groups

The Group has numerous products that are sold to external customers. Therefore, for internal review by the Chief Operating Decision Maker, information on products is aggregated on a business level. The following table breaks down external revenues into product groups:

Segment information by product group

in thousands of CHF	**2009/10**	2008/09
Cocoa Products	962,596	748,901
Food Manufacturers Products	2,716,509	2,605,608
Gourmet & Specialties Products	707,636	619,028
Consumer Products	827,038	906,640
Revenues from external customers	**5,213,779**	**4,880,177**

No single external customer accounts for more than 10% of total consolidated revenues.

4. Personnel expenses

in thousands of CHF	2009/10	2008/09
Wages and salaries	(376,359)	(372,074)
Compulsory social security contributions	(89,679)	(92,430)
Equity-settled share-based payments	(5,716)	(11,577)
Expenses related to defined benefit plans	(15,607)	(12,671)
Contributions to defined contribution plans	(1,058)	(825)
Increase in liability for long service leave	(36)	(61)
Total personnel expenses	**(488,455)**	**(489,638)**

5. Research and development expenses

in thousands of CHF	2009/10	2008/09
Total research and development expenses	**(16,990)**	**(19,378)**

Research and development costs not qualifying for capitalization are directly charged to the Consolidated Income Statement and are reported under Marketing and sales expenses and General and administration expenses.

6. Other income

in thousands of CHF	2009/10	2008/09
Gain on disposal of property, plant and equipment	6,177	1,615
Group training centers, museums, outlets and rental income	3,799	3,522
Sale of shells of cocoa beans and waste	3,198	3,285
Litigations, claims and insurance	2,902	1,923
Release of unused provisions and accruals	1,678	837
Gain on disposal of subsidiaries (note 2)	–	17,950
Recognition of negative goodwill on acquisitions (note 1)	–	1,385
Other	2,702	3,840
Total other income	**20,456**	**34,357**

7. Other expenses

in thousands of CHF	2009/10	2008/09
Restructuring costs	(8,916)	(9,947)
Loss on sale of waste	(2,088)	(2,910)
Litigations and claims	(1,741)	(1,518)
Costs related to chocolate museums	(1,022)	(696)
Loss on sale of property, plant and equipment	(25)	(1,585)
Impairment on property, plant and equipment (note 15)	–	(566)
Other	(2,849)	(3,272)
Total other expenses	**(16,641)**	**(20,494)**

Notes

8. Financial income

in thousands of CHF	2009/10	2008/09
Interest income	2,021	3,883
Gains on derivative financial instruments	–	2,021
Total financial income	**2,021**	**5,904**

In prior year, gains on derivative financial instruments amounted to CHF 2.0 million and, among other, comprise the fair value change of the free-standing interest rate derivatives for 2008/09.

9. Financial expenses

in thousands of CHF	2009/10	2008/09
Interest expenses	(67,061)	(86,223)
Loss on derivative financial instruments	(6,664)	–
Structuring fees	(1,560)	(1,207)
Charges on undrawn portion of committed credit facilities	(1,485)	(1,709)
Total interest expenses	**(76,770)**	**(89,139)**
Bank charges and other financial expenses	(4,417)	(5,079)
Foreign exchange losses, net	(1,935)	(3,275)
Total financial expenses	**(83,122)**	**(97,493)**

Interest expenses include the net cost of interest rate swaps and result from paying fixed interest rates in exchange for receiving floating interest rates. Interest expenses for 2009/10 also include interest paid under the asset-backed securitization program for trade receivables of an amount of CHF 3.5 million (2008/09: CHF 3.9 million).

Loss on derivative financial instruments amounted to CHF 6.7 million and, among other, comprise the fair value change of the free-standing interest rate derivatives for 2009/10.

Structuring fee expenses are mainly attributable to the EUR 850 million Revolving Credit Facility and the EUR 350 million Senior Bond (see note 23) and represent the related amortization charges.

The charges on the undrawn portion of the committed EUR 850 million Revolving Credit Facility amount to CHF 1.5 million for 2009/10 (2008/09: CHF 1.7 million).

10. Income tax expenses

in thousands of CHF	**2009/10**	2008/09
Current income tax expenses	(46,801)	(32,312)
Deferred income tax income/(expenses)	9,459	(411)
Total income tax expenses	**(37,342)**	**(32,723)**

Reconciliation of income tax expenses

in thousands of CHF	**2009/10**	2008/09
Profit before income taxes	289,085	259,648
Expected income tax expenses at weighted average applicable tax rate	(48,996)	(49,705)
Non-tax deductible expenses	(3,492)	(3,550)
Tax deductible items not qualifying as an expense under IFRS	16,262	17,592
Tax exempt income	2,355	2,770
Income recognized for tax declarations purposes only	(1,392)	(1,684)
Prior period related items	(6,458)	1,439
Changes in tax rates	1,014	2,351
Losses carried forward not yet recognized as deferred tax assets	(5,221)	(7,929)
Tax relief on losses carried forward formerly not recognized as deferred tax assets	8,586	5,993
Total income taxes	**(37,342)**	**(32,723)**

For the reconciliation as above, the Group determines the expected income tax rate by weighting the applicable tax rates in the jurisdictions concerned based on the mix of the profit before taxes per jurisdiction, resulting for 2009/10 in a weighted average applicable tax rate of 16.95% (2008/09 : 19.14%).

The applicable expected tax rate per company is the domestic corporate income tax rate applicable to the profit before taxes of the company for fiscal year 2009/10. The decrease of the weighted average applicable tax rate is due to the more favorable company mix of the profit before taxes.

The tax relief on tax losses carried forward formerly not recognized as deferred tax assets amounts to CHF 8.6 million for the year 2009/10. The amount consists of CHF 4.6 million utilization of tax losses carried forward previously not recognized and CHF 4.0 million tax losses carried forward recognized as a deferred tax asset for the first time during the year 2009/10.

11. Earnings per share

in CHF	**2009/10**	2008/09
Basic earnings per share (CHF/share)	48.62	43.99
Diluted earnings per share (CHF/share)	48.47	43.85

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

in thousands of CHF	**2009/10**	2008/09
Net profit for the year attributable to ordinary shareholders, used as numerator for basic earnings per share	251,226	226,907
After-tax effect of income and expenses on dilutive potential ordinary shares	–	–
Adjusted net profit for the year used as numerator for diluted earnings per share	251,226	226,907

Notes

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

	2009/10	2008/09
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares held	2,978	11,981
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,167,022	5,158,019
Equity-settled share-based payments	16,196	16,944
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	5,183,218	5,174,963

12. Trade receivables and other current assets

as of August 31, in thousands of CHF	2010	2009
Trade receivables	314,636	349,416
Fair values of hedged firm commitments	98,651	42,534
Prepayments	72,063	28,713
Other current assets	7,915	8,966
Accrued income	4,123	2,760
Receivables from related parties	2	192
Other taxes and receivables from government	55,990	62,710
Loans and other receivables	34,000	29,556
Total trade receivables and other current assets	**587,380**	**524,847**

The Group runs an asset-backed securitization program, whereby trade receivables are sold at their nominal value minus a discount in exchange for cash. The net amount of the sold receivables is CHF 255.1 million as of August 31, 2010 (2009: CHF 262.4 million), and was derecognized from the balance sheet.

Aging of trade receivables

as of August 31, in thousands of CHF	2010	2009
Total trade receivables	334,650	372,008
Less impairment provision for trade receivables	(20,014)	(22,592)
Total trade receivables	**314,636**	**349,416**
Of which:		
Not overdue	269,092	276,232
Impairment provision for trade receivables not overdue	(144)	(653)
Past due less than 90 days	35,427	54,178
Impairment provision for trade receivables past due less than 90 days	(347)	(396)
Past due more than 90 days	30,131	41,598
Impairment provision for trade receivables past due more than 90 days	(19,523)	(21,543)
Total trade receivables	**314,636**	**349,416**

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

The individually impaired receivables mainly relate to customers, which are in difficult economic situations.

Movements in impairment provision for trade receivables

in thousands of CHF	2009/10	2008/09
as of September 1,	22,592	20,514
Additions	7,171	7,783
Amounts written of as uncollectible	(3,850)	(4,279)
Unused amounts reversed	(2,330)	(209)
Currency translation adjustment	(3,569)	(1,217)
as of August 31,	**20,014**	**22,592**

Based on historic impairment rates and expected performance of the customers' payment behavior, the Group believes that the impairment provision for trade receivables sufficiently covers the risk of default. Based on an individual assessment on the credit risks related with other receivables, the Group identified no need for an impairment provision. Details on credit risks can be found in note 26.

13. Inventories

as of August 31,	2010	2009
in thousands of CHF		
Cocoa bean stocks	369,758	436,754
Semi-finished and finished products	698,243	722,986
Other raw materials and packaging materials	118,230	134,805
Total inventories	**1,186,231**	**1,294,545**
Thereof stocks carried at fair value less costs to sell		
Cocoa bean stocks	351,064	420,179
Semi-finished and finished products	539,752	555,267
Other raw materials	50,998	58,219
Total stocks carried at fair value less costs to sell	**941,814**	**1,033,665**

Barry Callebaut applies the broker-trader exemption in accordance with IAS 2.5 for the Contract Business and therefore measures its Contract Business inventories at fair value less costs to sell. Barry Callebaut fulfills the requirement of a broker-trader as it holds inventories with the purpose of generating a profit from short-term fluctuations in price or dealer's margin. All commodities, including industrial chocolate, are valued based on the raw material prices at the balance sheet date.

In the Price List Business Barry Callebaut is committed to sell its products at a fixed price over a certain period of time, i.e. the period of validity of the respective price list. Inventories dedicated to the Price List Business are therefore measured at the lower of cost or net realizable value.

As of August 31, 2010, inventories amounting to CHF 19.1 million (2009: CHF 5.8 million) are pledged as security for financial liabilities.

In fiscal year 2009/10, inventory write-downs of CHF 4.8 million were recognized as expenses (2008/09: CHF 5.5 million).

Notes

14. Derivative financial instruments and hedging activities

	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
as of August 31,		**2010**		2009
in thousands of CHF				
Cash Flow Hedges				
Interest rate risk				
Swaps	–	7,030	–	7,731
Fair Value Hedges				
Sales price risk (Cocoa/other ingredients)				
Forward and futures contracts	41,175	13,290	17,782	40,852
Foreign exchange risk				
Forward and futures contracts	23,332	16,149	20,970	15,880
Other – no hedge accounting				
Raw materials				
Forward and futures contracts and other derivatives	256,285	267,420	162,334	58,528
Foreign exchange risk				
Forward and futures contracts	49,788	63,744	19,298	30,928
Interest rate risk				
Swaps	–	3,426	1,265	3
Total derivative financial assets	**370,580**		**221,649**	
Total derivative financial liabilities		**371,059**		**153,922**

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

For detailed information on fair value measurement refer to note 26, Fair Value – Hierarchy.

Effect of cash flow hedges on equity

	Interest rate risk	Total hedging reserve
in thousands of CHF		
as of August 31, 2008	**(1,219)**	**(1,219)**
Movements in the period:		
Gains/(losses) taken into equity	(6,380)	**(6,380)**
Transfer to the Consolidated Income Statement for the period	(22)	**(22)**
Taxes	2,566	**2,566**
Currency translation adjustment	63	**63**
as of August 31, 2009	**(4,992)**	**(4,992)**
Movements in the period:		
Gains/(losses) taken into equity	(6,465)	**(6,465)**
Transfer to the Consolidated Income Statement for the period	1,801	**1,801**
Taxes	1,585	**1,585**
Currency translation adjustment	1,084	**1,084**
as of August 31, 2010	**(6,987)**	**(6,987)**

Cash flow hedges

In the course of fiscal year 2009/10, the Group entered into interest rate derivatives (exchanging floating into fixed interest rates) according to the guidelines stipulated in the Group's Treasury Policy (refer to note 26). In order to avoid volatility in the income statement, the interest rate derivatives have been put in cash flow hedge relationship reflecting the underlying currency mix of the Group's debt portfolio. The following table provides an overview over the periods in which the cash flow hedges are expected to impact the Consolidated Income Statement (before taxes):

	First year	Second to fifth year	After five years	**Expected cash flows**	First year	Second to fifth year	After five years	**Expected cash flows**
as of August 31,				**2010**				2009
in thousands of CHF								
Derivative financial liabilities	(3,035)	(4,921)	555	**(7,401)**	(5,598)	(2,960)	–	**(8,558)**
Total net	**(3,035)**	**(4,921)**	**555**	**(7,401)**	**(5,598)**	**(2,960)**	**–**	**(8,558)**

Notes

Fair value hedges

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

For the fair value hedge relationship of the Contract Business, the Group also considers its related inventories carried at fair value less costs to sell as hedging instruments. Inventories held in accordance with the broker-trader exemption have essentially similar characteristics to a derivative financial instrument on commodities and therefore qualify as hedging instrument in accordance with Barry Callebaut's business model in the Contract Business. The amount of fair value adjustments to inventories on August 31, 2010, was CHF -78.1 million (2009: CHF 78.2 million).

All financial derivatives and the hedged items are marked at fair value. For fair value hedges, the Group recorded a loss on hedging instruments of CHF 92.8 million for fiscal year 2009/10 (2008/09: loss of CHF 49.0 million) and a gain on hedged items of CHF 92.8 million (2008/09: gain of CHF 49.0 million). The fair value at balance sheet date of the hedged firm commitments under the fair value hedge accounting model – being the related firm sales commitments in respect of sales price risk (including cocoa components and non-cocoa components, such as sweeteners, dairy and nuts) and the related sales and purchase contracts with respect to foreign currency risks – is outlined in the table hedged firm commitments below. The balance of these items at balance sheet date is presented under trade receivables and other current assets (see note 12) and trade payables and other current liabilities (see note 21), respectively.

Hedged firm commitments

in thousands of CHF	Assets	Liabilities	Assets	Liabilities
as of August 31,		**2010**		2009
Commodity price risk				
(cocoa and other ingredients) – sales contracts	91,406	41,174	40,852	95,979
Foreign exchange risk –				
sales and purchase contracts	7,245	581	1,682	5,593
Total fair value of hedged firm commitments	**98,651**	**41,755**	**42,534**	**101,572**

Other – no hedge accounting

This position contains the fair values of derivative financial instruments of the Group's purchasing and sourcing center and the Group's Treasury center, which are not designated for hedge accounting.

