Annual Report

2006/07

Hands-on

Chocolate is created through the skill, craftsmanship and passion of many people. In this report, we salute the many hands involved in its creation.

BARRY CALLEBAUT

In Brief

Sales revenue up 10.6% to CHF 4,106.8 million

Major outsourcing contracts with Nestlé, Hershey's and Cadbury

EBIT growth of 9.8% to CHF 324.0 million

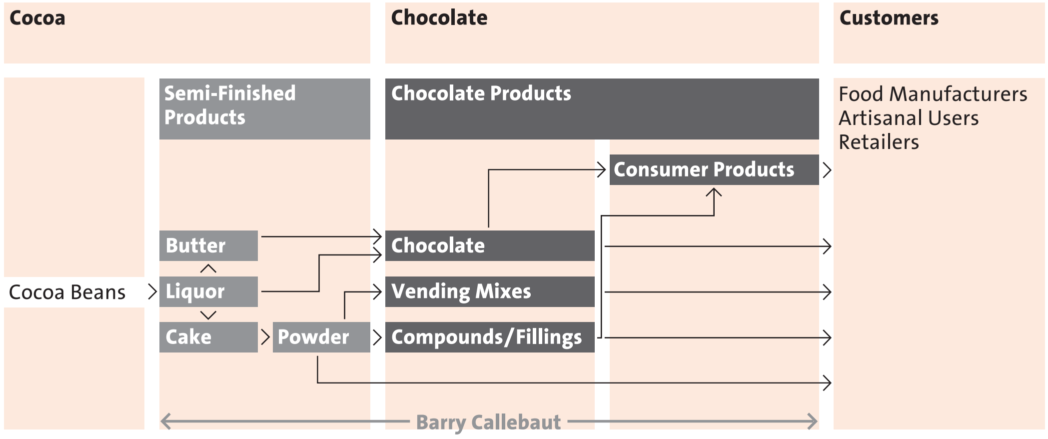
Barry Callebaut at a glance

Barry Callebaut is the world's leading manufacturer of high-quality cocoa and chocolate products and the preferred solutions provider for the food industry. Our customers include:

- Multinational and national branded consumer goods manufacturers who incorporate our ingredients in their products and who increasingly also entrust us with the molding and packaging of their finished products.
- Artisanal and professional users of chocolate, including chocolatiers, pastry chefs, bakeries, restaurants, hotels and caterers.
- Food retailers for whom we make customer label as well as branded products.

We also provide a comprehensive range of services in product development, processing, training and marketing.

Barry Callebaut is present in 23 countries, operates 37 production facilities, employs approximately 8,000 people and generated sales of more than CHF 4.1 billion in fiscal year 2006/07.



Key figures Barry Callebaut Group

as of August 31,		Change (%)	**2006/07**	2005/06[9]
Income statement				
Sales revenue	CHF m	10.6%	4,106.8	3,713.2
Sales volumes	Tonnes	8.5%	1,059,200	976,661
EBITDA[1]	CHF m	8.8%	427.1	392.5
Operating profit (EBIT)	CHF m	9.8%	324.0	295.0
Net profit[2]	CHF m	9.1%	207.0	189.7
Cash flow[3]	CHF m	16.9%	406.8	347.9
EBIT per tonne	CHF	1.3%	305.9	302.0
Balance sheet				
Total assets	CHF m	13.3%	3,186.7	2,811.8
Net working capital[4]	CHF m	(4.0%)	883.9	920.9
Non-current assets	CHF m	2.2%	1,211.3	1,184.9
Net debt	CHF m	2.6%	930.2	906.9
Shareholders' equity[5]	CHF m	6.0%	1,059.1	999.2
Ratios				
Economic Value Added (EVA)	CHF m	16.6%	122.9	105.4
Return on invested capital (ROIC)[6]	%	4.4%	14.3%	13.7%
Return on equity (ROE)	%	3.0%	19.5%	19.0%
Debt to equity ratio	%	(3.2%)	87.8%	90.8%
Shares				
Share price at year end	CHF	59.2%	873	548
EBIT per share (issued)	CHF	9.8%	62.7	57.1
Earnings per share	CHF	9.3%	40.2	36.7
Cash earnings per share[7]	CHF	17.4%	78.6	66.9
Payout per share[8]	CHF	9.5%	11.5	10.5
Other				
Employees		8.0%	7,592	7,028

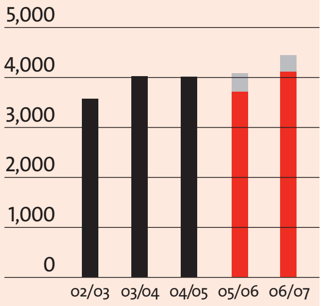
Following the signing of an agreement to sell Brach's in the U.S., the division has been classified as discontinued business and prior-year figures have been restated except for the Balance Sheet as stipulated by IFRS 5.
To eliminate distorting effects on key figures, physical bean sales have been excluded from sales revenue.

1 EBIT + depreciation on property, plant and equipment + amortization of intangibles
2 Net profit from continuing operations (including minorities)
3 Operating cash flow before working capital changes
4 Includes current assets and liabilities related to continuing commercial activities and current provisions
5 Total equity attributable to the shareholders of the parent company
6 EBIT *(1-effective tax rate)/average capital employed
7 Operating cash flow before working capital changes/diluted shares outstanding
8 Par value reduction instead of a dividend; 2006/07 as proposed by the Board of Directors to the shareholders
9 Certain comparatives have been restated or reclassified to conform to the current period's presentation

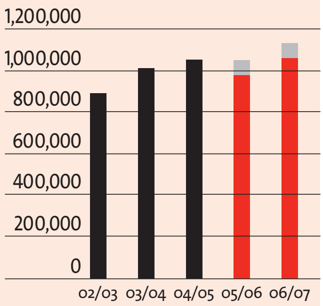
Key figures

Discontinued operations (Brach's)
Continuing operations (excl. Brach's)

Sales revenue
in CHF million



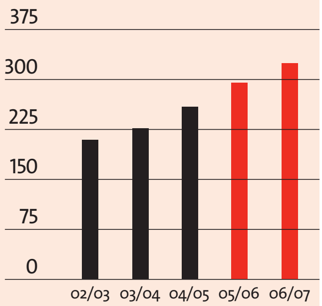
Sales volumes
in tonnes



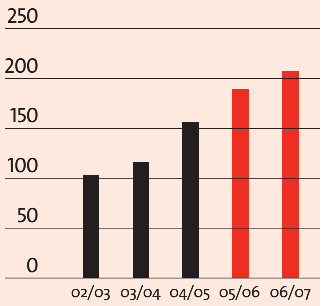
Continuing operations (excl. Brach's)

* Net profit from continuing operations

EBIT
in CHF million



Net profit*
in CHF million



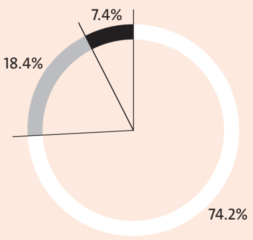
By region

Europe	CHF m 3,048.4
Americas	CHF m 756.8
Asia and Rest of World	CHF m 301.6

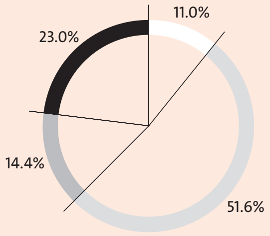
By business unit

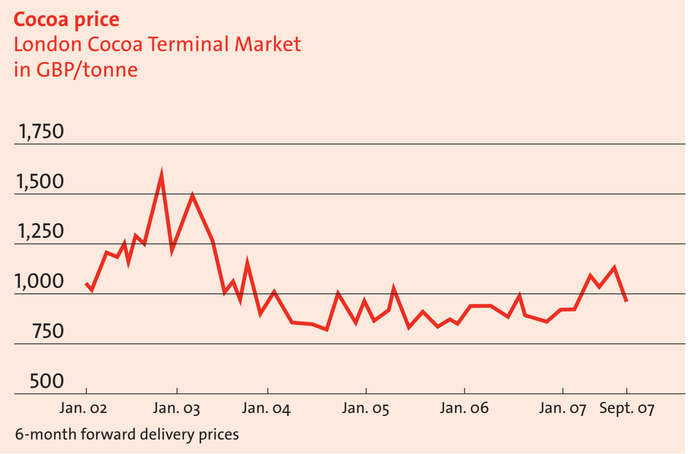
Cocoa	CHF m 453.6
Food Manufacturers	CHF m 2,120.6
Gourmet & Specialties	CHF m 590.7
Consumer Products	CHF m 941.9