15. Property, plant and equipment

2009/10	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of August 31, 2009	606,490	1,408,051	144,002	40,546	2,199,089
Change in Group structure – acquisitions	80	5,595	275	836	6,786
Additions	12,241	50,624	7,517	48,876	119,258
Disposals	(26,520)	(17,188)	(2,441)	–	(46,149)
Currency translation adjustments	(63,213)	(146,098)	(17,327)	(3,733)	(230,371)
Reclassifications from under construction	2,100	20,720	1,361	(24,181)	–
Other reclassifications	189	30	(219)	–	–
as of August 31, 2010	**531,367**	**1,321,734**	**133,168**	**62,344**	**2,048,613**
Accumulated depreciation and impairment losses					
as of August 31, 2009	319,830	888,114	118,687	–	1,326,631
Depreciation charge	14,973	54,782	8,106	–	77,861
Disposals	(19,608)	(10,897)	(2,216)	–	(32,721)
Currency translation adjustments	(38,362)	(101,127)	(14,535)	–	(154,024)
Other reclassifications	861	(798)	(63)	–	–
as of August 31, 2010	**277,694**	**830,074**	**109,979**	**–**	**1,217,747**
Net as of August 31, 2010	**253,673**	**491,660**	**23,189**	**62,344**	**830,866**

Notes

2008/09	Land and buildings	Plant and machinery	Office equipment, furniture and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
as of August 31, 2008	621,747	1,338,885	147,117	125,532	2,233,281
Change in Group structure – acquisitions	1,883	15,972	149	–	18,004
Change in Group structure – disposals	–	–	(67)	–	(67)
Additions	20,589	58,976	7,111	26,638	113,314
Disposals	(159)	(15,676)	(2,342)	(9)	(18,186)
Currency translation adjustments	(43,818)	(87,844)	(9,421)	(6,174)	(147,257)
Reclassifications from under construction	7,747	97,427	267	(105,441)	–
Other reclassifications	(1,499)	311	1,188		–
as of August 31, 2009	**606,490**	**1,408,051**	**144,002**	**40,546**	**2,199,089**
Accumulated depreciation and impairment losses					
as of August 31, 2008	324,687	897,975	119,706	–	1,342,368
Change in Group structure – disposals	–	–	(62)	–	(62)
Depreciation charge	15,148	59,178	7,983	–	82,309
Impairment losses	–	559	7	–	566
Disposals	(73)	(13,524)	(2,249)	–	(15,846)
Currency translation adjustments	(19,206)	(56,201)	(7,297)	–	(82,704)
Other reclassifications	(726)	127	599	–	–
as of August 31, 2009	**319,830**	**888,114**	**118,687**	**–**	**1,326,631**
Net as of August 31, 2009	**286,660**	**519,937**	**25,315**	**40,546**	**872,458**

As required by the accounting standards, the Group periodically reviews the remaining useful lives of assets recognized in property, plant and equipment.

There was no impairment loss in property, plant and equipment in fiscal year 2009/10 (2008/09: CHF 0.6 million).

Repair and maintenance expenses for the fiscal year 2009/10 amounted to CHF 65.0 million (2008/09: CHF 61.9 million).

The fire insurance value of property, plant and equipment amounted to CHF 2,749.8 million as of August 31, 2010 (2009: CHF 2,866.9 million).

As of August 31, 2010, plant and equipment held under financial leases amounted to CHF 2.9 million (2009: CHF 0.2 million). The related liabilities are reported under short-term and long-term debt (see notes 20 and 23).

As of August 31, 2010, no financial liabilities were secured by means of mortgages on properties (2009: none).

16. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
as of August 31,	**2010**	2009	**2010**	2009
in thousands of CHF				
Amounts payable under finance leases				
within one year	673	40	637	35
in the second to fifth year inclusive	1,027	72	895	68
more than five years	457	–	359	–
Total amount payable under finance leases	**2,157**	**112**	**1,891**	**103**
Less: future finance charges	(266)	(9)	–	–
Present value of lease obligations	**1,891**	**103**	**1,891**	**103**
Amount due for settlement next 12 months (note 20)			637	35
Amount due for settlement after 12 months (note 23)			1,254	68

The Group entered into finance leasing arrangements for various assets. The weighted average term of finance leases entered into is 5.8 years (2008/09: 4.7 years). The average effective interest rate was 4.7% (2008/09: 3.2%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangement has been entered into for contingent rental payment.

	Net carrying amount of property, plant and equipment under finance lease	
as of August 31,	**2010**	2009
in thousands of CHF		
Land and buildings	1,286	–
Plant and machinery	936	74
Furniture, equipment and motor vehicles	696	172
Total assets under financial lease	**2,918**	**246**

17. Investments in associates and joint ventures

The carrying amount of investments in associates and joint ventures changed as follows:

in thousands of CHF	**2009/10**	2008/09
as of September 1 ,	4,038	3,528
Acquisition of associates and joint ventures	–	165
Share of (loss)/profit	(225)	484
Exchange differences	(334)	(139)
as of August 31,	**3,479**	**4,038**

The Group's investments in associates and joint ventures are attributable to the following companies:

Ownership in %	**2009/10**	2008/09
as of August 31,		
African Organic Produce AG, Switzerland	49	49
Biolands International Ltd, Tanzania	49	49
Shanghai Le Jia Food Service Co. Ltd, China	50	50
Pastelería Totel, S.L., Spain	20	20
Bombones y Chocolates Semar, S.L., Spain	20	20

Notes

Summarized financial information in respect of the Group's associates and joint ventures is set out below.

in thousands of CHF	**2010**	2009
Total current assets	12,584	17,157
Total non-current assets	6,334	6,291
Total current liabilities	13,187	16,230
Total non-current liabilities	2,943	2,845
Net assets as of August 31,	**2,788**	**4,373**
Group's share of net assets of associates and joint ventures	**3,479**	**4,038**

in thousands of CHF	**2009/10**	2008/09
Total revenue	34,143	33,799
Total profit for the period	(477)	708
Group's share of profits of associates and joint ventures	**(225)**	**484**

18. Intangible assets

2009/10 in thousands of CHF	Goodwill	Brand names	Development costs	Other	Total
At cost					
as of August 31, 2009	411,843	38,134	194,960	14,585	659,522
Change in Group structure – acquisitions	24,372	6,749	–	–	31,121
Additions	–	–	23,974	1,876	25,850
Disposals	–	–	(598)	–	(598)
Currency translation adjustments	(7,079)	(821)	(26,614)	(1,011)	(35,525)
as of August 31, 2010	**429,136**	**44,062**	**191,722**	**15,450**	**680,370**
Accumulated amortization and impairment losses					
as of August 31, 2009	–	26,335	132,899	6,604	165,838
Amortization charge	–	2,180	19,302	946	22,428
Disposals	–	–	(540)	–	(540)
Currency translation adjustments	–	(38)	(19,002)	(810)	(19,850)
as of August 31, 2010	**–**	**28,477**	**132,659**	**6,740**	**167,876**
Net as of August 31, 2010	**429,136**	**15,585**	**59,063**	**8,710**	**512,494**

2008/09	Goodwill	Brand names	Development costs	Other	Total
in thousands of CHF					
At cost					
as of August 31, 2008	397,446	36,691	174,211	13,301	621,649
Change in Group structure – acquisitions	24,796	3,251	–	–	28,047
Additions	–	–	30,611	518	31,129
Disposals	–	–	(61)	(231)	(292)
Currency translation adjustments	(10,399)	11	(9,934)	(689)	(21,011)
Other reclassifications	–	(1,819)	133	1,686	–
as of August 31, 2009	**411,843**	**38,134**	**194,960**	**14,585**	**659,522**
Accumulated amortization and impairment losses					
as of August 31, 2008	–	22,671	121,068	6,580	150,319
Amortization charge	–	3,846	18,769	450	23,065
Disposals	–	–	–	(231)	(231)
Currency translation adjustments	–	(3)	(6,998)	(314)	(7,315)
Other reclassifications	–	(179)	60	119	–
as of August 31, 2009	**–**	**26,335**	**132,899**	**6,604**	**165,838**
Net as of August 31, 2009	**411,843**	**11,799**	**62,061**	**7,981**	**493,684**

Additions to development costs amount to CHF 24.0 million in fiscal year 2009/10 (2008/09: CHF 30.6 million). In both years additions mainly included costs related to various projects of internally generated software. Furthermore, costs related to recipes and innovations of CHF 2.5 million were capitalized as development costs.

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

Impairment testing for cash-generating units containing goodwill

The carrying amount of goodwill for the Group amounts to CHF 429.1 million (2008/09: CHF 411.8 million). The allocation to the segments is as follows:

as of August 31,	**2010**
in million of CHF	
Global Sourcing & Cocoa	149.5
Western Europe	248.9
Americas	25.2
Asia-Pacific	5.5
Total	**429.1**

The Group has reorganized its internal reporting to better reflect its organizational structure and the Company's strategic goal to expand its activities in high-growth countries in order to increase its global presence. As a result, there have been changes in the composition of cash-generating units (CGU) to which goodwill has been allocated and hence, to the external segment reporting. Goodwill had to be reallocated to the newly determined CGUs at which goodwill is monitored for internal management purposes.

Notes

The goodwill impairment testing was based on the new CGUs and the related assumptions. The testing for the previous year was not re-performed. The allocation of goodwill had been made in respect of business segments in prior years and was as follows:

as of August 31,	2009
in million of CHF	
Cocoa	149.4
Food Manufactures	77.9
Gourmet & Specialties	128.6
Consumer	55.9
Total	**411.8**

Goodwill acquired in a business combination is allocated to the respective segment that is expected to benefit from the synergies of the combination, at acquisition date. The segments represent the lowest level within the entity at which the goodwill is monitored for internal management purposes. Due to the Group's fully integrated business in the regions, the segments are identified as the lowest level of identifiable cash inflows. Thus, the impairment test is performed on a segment level.

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

The Group performs its impairment test during the fourth quarter of the fiscal year. This approach was chosen since the Mid-Term Plan covering the next three fiscal years is updated annually at the beginning of the fourth quarter. The Mid-Term Plan is based on the assumption that there are no major changes to the Group's organization. The residual value is calculated from an estimated continuing value, which is primarily based on the third year of the Mid-Term Plan. The terminal growth rate used for determining the residual value does not exceed the expected long-term growth rate of the industry.

Key assumptions used for value-in-use calculations

2010	Discount rate	Terminal growth rate
Global Sourcing & Cocoa	9.5%	1.5%
Western Europe	9.3%	1.0%
Americas	10.7%	0.9%
Asia-Pacific	9.5%	3.8%

2009	Discount rate	Terminal growth rate
Cocoa	10.0%	2.0%
Food Manufactures	9.0%	2.0%
Gourmet & Specialties	9.0%	2.0%
Consumer	9.0%	2.0%

Based on the impairment tests, no need for recognition of impairment losses in fiscal year 2009/10 has been identified.

The key sensitivities in the impairment test are the WACC as well as the terminal growth rate. Therefore, the Group has carried out a sensitivity analysis, containing various scenarios. Taking reasonable possible changes in key assumptions into account, no impairment losses have been revealed.

19. Deferred tax assets and liabilities

Movement in deferred tax assets and liabilities

in thousands of CHF	Invento-ries	Property, plant, equipment/ intangible assets	Other assets	Provisions	Other liabilities	Tax loss carry-forwards	Total
as of August 31, 2008	(10,247)	(39,153)	(7,930)	111	3,690	34,406	(19,123)
Charged to the income statement	2,540	(8,967)	1,475	(13,123)	4,525	13,139	(411)
Charged to equity	–	–	–	–	2,566	–	2,566
Effect of acquisitions	–	(2,406)	–	129	(205)	–	(2,482)
Effect of disposals	–	–	–	–	–	(46)	(46)
Currency translation effects	472	5,024	528	(57)	(866)	(2,142)	2,959
as of August 31, 2009	**(7,235)**	**(45,502)**	**(5,927)**	**(12,940)**	**9,710**	**45,357**	**(16,537)**
Charged to the income statement	5,032	(7,262)	(6,221)	13,401	(1,035)	5,544	9,459
Charged to equity	–	–	–	–	1,585	–	1,585
Effect of acquisitions	–	(1,697)	(110)	–	1,085	–	(722)
Currency translation effects	159	5,722	109	684	(1,877)	(5,942)	(1,145)
as of August 31, 2010	**(2,044)**	**(48,739)**	**(12,149)**	**1,145**	**9,468**	**44,959**	**(7,360)**

The effect of acquisitions for fiscal year 2009/10 is related to the fair value measurement at acquisition of Chocovic.

Recognized deferred tax assets and liabilities

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

	Assets	Liabilities	Net	Assets	Liabilities	Net
as of August 31,			2010			2009
in thousands of CHF						
Inventories	5,077	(7,121)	(2,044)	1,140	(8,375)	(7,235)
Property, plant & equipment/ intangible assets	14,344	(63,083)	(48,739)	17,344	(62,846)	(45,502)
Other assets	7,746	(19,895)	(12,149)	11,699	(17,626)	(5,927)
Provisions	1,176	(31)	1,145	980	(13,920)	(12,940)
Other liabilities	19,690	(10,222)	9,468	18,594	(8,885)	9,710
Tax loss carry-forwards	44,959	–	44,959	45,357	–	45,357
Tax assets/(liabilities)	**92,992**	**(100,352)**	**(7,360)**	**95,114**	**(111,652)**	**(16,537)**
Set-off of tax	(41,631)	41,631	–	(43,196)	43,196	–
Reflected in the balance sheet	**51,361**	**(58,721)**		**51,918**	**(68,455)**	

Notes

Tax loss carry-forwards excluded from recognition of related deferred tax assets

Tax loss carry-forwards not recognized as deferred tax assets have the following expiry dates:

as of August 31,	**2010**	2009
in thousands of CHF		
Expiry		
Within 1 year	189	8,278
After 1 up to 2 years	1,549	2
After 2 up to 3 years	2,396	2
After 3 up to 10 years	58,716	56,955
After 1 0 years	213,353	222,547
Unlimited	284,981	340,577
Total unrecognized tax losses carried forward	**561,184**	**628,361**

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

Tax losses carried forward utilized during the year 2009/10 were CHF 41.7 million (2008/09: CHF 28.5 million). The tax relief hereon amounted to CHF 12.8 million, of which CHF 8.2 million were already recognized as a deferred tax asset in the year before (2008/09: CHF 8.4 million of which CHF 4.0 million were already recognized as a deferred tax asset in the year before).

As of August 31, 2010, the Group had unutilized tax losses carried forward of approximately CHF 711.5 million (August 31, 2009: CHF 775.0 million) that are available for offset against future taxable income.

Of the total tax losses carried forward, an amount of CHF 150.3 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 45.0 million (2008/09: CHF 146.7 million recognized resulting in a deferred tax asset of CHF 45.4 million).

20. Bank overdrafts and short-term debt

	Carrying amounts		Fair values	
as of August 31,	**2010**	2009	**2010**	2009
in thousands of CHF				
Bank overdrafts	**13,466**	**29,338**	**13,466**	**29,338**
Commercial Paper	69,570	194,699	69,570	194,699
Short-term bank debts	105,157	27,775	105,157	27,775
Short-term portion of long-term bank debts (note 23)	552	342	552	342
Interest-bearing loans from employees	22	34	22	34
Finance lease obligations (note 16)	637	35	637	35
Short-term debt	**175,938**	**222,885**	**175,938**	**222,885**
Bank overdrafts and short-term debt	**189,404**	**252,223**	**189,404**	**252,223**

The decrease in the outstanding amount under the Group's domestic Commercial Paper Program is partially offset by an increase of the drawn amounts under the Revolving Credit Facility (note 23).

Short-term financial liabilities are mainly denominated in EUR, XAF and BRL as shown in the table below:

Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
as of August 31,			2010			2009[1]
EUR	102,363	0.57%	5.90%	208,227	0.50%	6.00%
GBP	–	n/a	n/a	6,213	0.45%	1.33%
USD	4,685	0.26%	2.00%	12,543	0.41%	3.26%
BRL	12,518	4.50%	4.50%	–	n/a	n/a
XAF	63,980	5.00%	6.00%	280	5.00%	6.00%
MYR	2,921	3.62%	4.00%	22,077	2.34%	2.73%
Other	2,937	0.13%	5.50%	2,883	0.13%	6.50%
Total	**189,404**	**0.13%**	**6.00%**	**252,223**	**0.13%**	**6.50%**

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

as of August 31,	2010	2009
in thousands of CHF		
Split fixed/floating interest rate:		
Fixed rate	1,003	529
Floating rate	188,401	251,694
Total bank overdrafts and short-term debt	**189,404**	**252,223**

21. Trade payables and other current liabilities

as of August 31,	2010	2009[1]
in thousands of CHF		
Trade payables	460,442	427,371
Fair value of hedged firm commitments (note 14)	41,755	101,572
Related parties	3,531	2,609
Accrued wages and social security	75,854	88,351
Other taxes and payables to governmental authorities	19,752	16,366
Accrued expenses	52,586	69,083
Deferred income	3,141	10,868
Liability put option over existing non-controlling interest	31,188	–
Other payables	81,288	116,220
Total trade payables and other current liabilities	**769,537**	**832,440**

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

As disclosed in notes 9 and 12, the Group participates in a program where receivables are sold to a financial institution and derecognized from the balance sheet. Amounts payable to the financial institution amounted as of August 31, 2010 to CHF 22.8 million (2009: CHF 32.9 million), consisting of the balance of receivables collected before the next roll-over date of CHF 44.2 million (2009: CHF 58.8 million), less discounts on receivables sold of CHF 21.4 million (2009: CHF 25.9 million). These amounts are included in other payables.

Other payables also consist of outstanding ledger balances with commodity brokers.

The seller of the in 2007/08 acquired stake in Barry Callebaut Malaysia Sdn Bhd (BCM), KL-Kepong Industrial Holdings Sdn Bhd, has a put option (CHF 31.2 million) exercisable between the second and the fifth anniversary of the closing of the acquisition of BCM (i.e. April 30, 2008), which, if exercised, would require Barry Callebaut to purchase the remaining 40% of BCM. The put exercise price is fixed in USD. The agreement gives Barry Callebaut a call option, exercisable in the identical time frame, to acquire the remaining 40% of the shares at fair value. The call option has a fair value close to zero.

Notes

22. Provisions

2009/10	Restruc-turing	Litigation & claims	Other	Total
in thousands of CHF				
Balance as of August 31, 2009	10,467	3,834	6,652	20,953
Change in Group structure -acquisition	500	775	3,439	4,714
Additions	4,435	574	4,666	9,675
Usage	(7,920)	(648)	(2,582)	(11,150)
Release of unused provisions	(61)	(165)	–	(226)
Currency translation adjustments	(1,235)	(385)	(927)	(2,547)
as of August 31, 2010	**6,186**	**3,985**	**11,248**	**21,419**
of which:				
Current	5,846	3,395	6,317	15,558
Non-current	340	590	4,931	5,861

2008/09	Restruc-turing	Litigation & claims	Other	Total
in thousands of CHF				
Balance as of August 31, 2008	525	4,930	4,066	9,521
Change in Group structure -acquisition	–	–	494	494
Additions	10,079	1,071	5,039	16,189
Usage	–	(2,073)	(2,652)	(4,725)
Release of unused provisions	–	(156)	–	(156)
Reclassification	(133)	133	–	–
Currency translation adjustments	(4)	(71)	(295)	(370)
as of August 31, 2009	**10,467**	**3,834**	**6,652**	**20,953**
of which:				
Current	10,249	3,135	3,367	16,751
Non-current	218	699	3,285	4,202

Restructuring
During fiscal year 2009/10, CHF 7.9 million of restructuring provisions have been used (2008/09: none).

Litigation & claims
The amount includes provisions for certain litigations and claims that have been set up to cover legal and administrative proceedings that arise in the ordinary course of business. In management's opinion, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any significant loss beyond the amounts provided as of August 31, 2010.

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

23. Long-term debt

	Carrying amounts		Fair values	
as of August 31,	**2010**	2009	**2010**	2009
in thousands of CHF				
Senior notes	442,394	519,987	461,524	484,412
Long-term bank debts	256,406	207,790	256,406	207,790
Less current portion (note 20)	(552)	(342)	(552)	(342)
Interest-bearing loans from employees	14	790	14	790
Finance lease obligation (note 16)	1,254	68	1,254	68
Total long-term debt	**699,516**	**728,293**	**718,646**	**692,718**

On July 13, 2007, the Group issued a 6% Senior Note with maturity in 2017 for an amount of EUR 350 million. The Senior Note has been issued at a price of 99.005%, and include a coupon step-up clause of 0.25% (limited to 1.00%) per downgraded notch by one or more rating agencies. It ranks completely pari passu with the Group's EUR 850 million Revolving Credit Facility. The Senior Notes being issued by Barry Callebaut Services NV are guaranteed by Barry Callebaut AG and certain of its subsidiaries.

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

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

as of August 31,	**2010**	2009
in thousands of CHF		
2010/11	–	3,102
2011/12	5,013	3,125
2012/13	247,413	196,833
2013/14	3,303	3,895
2014/15 and thereafter (for 2008/09)	349	521,338
2015/16 and thereafter (for 2009/10)	443,438	–
Total long-term debt	**699,516**	**728,293**

The weighted average maturity of the total debt decreased from 4.5 years to 3.5 years. Considering that the short-term debt is fully covered with the committed Revolving Credit Facility, the average maturity of the total debt stands at 4.9 years from a liquidity point of view.

Notes

Long-term financial liabilities are to a major extent denominated in EUR and at fixed interest rates. The part of the long-term debt reported at floating interest rates relates to the drawings on the syndicated facility in EUR and CAD.

Split per currency	Amount	Interest range		Amount	Interest range	
as of August 31,		from	to		from	to
in thousands of CHF			**2010**			2009
EUR	572,151	0,97%	6.14%	520,485	4.00%	6.14%
CAD	115,552	1.10%	1.58%	116,792	1.26%	1.30%
MYR	8,763	3.62%	4.00%	10,871	2.88%	3.85%
USD	–	n/a	n/a	79,995	0.96%	0.96%
BRL	2,700	4.50%	4.50%	–	n/a	n/a
Other	350	4.00%	6.80%	150	5.00%	7.00%
Total long-term debt	**699,516**	**0.97%**	**6.80%**	**728,293**	**0.96%**	**7.00%**

as of August 31,	**2010**	2009
in thousands of CHF		
Split fixed/floating interest rate:		
Fixed rate	447,148	522,842
Floating rate	252,368	205,451
Total long-term debt	**699,516**	**728,293**

24. Employee benefit obligations

A. Pension and other long-term employment benefit plans

The Group has, apart from the legally required social security schemes, numerous independent pension plans. In most cases, these plans are externally funded in vehicles that are legally separate from the Group. For certain Group companies, however, no independent assets exist for defined benefit pension plans and other long-term employment plans. In these cases, the related liability is included in the balance sheet.

The amounts recognized in the balance sheet are determined as follows:

	Defined benefit pension plans		Other long-term employment benefit plans	
as of August 31,	**2010**	2009	**2010**	2009
in thousands of CHF				
Present value of funded obligations	229,610	202,666	–	–
Fair value of plan assets	(144,177)	(151,719)	–	–
Excess of liabilities (assets) of funded obligations	**85,433**	**50,947**	**–**	**–**
Present value of unfunded obligations	66,538	69,089	19,325	19,988
Net unrecognized actuarial gains (losses)	(65,136)	(17,790)	(1,231)	106
Net employee benefit obligations recognized in the balance sheet	**86,835**	**102,246**	**18,094**	**20,094**
thereof recognized as an asset	(185)	(361)	–	–
thereof recognized as a liability	87,020	102,607	18,094	20,094

The changes in the present value of the defined benefit obligations are as follows:

	Defined benefit pension plans		Other long-term employment benefit plans	
in thousands of CHF	**2009/10**	2008/09	**2009/10**	2008/09
Opening defined benefit obligation	**271,757**	**279,363**	**19,987**	**21,186**
Current service cost	8,820	9,404	788	883
Past service cost	368	488	–	–
Interest cost	14,972	15,267	736	626
Actuarial losses (gains)	42,978	514	3,074	884
Losses (gains) on curtailment	(756)	–	(10)	(170)
Exchange differences on foreign plans	(25,016)	(16,318)	(2,992)	(1,174)
Benefits paid	(16,975)	(16,961)	(2,258)	(2,248)
Closing defined benefit obligation	**296,148**	**271,757**	**19,325**	**19,987**
thereof funded obligations	229,610	202,666	–	–
thereof unfunded obligations	66,538	69,089	19,325	19,987

The movement in the fair value of plan assets is as follows:

	Defined benefit pension plans		Other long-term employment benefit plans	
in thousands of CHF	**2009/10**	2008/09	**2009/10**	2008/09
Opening fair value of plan assets	**151,719**	**167,121**	**–**	**–**
Expected return	8,447	10,025	–	–
Actuarial gains (losses)	(6,527)	(18,191)	–	–
Contributions by employer	6,911	7,214	–	–
Contributions by employees	3,261	3,232	–	–
Exchange differences on foreign plans	(9,094)	(7,597)	–	–
Benefits paid	(10,540)	(10,085)	–	–
Closing fair value of plan assets	**144,177**	**151,719**	**–**	**–**

Composition of plan assets

	Defined benefit pension plans	
as of August 31,	**2010**	2009
in thousands of CHF		
Equities	53,021	66,510
Bonds	25,883	18,957
Cash and other assets	65,273	66,252
Total fair value of plan assets	**144,177**	**151,719**

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

Notes

The amounts recognized in profit or loss are as follows:

	Defined benefit pension plans		Other long-term employment benefit plans	
in thousands of CHF	**2009/10**	2008/09	**2009/10**	2008/09
Current service costs	8,820	9,404	788	883
Interest on obligation	14,972	15,267	736	626
Expected return on plan assets	(8,447)	(10,025)	–	–
Net actuarial losses (gains) recognized in year	576	(740)	1,821	170
Past service cost	368	488	–	–
Losses (gains) on curtailments and settlements	(756)	–	(10)	(170)
Contributions by employees	(3,261)	(3,232)	–	–
First-time recognition of pension assets	–	–	–	–
Total defined benefit expenses	**12,272**	**11,162**	**3,335**	**1,509**
Actual return on plan assets	**1,918**	**(8,167)**		

The service cost for 2010/11 are expected to amount to CHF 8.3 million. The expected return on plan assets is based on market expectations and composition of plan assets.

in thousands of CHF	**2009/10**	2008/09
Total defined contribution expenses	**1,058**	**825**

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

in thousands of CHF	**2009/10**	2008/09
Cost of goods sold	(7,380)	(6,302)
Marketing and sales expenses	(1,255)	(594)
General and administration expenses	(5,494)	(4,130)
Research and development expenses	(389)	(310)
Other income	(8)	697
Other expenses	(1,081)	(2,032)
Total defined benefit expenses recognized in income statement	**(15,607)**	**(12,671)**

Weighted average assumptions used

	Defined benefit pension plans		Other long-term employee benefit plans	
in %	**2009/10**	2008/09	**2009/10**	2008/09
Discount rate	4.1%	6.2%	4.0%	6.0%
Expected return on plan assets	5.7%	5.9%	–	–
Expected rate of salary increase	1.1%	0.7%	2.1%	1.5%
Medical cost trend rates	–	–	5.0%	5.0%

Additional historical information

	Defined benefit plans			
in thousands of CHF	**2009/10**	2008/09	2007/08	2006/07
Present value of defined benefit obligations	315,473	291,744	300,549	323,740
Fair value of plan assets	(144,177)	(151,719)	(167,121)	(182,024)
Funding deficit of the plans	**171,296**	**140,025**	**133,428**	**141,716**
Experience adjustments arising from plan liabilities	(17,719)	(9,427)	6,573	5,151
Experience adjustments arising from plan assets	(6,529)	(18,191)	(15,018)	(338)

The significant increase of the funding deficit of the defined benefit plans has significantly been influenced by the sharp decrease of the discount rates used to determine the present value of the defined benefit obligations. The long-term interest rates for the local currencies in which the defined benefit plans are expressed were at a historically low level on the closing date of the fiscal year 2009/10 and have recovered significantly afterwards. Therefore, the funding deficit as per August 31, 2010 and the movement in comparison to prior year 2008/09 should be interpreted with the necessary prudence.

B. Equity compensation benefits

Employee Stock Ownership Program

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

The fair value of the shares granted is measured at the market price at grant date. 15,260 shares were granted in fiscal year 2009/10 (15,007 shares in 2008/09). The fair value of the shares at grant date is recognized over the vesting period as a personnel expense. For 2009/10 the amount recognized (before taxes) was CHF 5.7 million with a corresponding increase in equity (2008/09: CHF 11.6 million). The average fair value for the shares granted during the fiscal year 2009/10 amounted to CHF 581 (2008/09: CHF 518).