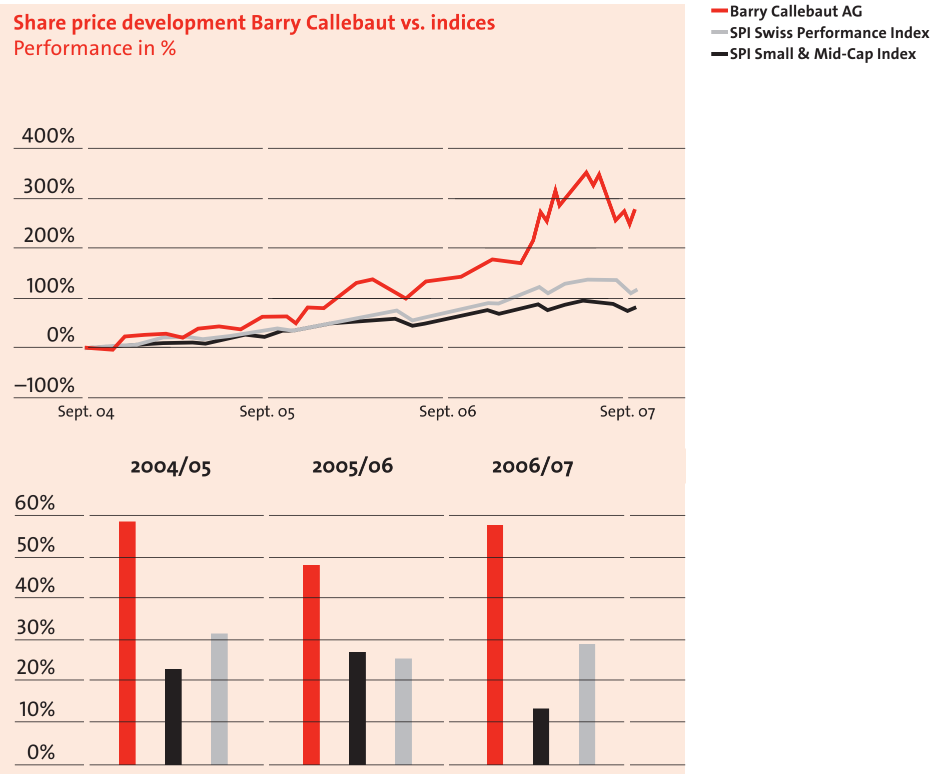
Sales revenue by region 2006/07
in CHF million



Sales revenue by business unit 2006/07
in CHF million







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

Highlights

Barry Callebaut – keeping its promises
Barry Callebaut has consistently outpaced the global chocolate confectionery market by growing on average twice as fast. Operating profit has risen more than 11% per annum over the past five years, illustrating the company's dedication to be the cost leader in this industry. EVA® (Economic Value Added) surged by more than 40% per annum, demonstrating value creation for shareholders.

Major cooperation between Barry Callebaut and Nestlé in Europe
Barry Callebaut and Nestlé entered into a long-term outsourcing agreement for 43,000 tonnes of liquid chocolate and finished products a year. At the same time, the company acquired from Nestlé a chocolate factory in Dijon, France, and production equipment in San Sisto, Italy. The agreement clearly established Barry Callebaut as the outsourcing partner of choice.

Supply and innovation partnership with The Hershey Company
Barry Callebaut and Hershey's entered into a strategic partnership, which includes a long-term supply agreement for about 80,000 tonnes of liquid chocolate and finished products as well as the acquisition of production equipment in the U.S. and the construction of a new factory in Mexico. The agreement significantly expanded Barry Callebaut's production capacities in the region and will make it the No.1 industrial chocolate supplier in North America.

Expanded cooperation with Cadbury Schweppes
Barry Callebaut signed a Memorandum of Understanding with Cadbury Schweppes to double its supply volumes of cocoa liquor and liquid chocolate to around 30,000 tonnes a year.

Barry Callebaut issues EUR 350 million bond
Barry Callebaut successfully placed a EUR 350 million 10-year Senior Fixed Rate Notes and renegotiated the terms and conditions of its existing EUR 850 million Revolving Credit Facility. The bond issuance and the amended syndicated credit facility will significantly improve the company's financial flexibility.

Barry Callebaut completes strategic review of its U.S. sugar-candy subsidiary, Brach's
As a result of the review, the Group signed an agreement to sell its U.S. sugar-candy business Brach's to Farley's & Sathers Candy Company Inc. in September 2007.

Inauguration of a new chocolate factory in Russia
In September 2007, Barry Callebaut inaugurated its new state-of-the-art chocolate factory located in Chekhov, 60 km south of Moscow, Russia. The factory will enable Barry Callebaut to move closer to its growing customer base in Russia and to better capture the region's growth potential.

Innovation pioneer

Barry Callebaut's dedicated research and development team again pioneered the trends in the chocolate industry by successfully launching an impressive number of innovative products that meet consumers' growing demand for superior and healthier taste experiences. New products included: sugar-reduced chocolate, tooth- friendly chocolate, probiotic chocolate, white chocolate with real fruit and ACTICOA™ cocoa powder.

Construction of a new factory near Shanghai

Barry Callebaut is constructing a new chocolate factory in Suzhou, in the greater Shanghai area, in China. The factory is expected to be operational by the end of 2007.

Barry Callebaut gains a strong foothold in Japan

In September 2007, Barry Callebaut and Morinaga, one of Japan's largest confectionery makers with numerous established brands, agreed to enter into a strategic alliance. The alliance involves the sale of cocoa and chocolate production equipment by Morinaga to Barry Callebaut. At the same time the two companies will enter into a 10-year supply agreement for 9,000 metric tonnes a year – doubling Barry Callebaut's current sales volumes in Japan.

Announcement of plans to open a sales office and Chocolate Academy in India

Barry Callebaut announced plans to enter the fast-growing Indian chocolate market by opening a sales office in Mumbai. The company will also inaugurate a new Chocolate Academy in India's largest city in December 2007.

Barry Callebaut acquires cocoa factory in Philadelphia

In October 2007, Barry Callebaut signed an agreement to acquire 100% of Food Processing International, Inc. (FPI), a cocoa processing company that owns a cocoa factory in Eddystone near Philadelphia, Pennsylvania, U.S. The transaction allows the company to keep up with the current and future increasing demand of customers for cocoa products, especially in the high-end quality segment, as well as with its internal needs.

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 product on the shelf – and our innovative power in confections overall 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 is ongoing, entrepreneurship is encouraged, and creativity can flourish.

Our values

At Barry Callebaut we believe in doing business the right way, that is, by demonstrating high ethical standards of behavior, consistent with our core values: customer focus, passion, entrepreneurship, team spirit, integrity.

Our 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. We believe that achieving profitable growth in our business and contributing to sustainable economic and social development go hand in hand.

We view "social responsibility" in a broad sense. We believe we have a responsibility to all our stakeholders – shareholders, customers, consumers, suppliers, employees and the communities where we operate – and an obligation to consider their respective expectations. We pay particular attention to conditions in countries of origin and in countries that lack a welfare structure. We regard activities that help to empower cocoa farmers, for example, to be an important factor in ensuring a sustainable cocoa industry and facilitating the economic growth of origin countries.

"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 more than 20 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

In 1996 the Belgian chocolate producer Callebaut and the French chocolate company Cacao Barry joined forces, creating a new company called Barry Callebaut. Both Cacao Barry and Callebaut were widely recognized in the food industry as reliable suppliers of high-quality products and as dependable business partners for thousands of wholesale and retail specialists in the chocolate industry. 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.

After 1996, the company continued to grow through geographic expansion into strategic growth markets, outsourcing contracts, innovation and acquisitions. Since 1998 Barry Callebaut has been listed on the Swiss Exchange SWX.

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
2004	Opening of a sales office in Tokyo, Japan
2005	Opening of a chocolate factory in California, U.S.
2007	Opening of a chocolate factory in Russia
2007	Construction of a chocolate factory in China
2007	Start of construction of a chocolate factory in Mexico
2007	Divestment of Brach's sugar-candy business
2007	Major outsourcing contracts with Nestlé, Hershey's and Cadbury
2007	Opening of a sales office and Chocolate Academy in Mumbai, India

Today, Barry Callebaut is the world market leader in high-quality cocoa and chocolate products and the only fully integrated chocolate company with a global presence. The company has evolved from a supplier of industry and specialty chocolates for industrial and artisanal customers into a provider of integrated solutions, from the bean to the shelf, to the entire food industry. As the outsourcing partner of choice, Barry Callebaut has an estimated 50% share of sales volumes in the open market. Barry Callebaut offers close to 1,700 recipes to its customers, allowing it to cater to local taste preferences around the world.

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

Contents

Reflections on a year of growth and partnership

Q Mr. Jacobs, could you please briefly describe Barry Callebaut's fiscal year 2006/07?