25. Equity

Share capital

as of August 31,	**2010**	2009	2008
in thousands of CHF			
Share capital is represented by 5,170,000 authorized and issued shares of each CHF 38.20 fully paid in (in 2009: 50.70; in 2008: 62.20)	**197,494**	**262,119**	321,574

The issued share capital is divided into 5,170,000 registered shares with a nominal value of CHF 38.20 each (CHF 50.70 as of August 31, 2009). All of the issued shares are fully paid and validly issued and are not subject to calls for additional payments of any kind.

Instead of a dividend, the Annual General Meeting held on December 8, 2009, resolved a share capital reduction and repayment of CHF 12.50 per share resulting in a total share capital reduction of CHF 64.6 million (December 2008: capital reduction and repayment of CHF 11.50 per share resulting in a total share capital reduction of CHF 59.5 million). The respective repayment took place in March 2010.

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

Notes

Treasury shares are valued at weighted average cost and, in accordance with IFRS, have been deducted from equity. The fair value of the treasury shares as of August 31, 2010, amounted to CHF 3.3 million (2009: CHF 4.0 million).

As of August 31, 2010, the number of outstanding shares amounted to 5,165,239 (2009: 5,163,068) and the number of treasury shares to 4,761 (2009: 6,932). During this fiscal year, 9,174 shares have been purchased, 10,845 transferred to employees under the Employee Stock Ownership Program and 500 sold (2008/09: 14,212 purchased and 23,734 transferred). In prior year, no treasury shares have been sold.

Retained earnings

As of August 31, 2010, retained earnings contain legal reserves of CHF 42.7 million (2009: CHF 57.0 million), which are not distributable to the shareholders pursuant to Swiss law.

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

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

Movements of non-controlling interest

in thousands of CHF	**2009/10**	2008/09
as of September 1,	589	392
Non-controlling share of profits / (losses)	517	18
Changes in ownership interest in subsidiaries		
SIC Cacaos SA	–	300
Dividends paid to non-controlling shareholders	(120)	(68)
Currency translation adjustment	(104)	(53)
as of August 31,	**882**	**589**

26. Financial risk management

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

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

The Group manages its business based on the following two business models:

– *Contract Business:* Sales contracts for industrial, gourmet or consumer chocolate, where Barry Callebaut has entered into contracts with customers to deliver fixed quantities at fixed prices. These contractually fixed prices are generally based on the forward market prices of the raw material components valid at the contract date for the forward delivery date, at which the chocolate is planned to be delivered to the customers.

– *Price List Business:* Barry Callebaut sets price lists for certain gourmet and consumer products. These price lists are normally updated at intervals of six to twelve months. Customers buy products based on the issued price lists without fixed commitments on quantities.

Commodity price risks

The Group's purchasing and sourcing center operates as an integral part of the Group but also acts as a broker-trader in the sense that it makes sourcing and risk management decisions for the raw materials based on market expectations, separate from the manufacturing business and its third party sales commitments. Its objectives are to generate profits from fluctuations in commodity prices or broker-trader margins. Additionally, the manufacturing of the Group's products requires raw materials such as cocoa beans, sweeteners, dairy, nuts, oil and fats. Therefore, the Group is exposed to price risks relating to the trading business as well as to the sale of chocolate.

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's policy is to hedge its chocolate price risk which consists of the price risk of cocoa and other commodities such as milk, sugar and nuts for open sales contracts of industrial chocolate (Contract Business). It uses commodity futures, commodity forward contracts and inventories to manage price risks associated with firm sales commitments of industrial chocolate (Contract Business). The related accoun-t-ing treatment is explained in the section "Summary of Accounting Policies" under the caption "Derivative financial instruments and hedging activities".

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

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

In order to quantify and manage the Group's consolidated exposure to commodity price risks, the concept of historical VaR is applied. The VaR concept serves as the analytical instrument for assessing the Group's commodity price risk incurred under normal market conditions. The VaR indicates the loss which, within a time horizon of 10 days for raw materials, will not be exceeded at a confidence level of 95% using 7 years of historical market prices for each major raw material component. The VaR is complemented through the calculation of the expected shortfall and worst cases as well as the use of stress test scenarios. However, liquidity and credit risks are not included in the calculation and the VaR is based on a static portfolio during the time horizon of the analysis. The GCRC breaks down the Group VaR limit into a VaR limit for the Sourcing unit as well as limits in metric tonnes for the other risk reporting units. The Board of Directors is the highest approval authority for all Group Commodity Risk Management (GCRM) matters and approves the GCRM Policy as well the Group VaR limit.

The VaR framework of the Group is based on the standard historical VaR methodology; taking 2,000 days (equivalent to 7 years) of the most recent prices, based on which the day-to-day relative price changes are calculated. This simulation of past market conditions is not predicting the future movement in commodity prices. Therefore, it does not represent actual losses. It only represents an indication of the future commodity price risks. As of August 31, 2010, the Group had a VaR of CHF 10.8 million (2009: CHF 8.2 million) well within the Group limit. The nominal exposure to commodity price risks is shown under contractual maturities.

Notes

Foreign currency risks

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

All risks related to foreign currency exposures of assets and liabilities, certain unrecognized firm commitments and highly probable forecasted purchases and sales are centralized within the Group's In-house Bank, where the hedging strategies are defined.

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

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

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

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

Net foreign currency exposures

as of August 31,			2010			2009
Net exposure in thousands of	EUR	GBP	USD	EUR	GBP	USD
Functional currency						
EUR		(1,524)	(446)		(12,005)	6,340
CHF	(533)	(486)	309	(1,007)	(145)	1,094
CAD				(97)		1,936
USD	5			(472)		
BRL			1,266			(328)
SGD			154			(229)
CNY	(613)		(681)	(577)		99
MYR	(310)	(390)	562	(117)	(1,317)	53
RUB	699		(1,346)	(104)		(2,362)
Total	**(752)**	**(2,400)**	**(182)**	**(2,374)**	**(13,467)**	**6,603**

In order to quantify and manage the Group's consolidated exposure to foreign currency risks, the concept of historical VaR has been implemented for 2009/10. The VaR concept serves as the analytical instrument for assessing the Group's foreign currency risk incurred under normal market conditions. The VaR indicates the loss, which, within a time horizon of 1 day, will not be exceeded at a confidence level of 95% using 7 years of historical market prices for each major currency pair. The VaR is complemented with the calculation of the expected shortfall and worst cases. The VaR is based on static exposures during the time horizon of the analysis. The simulation of past market conditions is not predicting the future movement in foreign currency rates. Therefore, it does not represent actual losses. It only represents an indication of future foreign currency risks. As of August 31, 2010, the Group had a VaR of CHF 0.1 million (2009: CHF 0.3 million).

as of August 31,	**2010**	2009
Value at Risk on net exposures in thousands of CHF		
Total for the Group and per main exposure currencies		
Total Group	**97**	**333**
CHF	17	196
EUR	83	143
USD	24	78
GBP	26	158
Others	37	91
Diversification Effect	48%	50%

Interest rate risks

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

It is the Group's policy to manage its interest cost using an optimal mix of fixed and floating rate debt. This optimal mix is primarily determined by the level of the Group's interest cover ratio and is achieved by entering into interest rate derivative instruments, in which it exchanges fixed and floating interest rates.

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

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

Notes

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

as of August 31, in thousands of CHF	2010	2009
Fixed interest bearing items		
Carrying amount of financial liabilities	448,151	523,371
Reclassification due to interest rate derivative	245,572	310,939
Net fixed interest position	**693,723**	**834,310**
Floating interest bearing items		
Carrying amount of financial assets	(18,110)	(37,862)
Carrying amount of financial liabilities	440,769	457,145
Reclassification due to interest rate derivative	(245,572)	(310,939)
Net floating interest position	**177,087**	**108,344**

Sensitivity analysis on interest rate risks

The following table shows the impact of a parallel shift of interest rates by 100 basis points (BP) up and 25 BP down on the Group's equity and income statement, net of tax. Due to lower interest rates, the underlying assumptions for the sensitivity analysis have been aligned with prevailing market circumstances. The calculation is performed on both, the portion of the outstanding debt (excluding the asset-backed securitization program; see notes 9 and 12) at floating interest rates and the outstanding derivatives exchanging floating into fixed interest rates at the respective year-end. This sensitivity analysis only indicates the potential impact for the respective fiscal year at the prevailing conditions in the financial markets. Consequently, it does not represent actual or future gains or losses, which are strictly managed and controlled, as clearly indicated in the Group's Treasury Policy.

as of August 31,	2010				2009			
Impact on in thousands of CHF	Income statement		Equity		Income statement		Equity	
	100 BP increase	25 BP decrease	100 BP increase	25 BP decrease	100 BP increase	25 BP decrease	100 BP increase	25 BP decrease
Floating rate bearing items	(3,076)	769	–	–	(3,145)	786	–	–
Interest rate swaps	2,366	(608)	8,039	(2,123)	1,834	(478)	4,646	(1,202)
Total interest rate sensitivity	**(710)**	**161**	**8,039**	**(2,123)**	**(1,311)**	**308**	**4,646**	**(1,202)**

Credit risk and concentration of credit risk

Credit risk, i.e. the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. As of August 31, 2010, the largest customer represents 10% (2009: 4%) whereas the 10 biggest customers represent 26% (2009: 18%) of trade receivables. Due to the diverse geographic and large customer base, the Group has no material credit risk concentration.

The extent of the Group's credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements, if any, with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 750.4 million as of August 31, 2010 (2009: CHF 649.3 million). The Group has insured certain credit risks through a credit insurance policy. Selected number of customers with significant outstanding amounts are covered by that policy.

Liquidity risk

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

Contractual maturities

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

as of August 31, 2010	In the first year	In the second to the fifth year	After five years	**Contractual amount**
in thousands of CHF				
Non derivative financial liabilities				
Bank overdrafts	(13,466)			**(13,466)**
Short-term debt	(175,938)			**(175,938)**
Trade payables	(463,973)			**(463,973)**
Long-term debt	(30,646)	(372,780)	(504,730)	**(908,156)**
Other liabilities	(240,916)			**(240,916)**
Derivatives				
Interest rate derivatives	(4,883)	(6,887)	555	**(11,215)**
Currency derivatives				
Inflow	5,620,356	56,847		**5,677,203**
Outflow	(5,630,801)	(57,511)		**(5,688,312)**
Commodity derivatives				
Inflow	1,372,061	12,440		**1,384,501**
Outflow	(1,346,632)	(1,389)		**(1,348,021)**
Total net	**(914,838)**	**(369,280)**	**(504,175)**	**(1,788,293)**

as of August 31, 2009	In the first year	In the second to the fifth year	After five years	**Contractual amount**
in thousands of CHF				
Non derivative financial liabilities				
Bank overdrafts	(29,338)			**(29,338)**
Short-term debt	(222,885)			**(222,885)**
Trade payables	(429,980)			**(429,980)**
Long-term debt	(33,650)	(342,030)	(626,272)	**(1,001,952)**
Other liabilities	(260,848)			**(260,848)**
Derivatives				
Interest rate derivatives	(6,322)	(1,923)		**(8,245)**
Currency derivatives				
Inflow	3,603,658	24,660		**3,628,318**
Outflow	(3,609,846)	(24,829)		**(3,634,675)**
Commodity derivatives				
Inflow	1,075,900	212,750		**1,288,650**
Outflow	(1,244,561)	(122,193)		**(1,366,754)**
Total net	**(1,157,872)**	**(253,565)**	**(626,272)**	**(2,037,709)**

Notes

Fair value of financial instruments

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

as of August 31, 2010	Loans and receivables	Fair value through profit and loss – trading[1]	Financial liabilities at amortized cost	Available for sale	Derivatives used in hedging	**Total carrying amount**	Fair value
in thousands of CHF							
Cash equivalents	17,360					17,360	17,360
Short-term deposits	750					750	750
Trade receivables	314,638					314,638	314,638
Derivative financial assets		306,073			64,507	370,580	370,580
Other assets	46,650			432		47,082	47,082
Total Assets	**379,398**	**306,073**		**432**	**64,507**	**750,410**	**750,410**
Bank overdrafts			13,466			13,466	13,466
Short-term debt			175,938			175,938	175,938
Trade payables			463,973			463,973	463,973
Derivative financial liabilities		334,590			36,469	371,059	371,059
Long-term debt			699,516			699,516	718,646
Other liabilities			240,916			240,916	240,916
Total Liabilities		**334,590**	**1,593,809**		**36,469**	**1,964,868**	**1,983,998**

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

as of August 31, 2009	Loans and receivables	Fair value through profit and loss – trading[1]	Financial liabilities at amortized cost	Available for sale	Derivatives used in hedging	**Total carrying amount**	Fair value
in thousands of CHF							
Cash equivalents	33,993					33,993	33,993
Short-term deposits	2,137					2,137	2,137
Trade receivables	349,608					349,608	349,608
Derivative financial assets		182,897			38,752	221,649	221,649
Other assets[2]	41,440			512		41,952	41,952
Total Assets	**427,178**	**182,897**		**512**	**38,752**	**649,339**	**649,339**
Bank overdrafts			29,338			29,338	29,338
Short-term debt			222,885			222,885	222,885
Trade payables			429,980			429,980	429,980
Derivative financial liabilities		89,459			64,463	153,922	153,922
Long-term debt			728,293			728,293	692,718
Other liabilities[2]			260,848			260,848	260,848
Total Liabilities		**89,459**	**1,671,344**		**64,463**	**1,825,266**	**1,789,691**

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

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

Fair Value – Hierarchy

As of September 1, 2009, the fair value measurements of financial assets and liabilities are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: The fair value is based on unadjusted, quoted prices in active markets which gives the best possible objective indication for the fair value of a financial asset or liability. The assets and liabilities included in this fair value hierarchy mainly consist of commodity futures.

Level 2: The estimation of the fair value is based on the results of a valuation model. The valuation model for commodity derivatives includes quoted prices in active markets, recent arm's length transactions or dealer and supplier quotes adjusted for the specific characteristics of the underlying commodities such as the cost of carry, differentials for the properties and conversion yields. Corroborated market data is used for the valuation of foreign exchange and interest rate derivatives.

Level 3: The valuation models used are based on parameters and assumptions not observable on the market.

The following table summarizes the use of level with regard to financial assets and liabilities:

as of August 31, 2010	Level 1	Level 2	Level 3	**Total**
in thousands of CHF				
Derivative financial assets	13,100	357,480	–	**370,580**
Derivative financial liabilities	3,383	367,676	–	**371,059**

There have been no transfers between the levels during the fiscal year 2009/2010.

Notes

Capital management

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

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

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

27. Related parties

The following shareholders hold a participation of more than 3% of the issued share capital of the Group's ultimate parent Barry Callebaut AG:

as of August 31,	**2010**	2009
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.21%
Renata Jacobs	8.48%	8.48%
Nicolas and Philippe Jacobs[1]	6.14%	6.14%
Nathalie Jacobs	3.07%	3.07%

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

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

in thousands of CHF	Nature of cost/revenue	**2009/10**	2008/09
Sales to related parties		**173**	**476**
Pastelería Totel, S.L.	Revenue from sales and services	173	476
Purchases from related parties		**(11,424)**	**(9,554)**
African Organic Produce AG	Cost of goods sold	(11,424)	(9,554)
Operating expenses charged by related parties		**(7,692)**	**(8,746)**
Jacobs Holding AG	Management services	(1,650)	(1,678)
Adecco Group	Human resources services	(5,940)	(6,886)
Pastelería Totel, S.L.	Management services		(13)
Biolands International Ltd	Management services		(67)
Other		(102)	(102)
Trade receivables from related parties		**2**	**192**
Jacobs Holding AG		2	2
Adecco Group		–	4
Pastelería Totel, S.L.		–	186
Trade payables to related parties		**3,531**	**2,609**
Jacobs Holding AG		310	316
Adecco Group		1,282	1,144
African Organic Produce AG		1,882	1,097
Biolands International Ltd		–	33
Other		57	19

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

Compensation of key management personnel

The key management personnel are defined as the Board of Directors and the Executive Committee Key management compensation consists of the following:

in million of CHF	2009/10	2008/09
Short-term employee benefits	8.2	7.1
Post-employment benefits	1.5	0.6
Share-based payments	4.2	8.5
Total	**13.9**	**16.2**

Further details related to the requirements of the Swiss Transparency law (Art. 663b[bis] and 663c Swiss Code of Obligations) are disclosed in note 6 in the Financial Statements of Barry Callebaut AG.

28. Commitments and contingencies

Capital commitments

as of August 31, in thousands of CHF	2010	2009
Property, plant and equipment	1,047	153
Intangible assets	2,747	964
Total capital commitments	**3,794**	**1,117**

Operating lease commitments

Operating lease commitments represent rentals payable by the Group for certain vehicles, equipment, buildings and offices. Equipment and vehicle leases were negotiated for an average term of 3.6 years (2008/09: 3.0 years).

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

as of August 31, in thousands of CHF	2010	2009
In the first year	13,697	14,173
In the second to the fifth year	37,096	37,237
After five years	28,517	33,989
Total future operating lease commitments	**79,310**	**85,399**

in thousands of CHF	2009/10	2008/09
Lease expenditure charged to the income statement	14,274	13,921

Notes

Contingencies

Group companies are involved in various legal actions and claims as they arise in the ordinary course of the business. Provisions have been made, where quantifiable, for probable outflows. In the opinion of the management, 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. Group companies

The principal subsidiaries of Barry Callebaut as of August 31, 2010, are the following:

Country	Subsidiary	Ownership in %	Currency	Capital
Switzerland	Barry Callebaut Sourcing AG	100	CHF	2,000,000
	Barry Callebaut Schweiz AG	100	CHF	4,600,000
	Chocolat Alprose SA	100	CHF	7,000,000
Belgium	Barry Callebaut Services N.V.	100	EUR	615,000,000
	Barry Callebaut Belgium N.V.	100	EUR	62,700,000
	International Business Company Belgium BVBA	100	EUR	65,000
	Pierre Iserentant SA	100	EUR	260,908
Brazil	Barry Callebaut Brasil SA	100	BRL	26,114,993
Cameroon	Société Industrielle Camerounaise des Cacaos SA	78.35	XAF	1,147,500,000
	SEC Cacaos SA	100	XAF	10,000,000
Canada	Barry Callebaut Canada Inc.	100	CAD	2,000,000
China	Barry Callebaut Suzhou Chocolate Ltd	100	USD	27,000,000
	Barry Callebaut Suzhou Chocolate R&D Center	100	USD	2,000,000
Côte d'Ivoire	Société Africaine de Cacao SACO SA	100	XAF	25,695,651,316
	Barry Callebaut Négoce SA	100	XAF	3,700,000,000
Czechia	Barry Callebaut Czech Republic s.r.o.	100	CZK	200,000
Denmark	Barry Callebaut Danmark APS	100	DKK	125,000
	Eurogran A/S	100	DKK	3,000,000
Ecuador	Barry Callebaut Ecuador SA	100	USD	50,000
France	Barry Callebaut Manufacturing France SAS	100	EUR	6,637,540
	Barry Callebaut France SAS	100	EUR	50,000,000
	Barry Callebaut Manufacturing Bourgogne SAS	100	EUR	2,000,000
Germany	Barry Callebaut Deutschland GmbH	100	EUR	51,129
	Van Houten GmbH & Co KG	100	EUR	15,338,756
	C.J. van Houten & Zoon Holding GmbH	100	EUR	72,092,155
	Van Houten Beteiligungs AG & Co KG	100	EUR	99,975,000
	Stollwerck GmbH	100	EUR	20,500,000
	Stollwerck Schokoladenvertriebs GmbH	100	EUR	7,184,000
	Van Houten Beteiligungs GmbH	100	EUR	25,000
	Schloss Marbach GmbH	100	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd	100	USD	9,204,219
Great Britain	Barry Callebaut Manufacturing (UK) Ltd	100	GBP	15,467,852
	Barry Callebaut UK Ltd	100	GBP	3,200,000
	Barry Callebaut Vending UK Ltd	100	GBP	40,000
Hong Kong	Van Houten (Asia Pacific) Ltd	100	HKD	2
India	Barry Callebaut India	100	INR	10,000,000
Italy	Barry Callebaut Italia S.p.A.	100	EUR	104,000
	Barry Callebaut Manufacturing Italy Srl.	100	EUR	2,646,841
	Dolphin Srl.	100	EUR	110,000
Japan	Barry Callebaut Japan Ltd	100	JPY	1,260,000,000
Malaysia	Barry Callebaut Malaysia Sdn Bhd	60	MYR	36,000,000
	Selbourne Food Services Sdn Bhd	60	MYR	2,000,000
Mexico	Barry Callebaut Mexico Distributors SA de CV	100	MXN	117,196,530
	Barry Callebaut Servicios SA de CV	100	MXN	50,000
	Barry Callebaut Mexico, S. de RL de CV	100	MXN	13,027,200

Country	Subsidiary	Ownership in %	Currency	Capital
Poland	Barry Callebaut Manufacturing Polska Sp. z o.o.	100	PLN	10,000,000
	Barry Callebaut Polska Sp. z o.o.	100	PLN	50,000
Russia	Barry Callebaut Netherlands Russia LLC	100	RUB	1,046,463,481
	Gor Trade LLC	100	RUB	685,000,000
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd	100	SGD	83,856,669
Spain	Barry Callebaut Ibérica SL	100	EUR	25,000
	Barry Callebaut Pastry Manufacturing Ibérica SL	80	EUR	300,000
	Chocovic S.A.	100	EUR	987,600
Sweden	Barry Callebaut Sweden AB	100	SEK	100,000
	Eurogran Nordic AB	100	SEK	100,000
The Netherlands	Barry Callebaut Nederland B.V.	100	EUR	21,435,000
	Luijckx B.V.	100	EUR	18,242
	Hoogenboom Benelux BV	100	EUR	18,152
	Dings Décor B.V.	70	EUR	22,689
Turkey	Barry Callebaut Eurasia Gida Sanayi VE Ticaret Ltd Sti	100	TRL	40,000
USA	Barry Callebaut Cocoa USA Inc.	100	USD	7,663
	Barry Callebaut North America Holding Inc.	100	USD	100,001,000
	Barry Callebaut USA LLC.	100	USD	100,190,211

Barry Callebaut has some dormant companies which are not enclosed as principal subsidiaries, for example Barry Callebaut Belgium Consumer NV, Van Houten Service AG, Barry Callebaut Holding (UK) Ltd, Adis Holding Inc., Barry Callebaut USA Holding, Inc., Omnigest SAS, Alliance Cacao SA

Notes

30. Risk assessment disclosure required by Swiss Law

Group Risk Management

Barry Callebaut's Group Risk Management (GRM) is a corporate function responsible for implementing and managing all Group Risk Functions including the Enterprise Risk Management (ERM) under the direction and as approved by the Audit, Finance, Risk, Quality and Compliance Committee (AFRQCC) of the Board of Directors. The Group's ERM Framework is designed to create an aggregate view on all existing major risks, enabling the Group to systematically evaluate, prioritize and control the Group's risk portfolio. The ERM is based on the framework of the Committee for Sponsoring Organizations (COSO) and classifies risks into major five risk categories: Strategic, Market, Financial Reporting, Operating and Compliance/Legal Risks. The Group's ERM is multidimensional in the form, that risks are identified, assessed and controlled not only directly from the legal entity but also from specialized Corporate Functions such as Quality Assurance, Sourcing and Cocoa, Group Finance and Treasury, Operations & Supply Chain Organization (OSCO), Information Management, Global Human Resources, Innovations and Research and Development and Group Insurance and supervised by the GRM. Risk assessments are the responsibility of line management but overseen and controlled by GRM. Thus, issues and risks on all levels can be identified, addressed and mitigated efficiently and effectively.

The results of the Group ERM are presented to the AFRQCC quarterly or immediately in the event of an emergency individual risk issue.

Financial risk management is described in more detail in note 26.

31. Subsequent events

The Consolidated Financial Statements were authorized for issue by the Board of Directors on November 2, 2010, and are subject to approval by the Annual General Meeting of Shareholders on December 7, 2010.

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Report of the Statutory Auditor on the Consolidated Financial Statements to the General Meeting of Shareholders of

Barry Callebaut AG, Zurich

As statutory auditor, we have audited the accompanying consolidated financial statements of Barry Callebaut AG, which comprise the income statement, statement of comprehensive income, balance sheet, cash flow statement, statement of changes in equity and notes on page 56 to 112 for the year ended August 31, 2010.

Board of Directors' Responsibility

The board of directors is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) and the requirements of Swiss law. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards as well as International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements for the year ended August 31, 2010 give a true and fair view of the financial position, the results of operations and the cash flows in accordance with International Financial Reporting Standards (IFRS) and comply with Swiss law.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of consolidated financial statements according to the instructions of the board of directors.

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

KPMG AG

Roger Neininger	Marc Ziegler
Licensed Audit Expert	*Licensed Audit Expert*
Auditor in Charge	

Zurich, November 2, 2010

5-Year Overview

Key Figures Barry Callebaut Group		CAGR(%)[14]	2009/10	2008/09	2007/08	2006/07	2005/06[15]
Consolidated Income Statement							
Sales volume	Tonnes	7.5%	1,305,280	1,213,610	1,166,007	1,059,200	976,661
Sales revenue	CHF m	8.9%	5,213.8	4,880.2	4,815.4	4,106.8	3,713.2
EBITDA[1]	CHF m	4.6%	470.7	456.1	443.7	427.1	392.5
Operating profit (EBIT)	CHF m	5.9%	370.4	350.8	341.1	324.0	295.0
Net profit from continuing operations[2]	CHF m	7.3%	251.7	226.9	209.1	207.0	189.7
Net profit for the year	CHF m	8.2%	251.7	226.9	205.5	124.1	183.5
Cash flow[3]	CHF m	7.1%	457.8	418.1	434.3	406.8	347.9
EBIT/sales revenue	%		7.1%	7.2%	7.1%	7.9%	7.9%
EBIT per tonne	CHF	(1.5%)	283.8	289.1	292.5	305.9	302.0
Balance Sheet							
Total assets	CHF m	6.2%	3,570.8	3,514.8	3,729.5	3,186.7	2,811.8
Net working capital[4]	CHF m	1.2%	964.9	1,010.1	1,037.1	883.9	920.9
Non-current assets	CHF m	4.4%	1,405.8	1,432.2	1,423.7	1,211.3	1,184.9
Net debt	CHF m	(1.0%)	870.8	942.7	1,041.2	930.2	906.9
Shareholders' equity[5]	CHF m	6.8%	1,302.3	1,255.6	1,175.9	1,059.1	999.2
Capital expenditure[6]	CHF m	6.1%	145.1	144.4	249.9	153.1	114.7
Ratios							
Economic Value Added (EVA)	CHF m	8.8%	147.7	129.9	126.3	122.9	105.4
Return on invested capital (ROIC)[7]	%		14.8%	13.9%	14.0%	14.3%	13.7%
Return on equity (ROE)	%		19.6%	18.1%	17.7%	19.5%	19.0%
Debt to equity ratio	%		66.9%	75.1%	88.5%	87.8%	90.8%
Solvency ratio[8]	%		36.5%	35.7%	31.5%	33.2%	35.5%
Interest coverage ratio[9]		2.3%	5.8	5.0	4.8	5.1	5.3
Net debt/EBITDA		(4.7%)	1.9	2.1	2.3	2.2	2.3
CAPEX/sales revenue	%		2.8%	3.0%	5.2%	3.7%	3.1%
Shares							
Share price at fiscal year-end	CHF	6.4%	703	574	724	873	548
EBIT per share (issued)	CHF	5.8%	71.6	67.8	66.0	62.7	57.1
Basic earnings per share[10]	CHF	7.3%	48.6	44.0	40.4	40.2	36.7
Cash earnings per share[11]	CHF	7.3%	88.6	81.1	83.9	78.6	66.9
Payout per share[12]	CHF	7.5%	14.0	12.5	11.5	11.5	10.5
Payout ratio	%		29%	28%	28%	29%	29%
Price-earnings ratio at year-end[13]		(0.8%)	14.4	13.0	17.9	21.7	14.9
Market capitalization at year-end	CHF m	6.4%	3,631.9	2,967.6	3,743.1	4,510.8	2,833.2
Number of shares issued		0.0%	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total capital repayment	CHF m	11.8%	64.6	59.5	59.5	54.3	41.4
Other							
Employees		1.8%	7,550	7,525	7,281	7,592	7,028
Beans processed	Tonnes	6.9%	569,875	541,847	471,149	442,378	435,825
Chocolate & compound production	Tonnes	5.9%	1,053,906	971,951	947,387	885,372	838,940