AJ I am very pleased to look back on yet another successful year for Barry Callebaut. Not only did we manage to grow more than twice as fast as the global chocolate market, but we also set the course for continued growth in the future by signing long-term outsourcing agreements with three of the top five global confectionery makers, expanding and optimizing our worldwide factory network and we took further action in the area of social responsibility. We are well positioned for accelerated growth.

Q Which achievements are you most proud of?

AJ The outsourcing agreements with Nestlé, Hershey's and Cadbury Schweppes, which have clearly established us as the outsourcing partner of choice for the world's leading food manufacturers. If we add up the three supply agreements, we will have approximately 150,000 tonnes of additional volume per year within the next two to three years. In parallel, we expanded our manufacturing network in France, Italy and North America, as well as outside our traditional markets by opening a new factory in Russia and constructing one in China. We also plan to open a sales office and Chocolate Academy in India. Furthermore, we have strengthened our foothold in Japan, where we agreed to buy chocolate production equipment from Morinaga – a leading Japanese confectionery maker – and signed a supply agreement with them as well. Another highlight of the year was the successful placement of a EUR 350 million 10-year bond.

Q In September 2007, you announced your intention to divest your U.S. sugar-candy subsidiary, Brach's. What led to this decision?

AJ We acquired Brach's because we wanted to get access to the large U.S. retailers and to manufacture customer label chocolate for them. We were able to grow customer label chocolate products, but rather insignificantly. The market for customer label products in the U.S. has not developed in the same way as in Europe. Therefore, Brach's is still selling around 80% non-chocolate products. These factors prompted us to do a strategic review earlier this year. The conclusion was that as a chocolate company we should concentrate on chocolate products and sell Brach's to a new owner that would be able to further develop the Brach's brand and business.

"It is not only important to have the right strategy but also to have the right talent, because people are the heart and engine of the company. This is why Barry Callebaut is focusing on succession planning."

Andreas Jacobs
Chairman of the Board

Q Mr. De Maeseneire, what are the main factors that led to your success in the past fiscal year?

PDM Our success rests on the three pillars of our growth strategy: innovation, geographic expansion and cost leadership. The successful interplay of these strategic focal points has convinced multinational confectionery makers to choose Barry Callebaut as their preferred partner. Our wide product range and strong innovation platform are among our greatest competitive advantages. In addition, our global geographic reach, with 37 factories on four continents, allows us to better serve our customers. However, innovation and geographic expansion are only possible if we succeed in maintaining cost leadership in the long term. To achieve this, we are constantly optimizing our cost structure at every step of the value chain, while refining our production processes and technologies and improving our use of energy. This strategy has served us well so far, and we expect to continue to reap the fruits of our investments.

Q What was the main challenge?

PDM Our main challenge was the cost environment due to rising raw material prices. Cocoa prices increased by almost 15 % during the year, partly due to market speculation, while milk powder prices almost doubled as a result of increased demand in emerging markets and a drought in Australia that reduced supplies.

"We won three major outsourcing deals; we totally transformed our set-up in North America; we strengthened our footprint in Asia and issued a EUR 350 million bond. It has been a busy year for Barry Callebaut. We are now ideally positioned for accelerated future growth."

Patrick De Maeseneire
Chief Executive Officer

Q How did you address these challenges?

PDM In the industrial and the customer label business, which represents approximately 80% of our business, our contract pricing is based on hedged raw material costs. New contracts will always be priced taking into account any changes in raw material prices. This ensures that any increases in raw material costs are passed on to customers. In our Gourmet and branded Retail business we operate with price lists that are adjusted on a regular basis. Our sourcing department manages all purchasing activities centrally and applies consistent risk management tools to limit our raw material price risk exposure.

Q How did your main markets develop?

PDM The global chocolate confectionery market grew by 3.5% from 2006 to 2007 and is valued at around CHF 90 billion. The fastest growth is seen in emerging markets, driven by countries such as Russia and China. Demand for chocolate in China will be further spurred on by the Olympic Games in 2008 and by the World Expo in Shanghai in 2010. In Western Europe and North America the market for standard chocolates is mature and growth can be attributed mainly to premium products, such as origin, organic, health-enhancing and fair-trade chocolates. Dark chocolate, with a high cocoa content, is experiencing rapid growth helped by positive media coverage on the potential health benefits of cocoa.

Q Where do you see the greatest growth potential?

AJ Western Europe already has the highest consumption of chocolate in the world. We therefore see the biggest potential in Eastern Europe and in China. In China the annual per capita consumption of chocolate is 100 grams, which is 1% of that in Switzerland. In the next five years we intend to double our sales in Eastern Europe and Asia. To accomplish this, as I mentioned earlier, we are starting up new factories in Russia and China, we are acquiring production equipment in Japan and will open our first sales office in India in the second half of 2007. Did you know that about 500 to 600 million people live in the Greater Shanghai area? These people are curious and want to explore new things, and as their incomes rise and they start to travel more, they will get acquainted with Western-style chocolate and will want to buy it at home. By the end of next year, we will have five production sites in Eastern Europe and Asia, two of the most dynamic regions in the world in terms of chocolate consumption.

Q Why do customers choose Barry Callebaut?

AJ Barry Callebaut is the only fully integrated chocolate manufacturer – from the bean to the shelf – with a global presence. Our activities range from sourcing raw materials through production of semi-finished products, all the way to making chocolate, gourmet and specialty products. Our heritage and our knowledge of the chocolate business make us the business partner of choice for the entire food industry. We invest a lot of time and effort to fully understand customer needs, which differ greatly from individual artisans to industrial manufacturers and global retailers. To best serve our customers we are organized along customer segments within our regions.

Q How does Barry Callebaut differ from its competitors?

AJ Our ability to produce a broad range of specifically tailored products of consistent quality at locations close to our customers sets us apart from the competition and enables us to use our constantly evolving expertise to help our customers grow their businesses. We also provide a comprehensive range of services in the fields of product development, processing, training and marketing. We are currently present in 23 countries, with nearly all our factories ISO-9001 certified, and we are expanding our operations in emerging markets. In the area of innovation we pioneer new trends in the chocolate industry through focused R&D activities and consumer surveys to help us stay ahead of the game by better understanding changing consumer preferences.

Q Do you expect more manufacturers to outsource to Barry Callebaut in the future?

PDM Yes, absolutely! There are two fundamental arguments that support the ongoing outsourcing trend. First, there are the financial criteria. If a manufacturer foregoes the first production steps and focuses on the final production stages, he frees up funds that are otherwise consumed in the cocoa processing stages. Barry Callebaut can offer to handle these first production steps at a reasonable price and good quality because we work efficiently and possess the necessary know-how. In addition, customers only pay 45 days after the delivery, which is good for their balance sheet. The second driving force of outsourcing is the growing complexity of the chocolate industry. Consumers are asking for more variety, such as origin chocolate, health-enhancing or organic chocolate. For the producers it is getting ever more difficult to reconcile the rising quality demands of the consumers with the growing price pressures in the retail market. For them outsourcing is the solution. And we are here to provide them with this service.

"One in four chocolate products worldwide contains Barry Callebaut chocolate."

Q What are the current trends in the chocolate market?

PDM Consumers are increasingly seeking more intense taste experiences. Dark chocolate has continued to gain in popularity because of its taste profile and its potential health benefits as a rich source of antioxidants. The trend towards dark chocolate has fed consumer interest in premium chocolate, with high levels of cocoa, as well as organic varieties and exotic flavors. Single-origin chocolate, which is made from cocoa beans originating from one specific country, enjoys great popularity.

Q How does Barry Callebaut address these trends?

PDM Barry Callebaut offers its customers the most varied single-origin chocolate assortment of any chocolate producer in the world. We launched more than ten new origins this year and more will follow. Consumers are also becoming increasingly more health-conscious. In line with this trend, we are focusing on harnessing the healthy components of the cocoa bean and preserving them in new chocolate products. Our new ACTICOA™ cocoa powder, which contains a guaranteed minimum level of cocoa polyphenols – antioxidants that help keep our bodies healthy – is one such example. In close cooperation with dentists, we developed tooth-friendly chocolate and launched it in September. We also have probiotic chocolate and sugar-reduced chocolate that offer additional health benefits. All these new products are based on well-founded scientific research developed by working together with the best universities and scientists in the world to allow our customers to indulge and be healthy at the same time. For consumers, who attach great importance to the provenance of ingredients we offer fair-trade chocolate. This fast pace of product launches means that we have to be vigilant in terms of safeguarding our intellectual property. We have therefore increased our patent filing activities.

Q What activities is Barry Callebaut involved in to promote corporate social responsibility?