1 EBIT + depreciation of property, plant and equipment + amortization of intangible assets
2 Net profit from continuing operations (including non-controlling interest)
3 Operating cash flow before working capital changes
4 Includes current assets and liabilities related to commercial activities and current provisions
5 Total equity attributable to the shareholders of the parent company
6 Capital expenditure for property, plant and equipment and intangible assets (excl. acquisitions)
7 EBIT x (1-effective tax rate)/average capital employed
8 Total equity attributable to the shareholders of the parent company/ total assets
9 EBITDA/net financial expense
10 Based on the net profit for the year attributable to the shareholders of the parent company/ basic shares outstanding
11 Operating cash flow before working capital changes/basic shares outstanding
12 Par value reduction instead of a dividend; 2009/10 as proposed by the Board of Directors to the Annual General Meeting
13 Share price at year-end/basic earnings per share
14 Compound annual growth rate
15 Certain comparatives have been restated or reclassified to conform to the current period's presentation

Contents

Income Statement

for the fiscal year ended August 31,	2009/10	2008/09
in CHF		
Income		
Dividend income	130,870,000	110,000,000
Financial income	9,769,770	7,661,120
License income	40,259,531	38,513,363
Management fees	21,556,186	22,510,824
Other income	8,885,175	15,466,509
Total income	**211,340,662**	**194,151,816**
Expenses		
Personnel expenses	(28,139,426)	(33,478,497)
Financial expenses	(14,432,489)	(13,290,633)
Depreciation of property, plant and equipment	(588,538)	(770,364)
Amortization of intangible assets	(3,055,936)	(12,702,883)
License expenses	–	(570,990)
Unrealized loss on treasury shares	(2,119)	(439,966)
Other expenses	(25,940,834)	(26,888,636)
Total expenses	**(72,159,342)**	**(88,141,969)**
Profit before taxes	**139,181,320**	**106,009,847**
Income taxes	(2,095,374)	(922,490)
Net profit for the year	**137,085,946**	**105,087,357**

Retained earnings

in CHF	2009/10	2008/09
Retained earnings as of September 1,	956,043,024	841,902,604
(Increase) decrease of reserve for treasury shares	1,422,174	8,990,434
Capital reduction on treasury shares	5,763	62,629
Net profit	137,085,946	105,087,357
Retained earnings as of August 31,	**1,094,556,907**	**956,043,024**

Balance Sheet

Assets

as of August 31, in CHF	2010	2009
Current assets		
Cash and cash equivalents	32,841	42,523
Treasury shares	3,188,572	4,172,899
Accounts receivable from Group companies	16,196,438	25,990,075
Short-term loans granted to Group companies	425,308	19,357
Other current assets	2,820,819	2,537,091
Total current assets	**22,663,978**	**32,761,945**
Non-current assets		
Property, plant and equipment	1,243,716	1,562,389
Financial assets		
Investments	1,853,772,715	1,723,177,978
Intangible assets		
Trademarks	7,753,946	6,514,687
Patents/Product development costs	2,861,710	2,016,984
Other	912,163	543,806
Total non-current assets	**1,866,544,250**	**1,733,815,844**
Total assets	**1,889,208,228**	**1,766,577,789**

Liabilities and shareholders' equity

as of August 31, in CHF	2010	2009
Current liabilities		
Bank overdrafts	5,832	–
Accounts payable to third parties	1,925,783	5,055,923
Accounts payable to Group companies	10,795,931	5,385,251
Accounts payable to shareholders	309,605	316,011
Short-term loans from Group companies	405,887,809	359,149,996
Accrued liabilities	16,193,986	15,559,877
Accrued taxes	1,828,291	1,316,449
Total liabilities	**436,947,237**	**386,783,507**
Shareholders' equity		
Share capital[1]	197,494,000	262,119,000
Legal reserves	157,019,393	157,019,393
Reserve for treasury shares	3,190,691	4,612,865
Retained earnings	1,094,556,907	956,043,024
Total shareholders' equity	**1,452,260,991**	**1,379,794,282**
Total liabilities and shareholders' equity	**1,889,208,228**	**1,766,577,789**

1 The share capital as of August 31, 2010, consists of 5,170,000 fully paid-in shares at a nominal value of CHF 38.20 (August 31, 2009: CHF 50.70)

Notes to the Financial Statements

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

The Company is a co-debtor for bank loans of max. EUR 850 million (CHF 1,098.6 million; 2008/09: CHF 1,293.7 million) obtained by Barry Callebaut Services N.V., Belgium, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 1,094.6 million less 35% withholding tax). Furthermore, the Company is also a co-debtor for the Senior Notes of EUR 350 million (CHF 452.4 million; 2008/09: CHF 532.7 million) issued by Barry Callebaut Services N.V., Belgium. Additionally, the Company issued several corporate guarantees for various credit facilities granted to direct and indirect subsidiaries for an amount of up to CHF 773.7 million (2008/09: CHF 713.9 million).

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

2. Fire insurance value of property, plant and equipment

as of August 31,	**2010**	2009
in CHF		
Fire insurance value of property, plant and equipment	6,800,000	5,200,000

3. Investments

Name and domicile	Share capital		Purpose	Percentage of investment	
as of August 31,				**2010**	2009
ADIS Holding Inc., Panama	CHF	41,624,342	Dormant	100%	100%
Barry Callebaut Belgium N.V., Belgium	EUR	62,700,000	Production, Sales	99.99%	99.99%
Barry Callebaut Nederland B.V., The Netherlands	EUR	21,435,000	Holding	100%	100%
Barry Callebaut Nigeria Ltd, Nigeria	NGN	10,000,000	Sales	1%	1%
Barry Callebaut Schweiz AG, Switzerland	CHF	4,600,000	Production, Sales	100%	100%
Barry Callebaut Services N.V.,[1] Belgium	EUR	615,000,000	In-house Bank	99.99%	99.99%
Barry Callebaut Sourcing AG, Switzerland	CHF	2,000,000	Sourcing	100%	100%
BC Belgium Consumer N.V., Belgium	EUR	61,500	Dormant	99.99%	99.99%
Chocolat Alprose SA, Switzerland	CHF	7,000,000	Production, Sales	100%	100%
C.J. Van Houten & Zoon Holding GmbH, Germany	EUR	72,092,155	Holding	100%	100%
Luijckx B.V., The Netherlands	EUR	18,242	Production, Sales	100%	100%
Schloss Marbach GmbH Germany	EUR	1,600,000	Conference and Training Center	100%	100%
Van Houten Service AG, Switzerland	CHF	100,000	Dormant	100%	100%

1 In 2009/10 share capital was increased by EUR 86,290,000.

Investments are stated at cost less any provision for impairment.

4. Treasury shares

The Company holds 4,761 treasury shares as of August 31, 2010 (2009: 6,932). In 2009/10, the Company bought 9,174 shares at an average price of CHF 652.65 per share (2008/09: 14,212 shares at an average price of CHF 619.80) and transferred 10,845 shares at an average price of CHF 652.91 per share (2008/09: 23,734 shares transferred at an average price of CHF 749.94). Furthermore, the Company sold 500 treasury shares at an average price of CHF 613.50 (2008/09: none). As of August 31, 2010, the treasury shares have been valued at average price of CHF 669.73 per share (2008/09: average price of CHF 601.98 per share).

5. Significant shareholders

as of August 31,	**2010**	2009
Jacobs Holding AG, Zurich, Switzerland	50.11%	50.21%
Renata Jacobs	8.48%	8.48%
Nicolas and Philippe Jacobs[1]	6.14%	6.14%
Nathalie Jacobs	3.07%	3.07%

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

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

Remuneration of key management[1] for the fiscal year 2009/10

in thousands of CHF

Board of Directors (BoD)	Compen-sation fix	Compen-sation variable	Other compen-sation[2]	Number of shares[3]	Value of shares[4]	**Total remunera-tion 09/10**	**Total remunera-tion 08/09**
Andreas Jacobs Chairman/Delegate	325.0	–	–	360	208.8	**533.8**	**480.3**
Andreas Schmid Vice Chairman Member of the AFRQCC[5]	160.0	–	53.5	180	104.4	**317.9**	**376.7**
Rolando Benedick Member of the NCC[6]	105.0	–	23.8	180	104.4	**233.2**	**208.2**
James L. Donald Member of the NCC	112.5	–	–	180	104.4	**216.9**	**222.3**
Markus Fiechter[7] Member of the AFRQCC	–	–	–	–	–	–	-–
Stefan Pfander Chairman of the NCC	135.0	–	–	180	104.4	**239.4**	**204.8**
Urs Widmer Chairman of the AFRQCC	127.5	–	23.2	180	104.4	**255.1**	**210.5**
Total remuneration Board of Directors	**965.0**	–	**100.5**	**1,260**	**730.8**	**1,796.3**	**1,702.8**
Remuneration Executive Committee[8]	**3,528.1**	**3,474.0**	**1,555.3**	**10,150**	**5,887.0**	**14,444.4**	**16,118.1**
Total remuneration of key management	**4,493.1**	**3,474.0**	**1,655.8**	**11,410**	**6,617.8**	**16,240.7**	**17,820.9**
Highest individual remuneration within Executive Committee: **Juergen B. Steinemann** CEO Barry Callebaut Group	1,000.0	1,011.1	680.4	3.750	2,175.0	4,866.5	n/a [9]

There were no termination payments nor payments to former members of the Board of Directors or Executive Committee during the fiscal year.

As of August 31, 2010, no loans or credits to members of the Board of Directors or Executive Committee or parties closely related to them are outstanding.

Notes to the Financial Statements

Holdings of shares[10]

	Number of Shares 2009/10	Number of Shares 2008/09
Board of Directors		
Andreas Jacobs (Chairman)[11,12]	2,341	1,200
Andreas Schmid (Vice Chairman)	12,330	12,150
Rolando Benedick	1,500	1,320
James L. Donald	180	–
Markus Fiechter	–	–
Stefan Pfander	780	600
Urs Widmer	980	800
Senior Management Team		
Juergen B. Steinemann, CEO Barry Callebaut Group	93	–
Victor Balli, CFO Barry Callebaut Group	906	310
Massimo Garavaglia, President Western Europe	2,300	3,000
David S. Johnson, President Americas	2,320	1,800
Steven Retzlaff, President Global Sourcing & Cocoa	650	150
Dirk Poelman, Chief Operations Officer	4,280	n/a
Hans P. Vriens, Chief Innovation Officer	2,250	n/a

1 Key management is defined as Board of Directors (BoD) and Executive Committee (since November 2009, formerly Senior Management Team [SMT])
2 Including social security and pension contributions, as well as other benefits
3 Number of shares granted in relation to the fiscal year under review; vesting subject to meeting service and/or performance conditions
4 Value defined as closing share price at grant date, which might be historical rates before the fiscal year under review
5 Audit, Finance, Risk, Quality & Compliance Committee
6 Nomination & Compensation Committee
7 No compensation paid. Services rendered by Markus Fiechter as a member of the BoD are covered by the service fee charged by Jacobs Holding AG (see note 27 in the Consolidated Financial Statements of Barry Callebaut Group)
8 Disclosure relates to the Executive Committee as in place on August 31, 2010, i.e. Juergen B. Steinemann, Victor Balli, Massimo Garavaglia, Steven Retzlaff, Dirk Poelman, Hans Vriens and David S. Johnson. The prior year comparative number is related to the SMT and includes the remuneration for the prior CEO Patrick De Maeseneire for his services rendered in 2008/09 as well as the remuneration paid to Andreas Jacobs for assuming the role of CEO a.i. The Executive Committee members Hans Vriens and Dirk Poelman were not members of the SMT in prior year
9 The highest individual remuneration in 2008/09 was related to the prior CEO Patrick De Maeseneire and amounted to CHF 6.2 million.
10 Including shares of related parties to the individual BoD/Executive Committee member
11 Excluding the 50.11% participation held by Jacobs Holding AG
12 On August 31, 2009, a related party to Andreas Jacobs held 5,000 call options with a strike price of CHF 545 and an expiry date of September 7, 2009.

7. Risk assessment disclosures

Barry Callebaut AG as the ultimate parent of the Barry Callebaut Group, is fully integrated into the Group-wide Risk Management (GRM) process and the respective Enterprise Risk Management Model. The GRM process consists of reporting quarterly to the Audit, Finance, Risk, Quality and Compliance Committee (AFRQCC) on identified risks, events and respective response by the management. The processes and actions to identify the risks and remediation are identified by specialized corporate functions (Commodity management, Treasury, Legal, Internal Audit, Quality, Operations and Supply Chain, etc.) under the GRM program, supported by the legal entities and divisions concerned. These Group function departments are responsible to monitor those procedures and processes and ensure effective measures while Group risk manager oversee the global process.

The Group's general Risk Management process and the Financial Risk Management in particular is described in the Group's consolidated financial statements in notes 30 and 26, respectively.

8. Subsequent events

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

Appropriation of available earnings

The Board of Directors proposes to carry forward the balance of retained earnings of CHF 1,094,556,907.

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Report of the Statutory Auditor on the Financial Statements to the General Meeting of Shareholders of

Barry Callebaut AG, Zurich

As statutory auditor, we have audited the accompanying financial statements of Barry Callebaut AG, which comprise the income statement, balance sheet and notes on pages 116 to 120 for the year ended August 31, 2010.

Board of Directors' Responsibility

The board of directors is responsible for the preparation of the financial statements in accordance with the requirements of Swiss law and the company's articles of incorporation. This responsibility includes designing, implementing and maintaining an internal control system relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The board of directors is further responsible for selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Swiss law and Swiss Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal control system relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control system. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements for the year ended August 31, 2010 comply with Swiss law and the company's articles of incorporation.

Report on Other Legal Requirements

We confirm that we meet the legal requirements on licensing according to the Auditor Oversight Act (AOA) and independence (article 728 CO and article 11 AOA) and that there are no circumstances incompatible with our independence.

In accordance with article 728a paragraph 1 item 3 CO and Swiss Auditing Standard 890, we confirm that an internal control system exists, which has been designed for the preparation of financial statements according to the instructions of the board of directors.

We further confirm that the proposed appropriation of available earnings complies with Swiss law and the company's articles of incorporation. We recommend that the financial statements submitted to you be approved.