AJ As the world's leading manufacturer of cocoa and chocolate products, we recognize that our business operations have an impact on the lives of many people. Together with other industry members, we're working hard to ensure that cocoa is grown and processed responsibly. We also support on-the-ground projects in West Africa. In Ivory Coast we have launched our own "Quality Partner program," where we work closely with participating cocoa farmers to provide them with training and healthcare. We also provide education for children of participating cocoa farmers. As part of the program we train the farmers in improving the quality of their beans, which enables them to get a premium for their beans, and thereby helps them achieve greater economic security.

Q **What are your expectations for next year?**

PDM I am quite optimistic. With three major long-term supply agreements, a completely transformed manufacturing footprint in the Americas and a targeted geographic expansion into high-growth markets, we have built a strong basis for accelerated growth in the future. We have clearly established ourselves as the outsourcing partner of choice. Despite a challenging cost environment amid high raw material prices and uncertainties from the currency and financial markets, I am confident that we will continue to outpace the global chocolate market and further improve our performance.

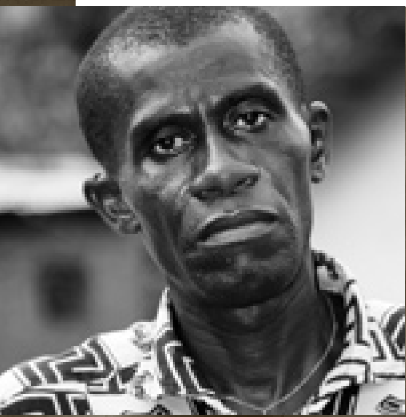
Q **What is Barry Callebaut's most important asset?**

AJ & PDM The heart and engine of our company and of greatest importance to our success in fiscal year 2006/07 is the skill, craftsmanship and passion of our workforce of approximately 8,000 dedicated and committed people around the world. We are proud to have in this organization an impressive pool of energized people, committed to delivering superior value to our customers and shareholders. We witness this commitment every day and would like to express our gratitude to all our employees. Our thanks also go to all our customers around the world, many of whom have been with us for decades. And finally, we would also like to express our thanks to our shareholders for their loyalty and trust.

"People smile when you give them chocolate. And I am proud to work for the No. 1 company in the industry that makes people smile."

Marc-Rémus Atse Abekan, Cocoa Farmer, may still be a beginner, but he is learning fast. By participating in the Barry Callebaut Quality Partner program, his annual cocoa harvest has grown from 25 kg to 2,680 kg in seven years! But he is not just producing more cocoa; it is also of higher quality, bringing higher income to him and his family.

Choosing to grow cocoa was a big decision, but it is one that he and his family are happy he made.



Marc-Rémus Atse Abekan
Akoupé, Ivory Coast

Board of Directors and Management

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

Board of Directors

Andreas Jacobs
Chairman

Andreas Schmid
Vice Chairman

Rolando Benedick

Markus Fiechter

Stefan Pfander

Urs Widmer

Corporate Secretary

Roland Maurhofer

Management Team

Left to right:

Victor Balli*
Chief Financial Officer

Onno J. Bleeker*
Europe

Benoît Villers*
Global Sourcing & Cocoa
and Chairman of the
CSR Committee

Gaby Tschofen
Corporate Communications

Patrick G. De Maeseneire*
Chief Executive Officer

Hans Vriens
Chief Innovation Officer

Massimo Garavaglia*
North America

Dirk Poelman
Operations and Supply
Chain Organization

Maurizio Decio
Asia

* Members of the Senior
Management Team

As of September 1, 2007

Europe – Fortified market leadership

"Barry Callebaut has strengthened its position as the leading manufacturer of high-quality cocoa and chocolate in Europe by signing two major long-term supply agreements with the world's largest food manufacturer, Nestlé, and the leading confectionery company, Cadbury Schweppes. New production facilities in Southern Europe allow us to capitalize on solid growth in the Mediterranean markets. In Eastern Europe, the opening of a new chocolate factory in Chekhov, near Moscow in Russia, marked an important step in our geographic expansion strategy. A focus on innovation has led to the successful launch of several new health-enhancing and premium chocolate products."

Onno Bleeker
President Europe

In Europe, which accounts for more than 70% of Barry Callebaut's sales revenue, fiscal year 2006/07 was marked by several major achievements. Two long-term supply agreements with Nestlé and Cadbury Schweppes clearly confirmed Barry Callebaut as the outsourcing partner of choice in the food industry and increased its market share in the region. With its innovative strength and strategic focus, Barry Callebaut is ideally positioned to further benefit from an accelerating trend among previously integrated food manufacturers to source their primary chocolate needs from specialized players like Barry Callebaut. The combination of product portfolio scale and a global factory network enable the company to offer tailor-made outsourcing solutions and positions it for accelerating momentum.

At the same time, Barry Callebaut expanded its factory network in Southern Europe by buying a chocolate factory in Dijon, France, and production equipment in San Sisto, Italy, from Nestlé. The greater proximity to customers will allow it to better serve its growing customer base in the Mediterranean region. The acquisitions also clearly enhanced Barry Callebaut's manufacturing capabilities in Western Europe. As part of its targeted expansion strategy, Barry Callebaut is widening its exposure to the high-growth markets in Eastern Europe. The company inaugurated a new state-of-the-art chocolate factory in Chekhov, near Moscow, in September 2007, which will serve as a hub to expand business in the region and capture untapped potential in Europe's fastest growing chocolate market. With the new factory, Barry Callebaut aims to triple its sales in Russia within the next three years. Russia has clearly become the company's key target market in Eastern Europe.

Innovation played a key role in driving growth in the region. The company successfully developed a number of new health-enhancing products based on scientific research, such as tooth-friendly chocolate. In line with well-founded consumer research, Barry Callebaut also launched new premium indulgence chocolate. It also significantly increased its offerings of single-origin, organic and fair-trade chocolates. Together with Spain's renowned pâtissier, Paco Torreblanca, the company launched a highly successful premium frozen dessert line.

Western pleasures and Eastern treasures

In Western Europe, the market for standard chocolates is mature, growing by slightly more than 1% in volume from 2006 to 2007. The growth can be attributed mainly to premium products such as origin, organic, health enhancing and fair-trade chocolates. Consumers are becoming increasingly conscious of the health benefits of the cocoa bean. This has led to a strong increase in sales of organic and dark chocolate with high cocoa contents. The market in Western Europe is growing in the premium, but also in the value-for-money categories. Fastest growth is seen in emerging markets, driven by an increasingly affluent consumer base in the Eastern European countries. From 2006 to 2007 the Eastern European chocolate market grew by 5.7% in volume and is expected to increase further in coming years. Modern lifestyles are conducive to chocolate sales. Since consumers spend more time at work and do not have time to prepare food at home, chocolate has become a popular snack amid this tendency of on-the-go consumption.

Source market data: Euromonitor

Outsourcing partner of choice

A combination of a higher market share and rising demand in Eastern Europe led to a 10.1% rise in **sales volumes** to 738,983 tonnes in Region Europe during fiscal year 2006/07. Barry Callebaut's European business grew more than three times as fast as the European chocolate market, driven by a clear trend towards outsourcing of liquid chocolate and cocoa liquor in the industry. In particular, Russia and Poland recorded outstanding dynamic performances on the back of an economic upturn, which has

Key figures for Region Europe

		Change %	**2006/07**	2005/06
Sales volumes	Tonnes	10.1	738,983	671,172
Sales revenue	CHF m	12.2	3,048.4	2,716.8
Operating profit (EBIT)	CHF m	7.6	290.2	269.7

Additional information:
www.cacoa-barry.com and www.callebaut.com and www.carma.ch

fueled consumer demand for premium quality chocolate. The launch of innovative products accelerated market share gains and helped lift **sales revenue** in Europe by 12.2% to CHF 3,048.4 million. **Operating profit** went up by 7.6% to CHF 290.2 million despite increased competition and cost pressure from higher raw material prices. The company focused more on the sale of premium products to offset rising margin pressures.

Barry Callebaut's **Food Manufacturers** business unit, which supplies chocolate products, ready-to-use fillings, coatings and customized services to industrial customers, recorded strong volume growth in Europe fuelled by solid growth with large and medium-sized industrial customers and outsourcing projects in various countries. Barry Callebaut also expanded its outsourcing offerings for finished products such as pralines and tablets, and intensified its co-manufacturing services for food manufacturers. This means that Barry Callebaut makes the finished, brand-wrapped product for these industrial customers. Demand from industrial customers was particularly strong in the U.K. and in Germany – two of Barry Callebaut's key markets. In Eastern Europe, the company developed its exposure to high-growth markets.

Barry Callebaut is the No.1 player in the highly fragmented **Gourmet & Specialties** market and has three strong French, Belgian and Swiss brands – Cacao Barry, Callebaut and Carma – that serve artisanal customers, such as chocolatiers, pastry chefs, bakeries and restaurants. The successful launch of new products combined with new trade marketing concepts increased Barry Callebaut's leadership in this high-margin market and led to a substantial increase in sales volumes across all European countries. Price increases helped offset higher raw material costs. On a per country basis, the U.K. registered particularly impressive growth as the U.K. market becomes increasingly quality-driven, which gives the company a clear competitive advantage. In Alicante, Spain, Barry Callebaut opened a production facility to produce frozen desserts created by one of Europe's greatest pastry chefs, Paco Torreblanca. The joint venture has proven very successful and production will move to a new factory next year. A brand positioning and brand differentiation program for the Gourmet brands initiated in fiscal year 2005/06 was also successful. The program included the launch of new brand websites and a renewed focus on the Chocolate Academies as training centers.

Additional information:
www.vanhoutendrinks.com and www.caprimo.com and www.sarotti.de and www.chocojacques.be and www.alprose.ch

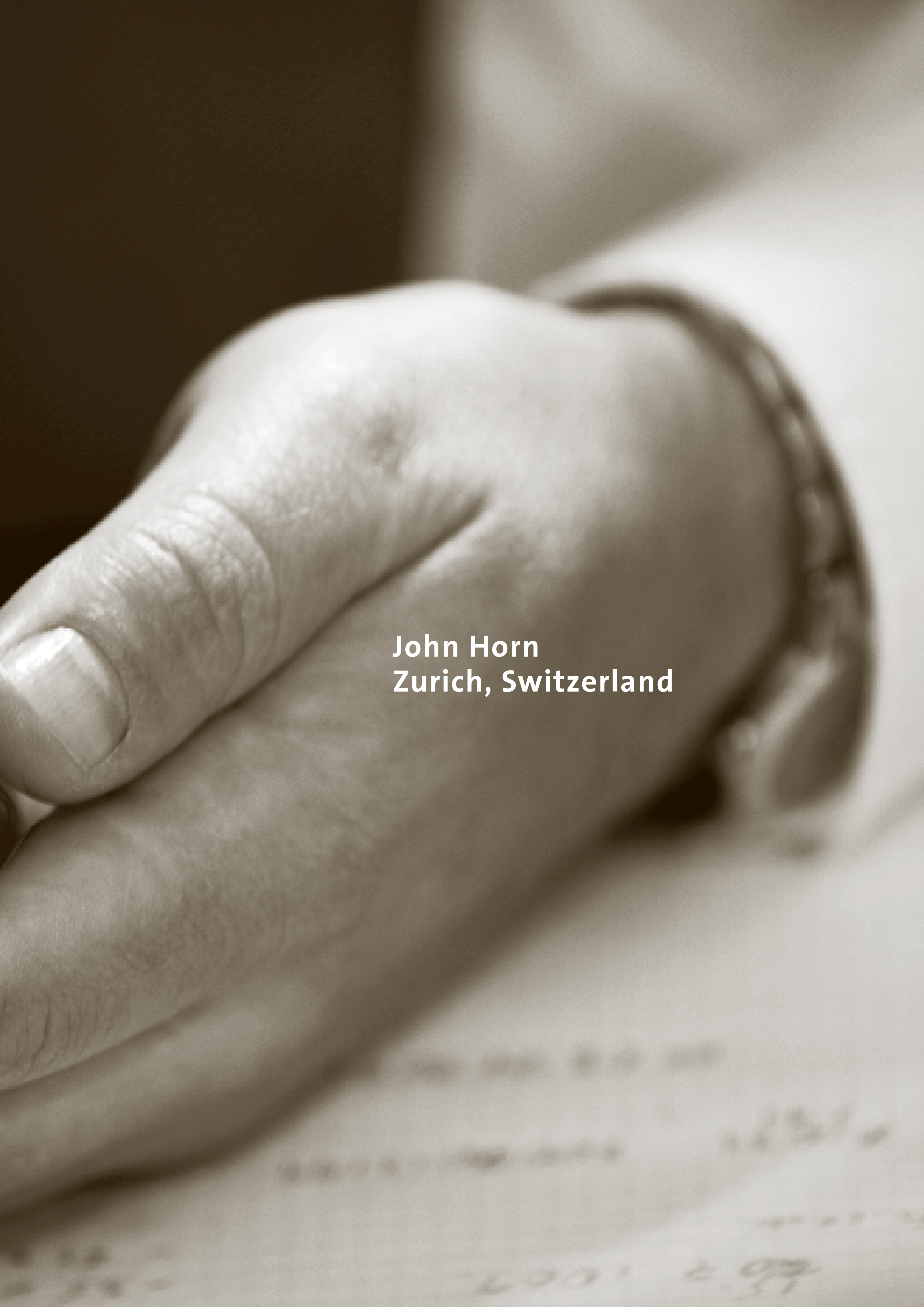
The beverages division is Barry Callebaut's supplier of vending mixes for beverage machines. It is the No.1 player in the chocolate and cappuccino vending mix business in Europe. It comprises the brands Van Houten, Caprimo and Bensdorp. During fiscal year 2006/07, the division experienced increased consumer interest in premium cocoa beverages.

Barry Callebaut's **Consumer Products** business unit is built on three strategic pillars: comprehensive customer label solutions, contract manufacturing services for international food manufacturers and a small number of local brands to bring innovation to market: Sarotti in Germany, Jacques in Belgium and Alprose in Switzerland. The European Consumer Products business returned to profitability in fiscal year 2005/06. Since then the unit has made great progress in building on this foundation, by improving its price management, brand positioning, overall operations and supply chain costs, while reducing overhead costs. The focus on profitability led to the deliberate discontinuation of some unprofitable contracts, which resulted in a virtually flat sales revenue.

Trading

John Horn, Chief Cocoa Trader, spends most of his time solving problems and gathering information to help him ride the ups and downs of the market and strike the best deals for Barry Callebaut and all its stakeholders. After more than 14 years on the trading floor, one thing is for sure – things are never dull.

To relax he spends time with his kids
and explores the world of wine-making.



John Horn
Zurich, Switzerland

The Americas – Road to No. 1

"In the Americas, Barry Callebaut has completely transformed its operational footprint. The strategic partnership with The Hershey Company, North America's leading manufacturer of high-quality chocolate and confectionery products, will make us the No. 1 industrial chocolate supplier in North America. The agreed sale of our sugar-candy business, Brach's, enables us to focus on our core business, chocolate."

Massimo Garavaglia
President North America

Barry Callebaut's landmark transaction with The Hershey Company in July 2007 solidified its position as the chocolate outsourcing partner of choice in the Americas. The transaction includes a long-term supply agreement for about 80,000 tonnes of chocolate a year. It clearly underlines the accelerating outsourcing trend in the U.S. chocolate industry. To meet the increased supply demands from Hershey's and other customers, Barry Callebaut bought production equipment at the Hershey's plant in Robinson, Illinois, and is constructing a new chocolate factory in Monterrey, Mexico. Additional investments were made at existing plants. Through these actions Barry Callebaut has substantially strengthened its manufacturing base to support growth and further penetrate the markets in the United States, Canada, Mexico and Latin America. In October 2007, Barry Callebaut also acquired a cocoa factory near Philadelphia. With a new optimized manufacturing footprint, key investments in innovations and a focus on cost savings, the company is now well positioned to gain market share and assume a leading role in supplying chocolate to industrial and artisanal customers in the Americas.

U.S. consumers turn to premium chocolate

The North American chocolate confectionery market grew slightly slower than the global chocolate market, with an estimated growth of 2.7% in volumes and 4.2% in value from 2006 to 2007. U.S. consumer preferences are clearly shifting towards premium chocolate and more intense taste experiences. Dark chocolate, organic and fair-trade chocolate have become increasingly popular over the last few years and moved from niche market products to mainstream products. Scientific evidence of the possible health benefits of dark chocolate is expected to propel consumer interest. In addition to health benefits, manufacturers are increasingly highlighting the properties of single origin and higher-quality chocolate.

Source market data: Euromonitor

Gaining market share

Sales volumes in the Americas increased by 4.8% to 242,696 tonnes in 2006/07 due to growth in both the Food Manufacturers and Gourmet units. A build-up of the sales force in the Gourmet business and a realignment of the Food Manufacturer sales team boosted volumes. **Sales revenue** rose by 4.2% to CHF 756.8 million. **Operating profit** surged 18.3% to CHF 67.1 million. The region's operating margins increased versus the prior year as a result of efforts to control costs.

The **Food Manufacturers** unit, which supplies liquid chocolate and cocoa products to industrial customers, saw a solid rise in sales volumes, primarily driven by new outsourcing contracts and market share gains. Higher sales revenue and tight cost controls resulted in an impressive rise in operating profit. Several business processes were reviewed during the year to improve the unit's cost structure as well as its financial and qualitative business performance. Measures were taken to make the company's services more customer focused, while supply chain improvements helped optimize factory costs.