KPMG AG

Roger Neininger
Licensed Audit Expert
Auditor in Charge

Marc Ziegler
Licensed Audit Expert

Zurich, November 2, 2010

Contents

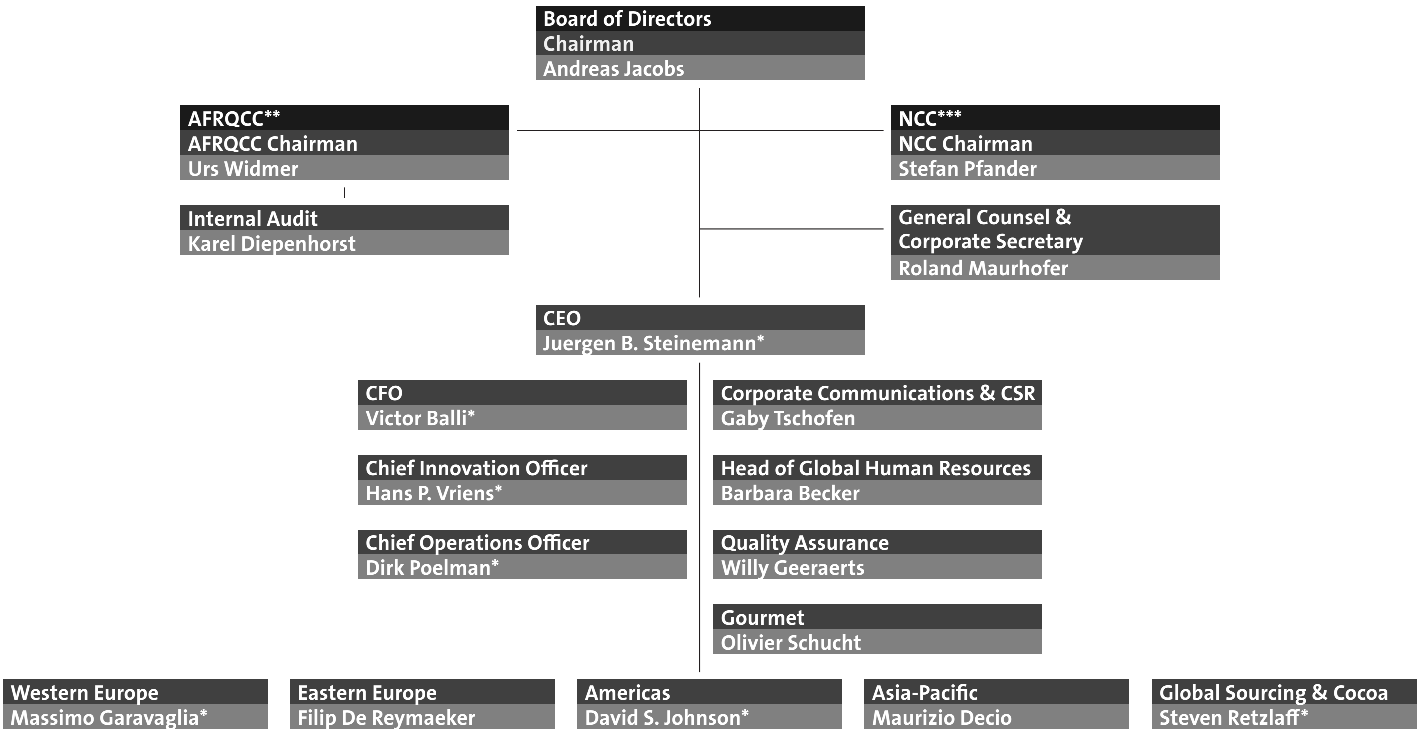
Corporate Governance

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

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

Group structure and shareholders

The organization of the Barry Callebaut Group has a structure which is divided into three different regions: Region Europe (incl. Western and Eastern Europe), Region Americas and Region Asia-Pacific. The globally managed Global Sourcing & Cocoa business is reported as a separate segment like a region. There are four different product groups: Cocoa Products, Food Manufacturers Products, Gourmet & Specialties Products and Consumer Products. The following chart provides an overview of the operational Group structure as of November 4, 2010:



* Member of the Executive Committee
** AFRQCC: Audit, Finance, Risk, Quality & Compliance Committee (see page 128)
*** NCC: Nomination & Compensation Committee (see page 128)

Information about the stock listing, principal subsidiaries and significant shareholders of Barry Callebaut is given on pages 62, 70, 108, 110 and 111 of the Consolidated Financial Statements and on pages 118, 119 and 120 of the Financial Statements of Barry Callebaut AG. There are no cross-shareholdings equal to or higher than 5% of the issued share capital.

Capital structure

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

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

Board of Directors

The Board of Directors is ultimately responsible for the policies and management of Barry Callebaut. The Board establishes the strategic, accounting, organizational and financing policies to be followed, and appoints the Executive Committee, to which the Board of Directors has delegated the operational management of Barry Callebaut. Besides its non-transferable and inalienable duties, the Board has retained certain competencies as set forth in the Company's Internal Regulations, which are publicly accessible on the Barry Callebaut website.

As of August 31, 2010, the Board of Directors consisted of seven non-executive members. Each Director is elected by the shareholders of Barry Callebaut AG at the General Meeting for a term of office of one year and may be re-elected to successive terms.

Name	Nationality	Function	Member since
Andreas Jacobs	German	Chairman	2003
Andreas Schmid	Swiss	Vice Chairman	1997
Rolando Benedick	Swiss	Director	2001
James L. Donald	U.S.	Director	2008
Markus Fiechter	Swiss	Director	2004
Stefan Pfander	German	Director	2005
Urs Widmer	Swiss	Director	2004

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

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

Since 1992, Andreas Jacobs has been an independent entrepreneur with a stake in several companies (Minibar AG, Baar; and Acentic GmbH) plus minority interests in several other companies. From 1991 to 1993, Andreas Jacobs worked as a consultant and project manager at The Boston Consulting Group in Munich. He is also Chairman of Jacobs Holding AG, Chairman of Infront Sports & Media AG and member of the Board of Adecco SA.

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

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

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

He started his career in 1984 at Union Bank of Switzerland. Following a position as assistant to a Swiss industrialist, he was CEO and Managing Director of Kopp Plastics (PTY) Ltd in South Africa from 1989 to 1992. He then worked for the Jacobs Group in various staff and line functions until 1993. From 1993 to 1997, Andreas Schmid was President of the Mövenpick Consumer Goods Division and a member of the worldwide Group Executive Board of Management. Between 2002 and 2006, he chaired the Board of Kuoni Travel Holding AG. He was a member of the Board of Adecco SA from 1999 to 2004 and a member of the Advisory Board of the Credit Suisse Group from 2001 to 2007, before the Advisory Board was dissolved.

Andreas Schmid is Chairman of Oettinger Davidoff Group and Flughafen Zürich AG. He is Chairman of the Supervisory Board of Symrise AG, Chairman of the Board of Directors of gategroup Holding AG and member of the Board of Directors of Karl Steiner AG.

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

Rolando Benedick
Director since 2001, Swiss national

Rolando Benedick (1946) was appointed CEO of the Manor Group in 1989, which includes Manor department stores, FLY Switzerland and Athleticum Sportmarkets: three chains belonging to Maus Frères Holding, as well as China-based Herma Ltd. In 2000, he was appointed Chairman of the Board. From 2006 to December 2007, he served as Executive Chairman. In January 2008, he passed on his responsibilities as Executive Chairman to his successor and continued to serve as Chairman of the Board until the end of 2008.

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

Rolando Benedick is Chairman of the Manor Sud SA and Executive Chairman of Valora Holding AG. He is a member of the Supervisory Board of the Galfa Group (Galleries Lafayette, Monoprix, Laser). In addition, he serves as a non-executive Board member of "Messe Schweiz" MCH Group AG, the Gottlieb Duttweiler Institute (GDI) and of the Chamber of Commerce "beider Basel". He is Chairman of the "Leopard Club" Locarno and of the "Freiwilliger Museumsverein Basel" (FMB).

James L. Donald
Director since 2008, U.S. national

James "Jim" L. Donald (1954) has been President and CEO of Haggen, Inc., a 33-store Pacific Northwest grocery company based in Bellingham since September 2009. He also serves as a Board Member of Rite Aid Corporation, one of the leading drugstore chains in the U.S. with more than 4,900 stores in 31 states.

James Donald was President & Chief Executive Officer of Starbucks Corporation from April 2005 to January 2008. From October 2002 to March 2005, James Donald served as President of Starbucks, North America. Under his leadership, Starbucks experienced strong growth and performance. From October 1996 to October 2002, James Donald served as Chairman, President & Chief Executive Officer of Pathmark Stores, Inc., a USD 4.6 billion regional supermarket chain located in New York, New Jersey and Pennsylvania. Prior to that time, he held a variety of senior management positions with Albertson's, Inc., Safeway, Inc. and Wal-Mart Stores, Inc.

James L. Donald graduated with a Bachelor's degree in Business Administration from Century University, Albuquerque, New Mexico.

Markus Fiechter
Director since 2004, Swiss national

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

He started his career as Assistant Professor in Chemistry at the University of Applied Sciences in Horw, Lucerne. From 1984 until 1991, he held various managerial positions at Mettler Toledo AG.

From 1991 to 1994, he worked for The Boston Consulting Group as a Manager at the Zurich office. From 1994 to 2004, he was CEO of the Minibar Group. Markus Fiechter is Vice President of the Board of Directors of Valora Holding AG and a member of the Board of Directors of Minibar AG.

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

Stefan Pfander
Director since 2005, German national

Stefan Pfander (1943) started his career in 1971 as Product Manager with General Foods GmbH in Elmshorn, Germany, and later worked for Mars Inc. (as Marketing Manager for Effem GmbH, Verden, Germany, as Marketing Director for Kal Kan Foods Inc., Los Angeles, U.S.). In 1981 he joined the Wm. Wrigley Jr. Company as Managing Director initially responsible for Germany later Europe, Middle East, Africa and India building leading market positions for Wrigley in over 40 countries. Until January 2006, he was Chairman Europe and Vice President of the Wm. Wrigley Jr. Company in Chicago, U.S.

Stefan Pfander is a Supervisory Board Member of Maxingvest AG (Holding company, Beiersdorf AG, Tchibo GmbH), Deputy Chairman of the Supervisory Boards of GfK SE (market research institute) and Chairman of the advisory board of Treofan GmbH. He also serves as a member on the Board of Directors of Sweet Global Network e.V. (international confectionery trade association).

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

Urs Widmer
Director since 2004, Swiss national

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

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

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

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

Functioning of the Board

The Board of Directors constitutes itself at its first meeting subsequent to the Ordinary General Meeting. The Board elects its Chairman and its Vice Chairman. It meets as often as business requires, but at least four times per fiscal year. The meetings usually take place in Zurich. If possible, the Board meets once per year at one of the Barry Callebaut production sites and combines this meeting with a visit of the local operation. During this last fiscal year, the Board of Directors met six times for regular Board meetings. Four meetings lasted approximately six hours, two meetings lasted three hours, one of which took place in the form of a conference call. In the year under review the Board held one of the regular meetings in the context of a two-day visit to the production sites in Pennsauken, New Jersey, and Eddystone, Pennsylvania, both in the U.S.

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

At the request of one member of the Board, members of the Executive Committee shall be invited to attend meetings. The Board of Directors can determine by majority vote that other third parties, for example external consultants, may attend part or all of the meeting. In the past fiscal year, the CEO, the CFO and, depending on the agenda items, other members of the Executive Committee or management were present at all Board and Committee meetings.

Resolutions are adopted by a simple majority of the Board members present or represented. Members may only be represented by a fellow Board member. In the event of a tie vote, the proposal is deemed to be not resolved. Resolutions made at the Board meetings are documented through written minutes of the meeting.

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

The Board of Directors has formed the following committees:

Audit, Finance, Risk, Quality & Compliance Committee

Urs Widmer (Chairman), Andreas Schmid and Markus Fiechter

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

The Audit, Finance, Risk, Quality & Compliance Committee assists the Board of Directors in fulfilling its oversight responsibility of the external auditors. The specific steps involved in carrying out this responsibility include recommending the external auditors, reviewing their qualifications and independence, approving the audit fees, overseeing the external audit coverage, specifying how the external auditors report to the Board and/or the Audit Committee, assessing additional non-audit services, reviewing accounting policies and policy decisions, and reviewing the annual financial statements and related notes.

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

The external auditors attended one meeting of the Audit, Finance, Risk, Quality & Compliance Committee in fiscal year 2009/10.

The AFRQCC meets as often as business requires, but at least three times per fiscal year. The meetings usually take place in Zurich. In the last fiscal year, the committee met five times. The meetings lasted for approximately two hours. One of the meetings took place in the context of the Board's visit to the production sites in Pennsauken, New Jersey, and Eddystone, Pennsylvania, both in the U.S. One meeting took place in the form of a conference call.

Nomination & Compensation Committee

Stefan Pfander (Chairman), Rolando Benedick, James Donald

The responsibilities of the Nomination & Compensation Committee (NCC) are to make recommendations to the Board with respect to the selection, nomination, compensation, evaluation, and, when necessary, the replacement of key executives. The NCC establishes jointly with the CEO a general succession planning and development policy. The committee also reviews remuneration paid to members of the Board of Directors, ensures a transparent Board and Executive Committee nomination process, and is responsible for monitoring and managing potential conflicts of interest involving executive management and Board members.

The NCC meets as often as business requires, but at least three times per fiscal year. The meetings usually take place in Zurich. In the last fiscal year, the committee met four times. The meetings lasted for approximately two hours. One of the meetings took place in the context of the Board's visit to the production sites in Pennsauken, New Jersey, and Eddystone, Pennsylvania, both in the U.S.

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

Executive Committee

As of November 2009, the former Senior Management Team has been extended by two additional members and renamed to Executive Committee which is headed by the Chief Executive Officer. For external activities of the members of the Executive Committee see their curriculum vitae.

Name	Function	Nationality	Member since
Juergen B. Steinemann	Chief Executive Officer	German	2009
Victor Balli	Chief Financial Officer	Swiss	2007
Massimo Garavaglia	Western Europe	Italian	2004
David S. Johnson	Americas	U.S.	2009
Steven Retzlaff	Global Sourcing & Cocoa	U.S./Swiss	2008
Dirk Poelman	Chief Operations Officer	Belgian	2009
Hans P. Vriens	Chief Innovation Officer	Dutch	2009

Juergen B. Steinemann
Chief Executive Officer, German national

Juergen B. Steinemann (1958) was appointed Chief Executive Officer of Barry Callebaut AG in August 2009.

Before joining Barry Callebaut, Juergen Steinemann served as a member of the Executive Board of Nutreco and as Chief Operating Officer since October 2001. Nutreco, quoted on the Official Market of Euronext Amsterdam, is an international animal nutrition and fish feed company, headquartered in the Netherlands.