The **Gourmet & Specialties** unit, which sells products to artisanal customers, such as chocolatiers, pastry chefs, bakeries and restaurants, registered a sound increase in sales revenue, as a result of a focus on premium and specialty products, which was supported by a targeted marketing campaign. Deliberate efforts to develop and promote specialty products, which enjoy significant market potential and higher margins, were a key focus for the unit. To support this growth, the company expanded its sales force. As a result, marketing and sales as well as staffing costs were higher than in the previous year.

After a thorough strategic review of Barry Callebaut's **Consumer Products North America** unit, the company agreed to sell its U.S. sugar-candy subsidiary, Brach's Confections Inc., in September 2007. Brach's has been classified and reported as discontinued business and prior-year figures have been restated accordingly. The sale will enable Barry Callebaut to focus on its core business, chocolate.

Key figures for Region Americas

		Change %	**2006/07**	2005/06
Sales volume	Tonnes	4.8	242,696	231,652
Sales revenue	CHF m	4.2	756.8	726.2
Operating profit (EBIT)	CHF m	18.3	67.1	56.7

Producing

Yap Lim Heng, Head of the Cleaning Team, has spent ten years focusing on ensuring that only best-in-class productivity, quality, safety, hygiene and people processes are used in the factory. Today, his team works tirelessly to make sure the factory and all its machinery are sparkling clean and ready to produce the best chocolate in the world.

His favorite treat is white chocolate,
particularly when it is made in his own factory.

Yap Lim Heng
Singapore

Asia-Pacific and Rest of World – Capturing growth opportunities

"We have considerably strengthened our presence in the fast-growing Asia-Pacific region over the last 12 months. In addition to constructing a new factory in the Shanghai area of China in record time and initiating plans to open a sales office and Chocolate Academy in Mumbai, India, we agreed to enter into a supply agreement with Morinaga, one of Japan's leading confectionery companies, in September 2007."

Maurizio Decio
Vice President Asia

In the Asia-Pacific region, Barry Callebaut has strengthened its foothold in key target markets by expanding its production network and opening new sales offices in Shanghai, China, and in Mumbai, India, in late 2007. The company is also constructing a new factory in Suzhou, near Shanghai. This expansion allows it to capitalize on the fast growth seen in emerging markets. The agreed transaction with one of Japan's leading confectionery makers, Morinaga, which comprises a long-term supply agreement and the acquisition of cocoa and chocolate production equipment near Osaka, Japan, marks an important step in Barry Callebaut's geographic expansion strategy. Barry Callebaut's strengthened presence in the highly attractive Asian-Pacific market, and a strategic focus on North-East Asia, enables the company to pursue accelerated future growth.

Discovering chocolate

The chocolate confectionery market in the Asia-Pacific region grew by an estimated 7.3% in volumes from 2006 to 2007 and is expected to grow by more than 30% over the next four years. However, the Asia-Pacific region is not homogeneous. Emerging markets like China and India are experiencing strong economic growth, which has lifted the purchasing power of a rapidly expanding middle class and led to a substantial increase in the overall chocolate consumption. In these markets, consumers are discovering the delights of Western style confectionery as they become increasingly conscious of the taste of confectionery products. Other markets, like Japan, are more mature, but depict a clear trend towards premium chocolate.

Source market data: Euromonitor

Expanding markets

Barry Callebaut increased its **sales volumes** by 5.0% to 77,521 tonnes in Region Asia-Pacific and Rest of World. **Sales revenue** in the entire region increased by 11.6% to CHF 301.6 million. **Operating profit** rose by 3.8% to CHF 32.9 million. Excluding the African consumer products business, which had an unsatisfactory performance during most of fiscal year 2006/07, the region registered sound double-digit volume, revenue and operating profit growth. The African consumer business, which consisted of three entities in Cameroon, Ivory Coast and Senegal, showed a disappointing performance during the first three quarters of the year. Chocosen in Senegal was sold to the local management earlier this year and the rest of the consumer business in Africa has been put under review.

Intensified sales efforts in the Asia-Pacific region resulted in rapid volume growth in the **Food Manufacturers** business, which supplies chocolate products, ready-to-use-fillings, coatings and customized services to industrial customers. The company's factory in Singapore ran at full capacity. The new factory in China, which will be operational by the end of 2007, will provide the company with the needed additional capacity to capture further growth opportunities in the region. Outsourcing is not yet a well-known concept in the Asia-Pacific region; however, Barry Callebaut's recent supply agreements with multinationals have appealed to customers in the region and opportunities are arising. Barry Callebaut is ideally positioned to benefit from the outsourcing trend in the region.

In the **Gourmet & Specialties** business unit, which sells products to artisanal customers, such as chocolatiers, pastry chefs, bakeries and restaurants, the sales force and marketing resources were deployed in China, Japan and South-East Asia to assure market penetration and participate in the industry growth in the region. Barry Callebaut's Gourmet brands enjoy great popularity among the chefs and chocolatiers of the top hotels and restaurants, many of whom are French or Swiss and prefer to use Western-style products in their desserts.

Key figures for Region Asia-Pacific and Rest of World

		Change %	**2006/07**	2005/06
Sales volumes	Tonnes	5.0	77,521	73,837
Sales revenue	CHF m	11.6	301.6	270.2
Operating profit (EBIT)	CHF m	3.8	32.9	31.7

Innovating

Marijke De Brouwer, Innovation Manager, enjoys creating something new, something never tasted before. In collaboration with customers, suppliers and research, she and her team are constantly developing new ways to enjoy chocolate. Whether she is improving nutrition or reducing sugar, it is a challenge that she is happy to take on.

Her favorite chocolate is always the latest creation, so it will probably change tomorrow.

Marijke De Brouwer
Wieze, Belgium

Global Sourcing & Cocoa – The best chocolate is made from the finest beans

"Chocolate-making begins with the procurement of high-quality cocoa beans. Barry Callebaut's experience, size and presence in the origin countries give it access to the finest cocoa. The taste and quality of chocolate is defined during the early processing stage; therefore Barry Callebaut continues to invest in expanding its cocoa operations. Our comprehensive risk management approach mitigates the effect of raw material price fluctuations, which were a challenge for the entire food industry in the past year."

Benoît Villers
President Global Sourcing & Cocoa
and Chairman of the CSR Committee

Barry Callebaut is the only fully integrated chocolate manufacturer with a global presence that masters every step in cocoa and chocolate production, from the sourcing of beans to the finished product on the shelf. Its value creation starts with the procurement of high-quality raw materials such as cocoa, sugars, dairy products, fats, nuts, dried fruits and other ingredients as well as packaging material.

Barry Callebaut does not own any plantations. The company buys about half of its beans from cooperatives, intermediaries and government bodies and half on the commodity exchanges (London/New York). Barry Callebaut's well-established presence in origin countries ensures that it can offer an extended and unrivalled range of origin beans, including cocoa varieties grown in regions such as Ecuador, São Tomé, Peru, Cuba, Venezuela and many others. Direct sourcing in the countries of origin maximizes the Group's ability to control quality and will be further increased in coming years.

Managing risks

Fiscal year 2006/07 was a challenging year in terms of the company's cost environment. The cocoa price increased by almost 15% over the 12-month period of fiscal year 2006/07, with peaks in summer of 2007, as a result of market speculation and concerns over a poor mid-crop. In addition, milk powder prices almost doubled during the year due to increased demand for dairy products and a reduced supply as a result of a drought in Australia.

Barry Callebaut's "cost-plus" pricing model allows the company to pass the major part of higher raw material costs on to its customers. In its industrial and customer label business, which accounts for approximately 80% of the company's business, contract pricing is based on hedged raw material costs. New contracts are priced taking into account any changes in raw material prices. Therefore, the exposure to price fluctuations is limited. In the Gourmet and the branded consumer business, customers buy products on the basis of price lists, which are adjusted at regular intervals.

Its globally integrated sourcing approach enables Barry Callebaut to apply a variety of sourcing strategies and best practices for the comprehensive management of market risks. These include vendor assessment, price hedging through futures market transactions, as well as physical forward contracts and arbitrage management. This approach

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

also ensures that the right quantity of raw materials is available on time at the right location. With respect to financial risk management, the Group applies the concept of Value-at-Risk (VaR) in order to quantify and manage its consolidated exposure to commodity price risks.

Cocoa processing

The next step in the production of chocolate is to process cocoa beans into semi-finished or cocoa products, such as cocoa liquor, cocoa butter and cocoa powder. Barry Callebaut processes close to 15% of the global cocoa harvest into cocoa liquor, cocoa butter and cocoa powder. About two-thirds of these products are used by the company for further processing. The rest is sold to industrial customers, who use them in chocolate products, dairy products, beverage applications, bakery products and ice cream.

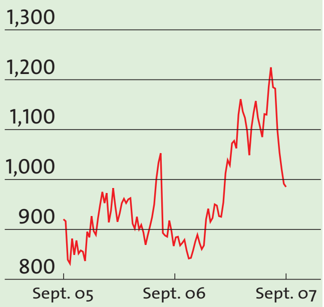
The price of the semi-finished cocoa products which Barry Callebaut sells to third parties, primarily cocoa powder, is determined by supply and demand and cannot be hedged. Therefore, the combined sales price for cocoa butter and cocoa powder relative to the cocoa price – the so-called "combined cocoa ratio" – directly affects the profitability of the business unit Cocoa. As communicated earlier, a declining combined cocoa ratio had a negative effect on sales revenue and operating profit in fiscal year 2006/07, especially in the first semester. To mitigate a resulting margin decline, the company pushed volumes in its Cocoa business unit.

In West Africa, Barry Callebaut is expanding its cocoa processing activities to secure the supply of cocoa liquor. In February 2007, the company inaugurated a second cocoa bean processing line at its factory in Tema, Ghana, thereby doubling the annual bean processing capacity. In Ivory Coast, Barry Callebaut will increase its cocoa processing capacities by more than 50% over the next two years.

Barry Callebaut's commitment to origin countries
Barry Callebaut is committed to ensuring a sustainable cocoa industry in the countries of origin. Together with industry associations, other cocoa and chocolate manufacturers, non-governmental organizations and government bodies, the company is determined to fight child labor and abusive working practices and improve the working and living conditions of cocoa farmers, their families and cocoa communities. The company also endeavors to promote the welfare of its own employees in origin countries by offering health care, housing and education.

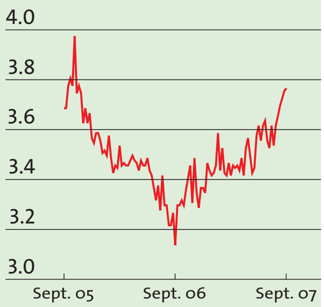
More information in the brochure *Cabosse* and on the Barry Callebaut website under Corporate Social Responsibility (CSR).

Cocoa price
(GBP/tonne)

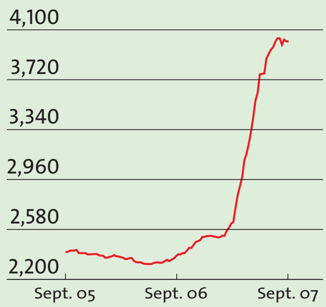


London Cocoa Terminal Market
6-month forward delivery prices

Combined cocoa ratio
(Factor x terminal market price)



Milk powder price
(EUR/tonne)



Building strong partnerships with customers

Barry Callebaut offers tailor-made chocolate products to the entire food industry at competitive prices. The company strives to establish close working partnerships with its customers to better understand their needs, while providing a range of services that stretch far beyond simply supplying selected ingredients. To best serve these individual requirements, Barry Callebaut is focused on clearly defined customer segments – industrial customers, artisanal customers and retailers. As a complete solutions provider, the company offers advice and provides support during the entire production process, with the ultimate goal of helping customers grow their business.

Barry Callebaut serves approximately 6,000 industrial customers and tens of thousands of artisanal customers worldwide. In the retail business it supplies 10 of the 12 biggest global retailers. However, none of its customers represents more than 5% of total sales volumes, and its top 15 customers accounted in the aggregate for approximately 20% of its total sales volumes in fiscal year 2006/07.

As a vertically integrated company whose activities range from sourcing raw materials through the production of semi-finished, liquid and molded chocolate products, Barry Callebaut satisfies the needs of the entire food industry. Its goal is to be No.1 in all attractive customer segments and in all major markets. To serve its customers most effectively, the company strives to cater to their individual requirements, and is therefore organized along four business units grouped in two business segments.

Industrial Business Segment

- The **Global Sourcing & Cocoa** business unit is responsible for the sourcing of cocoa beans and other raw materials along with processing them into semi-finished goods that are partly sold to industrial customers and mostly used for in-house needs.

- The **Food Manufacturers** business unit provides chocolate to multinational and national branded consumer goods manufacturers who incorporate the ingredients in their consumer products. More and more of these customers are also entrusting Barry Callebaut with the molding and packaging of their finished products. Over time Barry Callebaut has developed an irrefutable reputation as a service-oriented solution provider and is renowned for its consistency and quality. This is why the industry's leading consumer products manufacturers, like Nestlé, Hershey's, Cadbury, Barilla or Morinaga choose to partner with Barry Callebaut. *"Barry Callebaut is a worldwide leader in premium chocolate and innovation, and this alliance provides Hershey's with immediate access to these capabilities,"* says Gregg Tanner, Senior Vice President Global Operations, of The Hershey Company.

Food Service/Retail Business Segment

- The **Gourmet & Specialties** business unit provides chocolate products that are specifically designed for artisanal and professional users of chocolate such as chocolatiers, pastry chefs, bakeries, restaurants, hotels and caterers. The company is proud that the world's top chocolatiers and chefs like Régis Marcon, 3-Michelin Star chef and Barry Callebaut Ambassador, France, and Stéphane Glacier, "Meilleur Ouvrier

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

de France pâtissier" in 2000, caterers like Lenôtre in France and top hotels like The Grove Hotel in the U.K. are among its Gourmet customers. They strive for excellence, and Barry Callebaut provides them with the ingredients to achieve it. *"Barry Callebaut is my preferred partner not only because of its excellent products, but also because of its know-how. Part of my role as a chef is to create innovative desserts. For this I team up with Barry Callebaut. At its 'Or Noir' chocolate lab near Paris, I created my very own chocolate, which I named 'Quatres îles',"* says Régis Marcon.

– The **Consumer Products** business unit supplies global retailers with customer label and branded products. It also offers co-manufacturing to industrial customers. 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).

Customers first

With an unrivalled product range and global presence, Barry Callebaut is a reliable partner for customers around the world. The company's ability to produce a broad range of specially tailored products – manufactured from almost 1,700 recipes – that meet its customers' specifications truly set the company apart from the competition. It is the only chocolate maker to unite Swiss, Belgian and French chocolate – the three big chocolate varieties for which consumers are prepared to pay a premium – under one roof.

Proximity is essential to develop a flourishing business partnership. With 37 production sites on four continents, Barry Callebaut has a local presence in all of the key markets and offers its customers direct access and just-in-time delivery. Product development projects conducted in close cooperation with customers offer excellent opportunities to strengthen these essential relationships.

Industrial Business Segment

		Change %	2006/07	2005/06
Sales volumes	Tonnes	**11.3**	**796,458**	**715,505**
Cocoa	Tonnes	10.7	142,062	128,384
Food Manufacturers	Tonnes	11.5	654,396	587,121
Sales revenue	CHF m	**15.0**	**2,574.2**	**2,239,1**
Cocoa	CHF m	13.3	453.6	400.2
Food Manufacturers	CHF m	15.3	2,120.6	1,838.9
Segment operating profit (EBIT)	CHF m	**3.9**	**230.8**	**222.1**

Food Service/Retail Business Segment

		Change %	2006/07	2005/06
Sales revenue	CHF m	**4.0**	**1,532.6**	**1,474.1**
Gourmet & Specialties	CHF m	9.0	590.7	542.0
Consumer Products	CHF m	1.1	941.9	932.1
Segment operating profit (EBIT)	CHF m	**17.1**	**159.4**	**136.1**

Innovation – Pioneering market trends

"Barry Callebaut's dedicated research and development team has again pioneered the trends in the chocolate industry by successfully launching an impressive number of new products that meet consumers' growing demand for superior and healthier taste experiences. Barry Callebaut's innovations allow consumers to indulge their sweet tooth and benefit their health."

Hans Vriens
Chief Innovation Officer

A strong and flexible innovation platform, which offers health-enhancing, premium and convenient chocolate products, has significantly contributed to Barry Callebaut's success in the chocolate industry. New specialty products saw an exceptional growth rate of more than 20% percent in fiscal year 2006/07. In fact, a third of Barry Callebaut's sales revenue stems from products that have been launched in the last three years. To accomplish this the company works closely with its customers to develop tailor-made products that meet specific customer needs. Barry Callebaut's innovation strategy is built on three pillars: health & wellness, experience & indulgence and convenience.