From 1999 to 2001, Juergen Steinemann served as CEO of Unilever's former subsidiary Loders Croklaan, which produced and marketed specialty oils and fats for the chocolate, bakery and functional foods industry. Between 1990 and 1998, Juergen Steinemann was with the former Eridania Beghin-Say Group, where he held various senior positions in business-to-business marketing and sales, ultimately in the "Corporate Plan et Stratégie" unit at the head office in Paris.

Juergen Steinemann graduated from his economics/business studies at the European Business School in Wiesbaden, Germany, London, and Paris in 1985.

Victor Balli
Chief Financial Officer, Swiss national

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

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

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

Massimo Garavaglia
President Western Europe, Italian national

Massimo Garavaglia (1966) was appointed President Western Europe in June 2009, and is a member of the Executive Committee of Barry Callebaut AG.

From 1990 to 1992, Massimo Garavaglia was sales manager for an Italian food products importer. Joining Callebaut Italia S.p.A. in 1992, he served as country manager for Italy. After the merger between Callebaut and Cacao Barry in 1996, he was Barry Callebaut's country manager for Italy until 2003. From 2003 until September 2004, he was Manager Mediterranean Countries/Middle East/Eastern Europe. From September 2004 until 2006, he was President Food Manufacturers. From September 2006 to April 2009, he served as President Americas.

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

David S. Johnson
CEO and President Americas, U.S. national

David S. Johnson (1956) was appointed CEO and President Americas in May 2009, and is a member of the Executive Committee of Barry Callebaut AG.

Before joining Barry Callebaut, David Johnson served as CEO and member of the board for Michael Foods, Inc., a food processor and distributor headquartered in Minnetonka, Minn., U.S.

From 1986 to 2006, David Johnson was with Kraft Foods Global, Inc., the second largest food and beverage company in the world. At Kraft Foods, he held several senior positions in different divisions, including marketing, strategy, operations, procurement and general management. His last position was President Kraft North America and Corporate Officer Kraft Foods Global, Inc. He started his career in 1980 at RJR Nabisco.

David Johnson is a member of the board of directors of Arthur J. Gallagher & Co, an international insurance brokerage and risk management company with headquarters in Itasca, Ill., U.S.

David Johnson holds both a Bachelor's and Master's degree in business from the University of Wisconsin.

Dirk Poelman
Chief Operations Officer, Belgian national

Dirk Poelman (1961) was appointed Chief Operations Officer in September 2006 and member of the Executive Committee in November 2009. Since 1984, he has been working with Callebaut – which merged with Cacao Barry in 1996 – in various positions and countries: first as Engineering Manager, then as Production Manager, Operations Director and Chief Manufacturing Officer.

In 1997, Dirk Poelman became Executive Vice President Operations responsible for the operations of the total Group and a member of the Senior Management Team. In 2004, he was appointed Vice President Operations and Research & Development.

Dirk Poelman holds an industrial engineering degree in electromechanics from the Catholic Industrial High School in Aalst, Belgium.

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

Steven Retzlaff (1963) was appointed President Global Sourcing & Cocoa and member of the Executive Committee of Barry Callebaut AG in January 2008.

Steven Retzlaff started his career in 1987 at KPMG Peat Marwick, San Francisco, as an auditor. From 1990 to 1993, he worked as a Supervising Audit Senior and Audit Manager for KPMG Fides, Zurich. He then joined JMP Newcor AG, Zug, as Director of European Finance and Operations, where he worked for three years.

Steven Retzlaff joined Barry Callebaut as CFO of Barry Callebaut Sourcing AG in 1996. From 1999 to 2001, he served as CFO Swiss Operations (BC Sourcing AG and BC Switzerland AG). From 2001 to 2003, he was CFO of the business unit Cocoa, Sourcing & Risk Management and from 2003 to 2004 he worked as the Cocoa Division Head. In 2004, he was appointed President Sourcing & Cocoa and member of the Senior Management Team in Zurich. From September 2006 until December 2007, he focused on developing the Group's global compound business.

Steven Retzlaff is a Certified Public Accountant (CPA) and holds a Bachelor of Arts in Economics from Whitman College. He also studied at the Institute of European Studies in Madrid and at Insead in Fontainebleau.

Hans P. Vriens
Chief Innovation Officer, Dutch national

Hans P. Vriens (1965) was appointed to the position of Chief Innovation Officer and member of the Management Team in December 2005. Since November 2009, Hans Vriens has been a member of the Executive Committee.

From 2001 to 2005, Hans Vriens was active as the owner of VF&CO. B.V. in Amsterdam, Netherlands, a holding company which invests in and develops new consumer brands for itself and for third-party customers. Activities include consulting for large multinational companies in functional foods, a partnership selling an energy drink in a new packaging concept, as well as the production and distribution of a functional dairy product.

Prior to this, Hans Vriens served as Executive Board Member responsible for Sales, Marketing and Interactive at EM-TV & Merchandising AG in Munich, Germany, and was active in various non-executive board positions in related media companies.

From 1994 to 1999, he held various functions with Red Bull GmbH, among which Managing Director for Red Bull North America in Los Angeles, U.S. From 1989 to 1994, Hans Vriens worked as Brand Manager for Procter & Gamble in Austria and in Germany. He started his career in brand management and marketing with Mars/Effems in Spain and in the Netherlands.

Hans Vriens holds a BBA in Marketing from the Nijenrode Business University in Breukelen, Netherlands, an MBA in Marketing/International Business from the University of Oregon, U.S., and received Post Graduate Education at Stanford University, U.S.

Compensation, shareholdings and loans

The Board of Directors has the final responsibility for the remuneration of the Directors and the Executive Committee. The Nomination & Compensation Committee assists the Board in fulfilling its responsibility by evaluating the remuneration strategy and proposing individual compensation packages for the Executive Committee members and other key members of the management.

The Nomination & Compensation Committee ensures that Barry Callebaut offers an overall remuneration package which is aligned with corporate and individual performance and market practice, in order to attract and retain Directors and Executives with the necessary skills. The current remuneration scheme is not linked to any external benchmarks. For the Board it is based on fixed directors' fees and the granting of Barry Callebaut AG shares.

The top management remuneration framework of Barry Callebaut consists of four elements: fixed base salary, short-term cash-based incentives related to EBIT/EVA/Working Capital targets in the fiscal year under review (target incentive 50% to 100% of base salary), long-term incentives in the form of share allocations (valued at 70% to 125% of base salary) and benefits (valued at 10% to 20% of base salary). The short-term bonus criteria for the members of the Executive Committee are for the CEO and CFO: Group EVA, Group EBIT, Working Capital and Earnings per Share (each weighted with 25%), and for the other members of the Executive Committee: Regional EBIT or Group EBIT respectively for the corporate functions (weighted with 50%), as well as Working Capital (weighted with 25%) and Strategic Targets relating to the Region/Corporate Function (weighted with 25%). The granting of shares is based on a deferred share plan scheme. Participants are granted a number of shares, of which 80% are granted without being linked to performance criteria. The shares vest as follows in three tranches: 30% after one year, 30% after two years and 40% after three years, of which half of the third tranche (20%) are subject to achieving the performance criteria defined by the Nomination & Compensation Committee. The performance criteria for the grants made in the fiscal year under review are based on the earnings per share of Barry Callebaut shares.

On a yearly basis, usually at the November Board meeting, the Board, upon recommendation of the NCC, decides on the performance-related cash bonuses relating to the previous fiscal year and the compensation system for the coming calendar year.

For details regarding the compensation, shareholdings and loans of the members of the Board of Directors and the Executive Committee during the last fiscal year see note 6 in the Financial Statements of Barry Callebaut AG.

Barry Callebaut and Jacobs Holding AG, Zurich, have agreed to execute administrative service agreements, under which Jacobs Holding AG offers to Barry Callebaut certain management and consultancy services. In the fiscal year 2009/10, the total compensation paid by Barry Callebaut under these agreements amounted to CHF 1.7 million. The contract is yearly renewable.

Shareholders' participation

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

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

Shareholders may register their shares in the name of a nominee approved by Barry Callebaut AG and may exercise their voting rights by giving instructions to the nominee to vote on their behalf.

However, a nominee holding more than 3% of the share capital will be registered as nominee for shareholders with voting rights only if it discloses the identity of each beneficial owner of shares claiming 0.5% or more of the share capital. No nominee holding more than 8% of the share capital may be registered as a shareholder with respect to the excess shares. The Board of Directors may, however, on a case-by-case basis, permit some or all of the excess shares to be registered with voting rights. In fiscal year 2009/10, no such exception was granted by the Board of Directors.

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

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

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

Shareholders with voting rights holding shares representing in total at least 0.25% of the share capital or the voting rights have the right to request in writing – giving at least 60 days' notice – that a specific proposal be discussed and voted upon at the next General Meeting.

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

Change of control and defense measures

An investor who acquires 33⅓% of all voting rights has to submit a take-over offer for all shares outstanding, according to the Swiss Stock Exchange Law. Barry Callebaut has not elected to change or opt out of this rule.

The employment contracts of two members of the Executive Committee have a fixed minimum duration of three years, ending 2012 and 2013 respectively, while the employment contracts with the remaining members of the Executive Committee are open-ended and contain notice periods of 6 to 12 months, during which they are entitled to full compensation.

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

External auditors

At the Annual General Meeting of Barry Callebaut AG on December 8, 2005, the shareholders voted to appoint KPMG AG, Zurich, as statutory auditors. The statutory auditors are appointed annually by the General Meeting for a one-year term of office. The current auditor in charge has exercised this function since fiscal year 2005/06.

For the fiscal year 2009/10, the remuneration for the audit of the accounting records and the financial statements of Barry Callebaut AG, and the audit of the consolidated financial statements, amounted to CHF 2.6 million. This remuneration is evaluated by the AFRQCC in view of the scope and the complexity of the Group. The performance of the auditors is monitored by the AFRQCC, to which they present a detailed report on the result of the audit of the Group. Prior to the presentation to the AFRQCC, the lead auditor reviews the audit findings with the Chairman of the AFRQCC without the presence of any members of the management.

KPMG received a total amount of CHF 0.2 million for additional services, i.e. for transaction and other advisory (incl. due diligence). Adequate measures for the avoidance of potential conflicts of interests between the different services provided by KPMG were observed.

Information policy

Barry Callebaut is committed to continuous and open communication with its shareholders, potential investors and other stakeholders based on the principles of transparency and equal treatment, i.e. simultaneous provision of price-sensitive information and no selective disclosure.

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

Presentations are also made available on the Group's website, which is updated continuously. The financial calendar for the fiscal year 2010/11 and contacts are given on page 136.

Glossary

A

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

B

Biolands
Biolands in Tanzania is the largest African exporter of certified organic cocoa. Barry Callebaut acquired a 49% stake in Biolands in 2008. Biolands is working directly with smallholders, in order to guarantee them fair prices and to help them improve the quality and value of their production. They have another framer project in Sierra Leone.

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

C

Cocoa butter ratio
Price of 1 metric tonne of cocoa butter relative to the price of 1 metric tonne of cocoa beans.

Cocoa powder ratio
Price of 1 metric tonne of cocoa powder relative to the price of 1 metric tonne of cocoa beans.

Combined cocoa ratio
Combined sales prices for cocoa butter and cocoa powder relative to the cocoa bean price.

Compound
Consists of a blend of sugar, vegetable oil, cocoa liquor, powder and/or butter and other products. Vegetable oil is substituted for cocoa butter to reduce the product cost and to develop special melting profiles.

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

Controlled Fermentation
Barry Callebaut developed a way to “control” and optimize cocoa fermentation. With the so-called Controlled Fermentation method, defined micro-organisms provide a consistent, predictable and 100% “superior grade” cocoa bean quality. This in turn leads to improved flavor characteristics, zero-default cocoa beans, enhanced levels of functional components (e.g. flavanols), and improved processability.

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

D

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

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

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

E

EBIT
Operating profit (Earnings Before Interest and Taxes).

EBITDA
Operating profit before depreciation and amortization (Earnings Before Interest, Taxes, Depreciation and Amortization).

F

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

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

Flavanol
A specific type of polyphenol, known for its antioxidant activity.

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

I

Industry Protocol
Also known as Harkin-Engel Protocol. The Protocol was signed in 2001 by cocoa and chocolate manufactuers, industry and trade associations, government organizations and NGOs in response to reports of children working under abusive labor conditions on cocoa farms in West Africa. The signers condemned abusive labor practices, in particular the worst forms of child labor as defined by the International Labor Organization (ILO), and committed to work together to address the issue. Barry Callebaut is a signer of the Protocol.

L

Liquor
Also known as cocoa liquor or cocoa mass. The thick liquid paste that is produced in the grinding process.

M

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

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

N

Nib
The center of the cocoa bean.

P

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

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

Q

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

R

Rainforest Alliance
The Rainforest Alliance works to conserve biodiversity and ensure sustainable livelihoods by transforming land-use practices, business practices and consumer behavior.

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

S

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

Stevia
Stevia is a natural sugar substitute that is obtained from the Stevia plant *(Stevia Rebaudiana Bertoni)* that does not have a laxative effect. When refined, Stevia extract has between 100 and 400 times the sweetness of ordinary sugar while having zero calories.

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

T

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

U

UTZ
UTZ CERTIFIED Good Inside is dedicated to creating an open and transparent marketplace for agricultural products. Founded in 2002, UTZ CERTIFIED has been a pioneer in the field of certification and traceability of coffee supply chains. Based on this success, it is developing sustainability models for other sectors, such as cocoa, tea and palm oil.

V

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

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

W

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

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Financial calendar

	Date	
Annual General Meeting 2009/10, Zurich	December	7, 2010
3-month key sales figures 2010/11	January	12, 2011
Half-year results 2010/11, Zurich	April	1, 2011
9-month key sales figures 2010/11	June	30, 2011
Year-end results 2010/11, Zurich	November	10, 2011
Annual General Meeting 2010/11, Zurich	December	8, 2011

Forward-looking statements

Certain statements in this Annual Report 2009/10 regarding the business of Barry Callebaut are of a forward-looking nature and are therefore based on management's current assumptions about future developments. Such forward-looking statements are intended to be identified by words such as "believe," "estimate," "intend," "may," "will," "expect," and "project" and similar expressions as they relate to the company. Forward-looking statements involve certain risks and uncertainties because they relate to future events. Actual results may vary materially from those targeted, expected or projected due to several factors. The factors that may affect Barry Callebaut's future financial results are discussed in this Annual Report. Such factors are, among others, general economic conditions, foreign exchange fluctuations, competitive product and pricing pressures as well as changes in tax regimes and regulatory developments. The reader is cautioned to not unduly rely on these forward-looking statements that are accurate only as of November 4, 2010. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

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Annual Report

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