Health & wellness – 100% natural

Trends observed among customers and end consumers are important drivers for innovation. A growing consumer awareness of health issues has encouraged Barry Callebaut to develop chocolate products that harness and preserve the naturally healthy components of the cocoa bean, offer an improved nutritional profile and are 100% natural. Barry Callebaut has recently launched a number of chocolates with added health benefits, including:

– **tooth-friendly chocolate** that prevents caries, which is certified by the "Toothfriendly" organization and endorsed by dentists
– **probiotic chocolate** that helps maintain a healthy intestinal balance
– **white chocolate with natural fruit** that contains no artificial coloring or additives
– ACTICOA™ **cocoa powder** that brings the health benefits of cocoa flavanols to full-flavored chocolate drinks
– **sugar-reduced chocolate** that uses natural cocoa fibers as a sweetener instead of artificial sweeteners
– **aerated chocolate** that has a light-weight texture with low calories per piece

Barry Callebaut has developed a special chocolate production process that preserves a guaranteed minimum level of cocoa polyphenols, which are powerful antioxidants that help protect the body against the damaging effects of free radicals. The process is known as ACTICOA™. Barry Callebaut's innovative chocolate products are scientifically-based and developed through clinical research that draws on the know-how of internal and external experts. Barry Callebaut's research has produced a number of studies published in scientific journals, including the "Journal of Food Science" and the "Agro Food Industry Hi-Tech".

"Evidence supporting the health benefit of cocoa polyphenols is continuing to accumulate. Recent studies have demonstrated the beneficial effect on vascular elasticity. The consumption of chocolate high in polyphenols could thus help better regulate blood pressure and lead to a reduction in the risk of cardiovascular disease," says Prof. Richard Hurrell, Swiss Federal Institute of Technology (ETH), Institute of Food Science and Nutrition, and Chairman of Barry Callebaut's Scientific Advisory Board.

Indulgence & experience – premium treat

Dark chocolate has become a favorite with consumers, especially in the premium-oriented mature markets of Western Europe and North America, as consumers increasingly seek more intense chocolate taste experiences. Chocolate made from single specific cocoa-growing areas continues to enjoy rising popularity. Barry Callebaut offers its customers the most varied single-origin chocolate assortment of any chocolate producer in the world. In 2007, Barry Callebaut went a step further and introduced exclusive vintage plantation chocolates "Alto el Sol 2006" (Peru) and "Madirofolo 2007" (Madagascar). For top chocolatiers and confectioners, who increasingly look for unique flavor profiles, Barry Callebaut built a special laboratory, "Or Noir", in Meulan, near Paris in France, where top chocolatiers can create their own chocolate from a choice of 12 different single-origin cocoa liquors.

Convenience – easy does it!

Barry Callebaut has expanded its line of convenience products. These ready-to-use and ready-to-sell products help confectioners, bakers and chefs save time and money. In addition, together with Spain's renowned pâtissier Paco Torreblanca, the company has successfully launched new ready-to-serve premium frozen desserts.

Packing

Jannina Engelland, Factory Worker, understands that creating a perfect box of pralines is not simply about taste. Consumers deserve more, which is why she performs hourly quality checks to make sure that each chocolate looks as beautiful as it tastes and is exquisitely packaged ready to be given as a gift to someone very special.

Working with chocolate every day hasn't lessened her sweet tooth; she still enjoys a treat or two when she has the time.


Jannina Engelland
Norderstedt, Germany

Careers

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

Rudy Eeckman

Running the world's largest chocolate factory is both a challenge and an honor that Rudy Eeckman takes on every day. He is the Production Manager of the Barry Callebaut factory in Wieze, Belgium. With 400 people working in a factory that runs 24 hours a day, 7 days a week and produces over 250,000 tonnes in over 1,500 recipes of chocolate a year, Rudy Eeckman manages a wide variety of tasks on a daily basis.

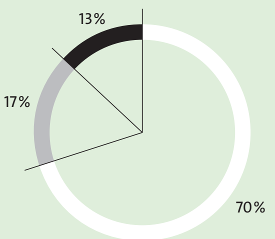
Rudy Eeckman came to the Wieze factory 20 years ago. He started as a supervisor in the molding department. From here he moved on to head the molding department and eventually in 1994 to liquid chocolate manufacturing. In 2002 he became the Production Manager for the entire factory. "I benefit daily from my experience gathered over the years in various departments," says Rudy Eeckman. "I use all my experience to find a solution that will be most beneficial for all our stakeholders: our employees, our shareholders and first and foremost our customers."

Melissa Weiskopf

Each year the Barry Callebaut graduate program, Yourfuture@BC, recruits individuals with the potential to be the company's next generation of managers, who due to the global nature of the company must develop a genuine global outlook.

Melissa Weiskopf is one of those graduates. She has spent two years on assignments in Germany, Switzerland and Sweden. During this time Melissa Weiskopf has worked on a wide variety of information systems, communications and marketing projects. In her most recent position in Sweden, she has been filling in as Marketing Manager of Barry Callebaut's European Beverages division. After a few months in the position, the marketing organization decided they wanted her to stay on board as Trade Marketer. "I couldn't pass up this opportunity to put into action everything I learned at Barry Callebaut," she said. "For me, and I believe for the company, it was the perfect conclusion to the program. I start a new career being able to immediately apply the training I had during the program, and Barry Callebaut has a new team player ready to hit the ground running."

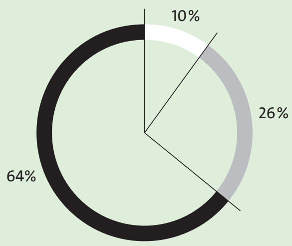
Number of employees per region



Europe	5,286
Americas	1,293
Asia and Rest of World	1,013

Number of employees: 7,592

Number of employees per function



Management	749
Office staff	2,002
Factory staff	4,841

Average seniority (in years)

Europe	13.2
Americas	9.9
Asia and Rest of World	11.5

Personnel expenses (CHF m)

2004/05:	497.4
2005/06*:	457.8
2006/07*:	477.8

* Excluding discontinued operations (Brach's)

Chairman's Award

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

The 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. The Award winners 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 select number of employees each year. Thirteen Barry Callebaut employees from eight countries were presented with the award in 2007.

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 2007 winners are:

Back, left to right:
Christian Behnke, Germany
Patrick De Maeseneire (CEO)
Andreas Jacobs (Chairman)
Thierry Steenhaut, Belgium
Steeve Fortier, France
Greg Tilghman, USA
Paul Hoff, U.K.
Andreas Schmid (Vice Chairman)

Front, left to right:
Kathryn Fortune, USA
Renate Grall, Germany
Jean Claude Sie, Cameroon
Marta Miloszewska-Sobczak, Poland
Marleen Ruyssinck, Belgium
Thomas Brade, Germany
Reinhard Stüber, Germany
Gianluigi D'Auria, Switzerland

Teaching

Patrick Peeters, Technical Advisor, travels the Americas showing how to create beautiful, hand-made delicacies. Whether it is teaching at Barry Callebaut's Chocolate Academy, doing demonstrations at culinary schools and tradeshows, or supporting customers, he is constantly finding ways to share his love of chocolate.

He enjoys chocolate every day.

His favorite is the origin chocolate São Tomé.

Patrick Peeters
American Canyon, USA

Contents

The CFO's view

Q Mr. Balli, you joined Barry Callebaut in February 2007. What have been the major challenges since then?

VB In the spring and summer of 2007, Barry Callebaut signed three major outsourcing agreements. The related contractual negotiations, the acquisition of three manufacturing sites, the integration process (operational, IT, finance & accounting, human resources), as well as the planning and management of the expected growth have been interesting, but also highly demanding tasks for my entire team.

Q How do you, as the CFO, judge the business year 2006/07?

VB For me it is very important that, together with a strong expansion of both top-line volumes and revenue, we maintained our gross margin levels, despite some pressure from raw material prices. The fact that earnings before interest and tax (EBIT) grew at the same pace demonstrates the Group's ability to control factory, overhead and other fixed costs. Therefore, we were able to maintain EBIT per tonne sold. Below EBIT we kept average interest costs flat at about 5.5% per annum and a good effective tax rate of approximately 14%. We had a number of extraordinary effects from the repayment of our high-yield bond, the acquisition of the Nestlé factories, the appreciation of the Euro against the Swiss Franc and the discontinuation of our North American consumer operations, Brach's. Overall, the income accruing to shareholders from ongoing activities grew by approximately 10%, which I view as a good outcome for the year.

Q ...and the balance sheet development?

VB Along with the expansion of our operations, our balance sheet also grew by more than 10%, a result of our increased capital expenditure program and the appreciation of local currencies against the Swiss Franc. It is positive, however, that both net working capital and the net financial debt position have remained almost flat on a comparable basis. As a result, all key debt, financing and return on capital ratios improved. This is an important foundation for the further expansion of our Group.

"The expansion of value based reporting, in other words Economic Value Added, at the business unit level will sharpen the focus on capital usage and working capital management."

Victor Balli
Chief Financial Officer

Q Why did you issue a 6% EUR 350 million Senior Note in July 2007?

VB We are operating in a capital-intensive industry. Our latest outsourcing agreements and our ongoing global expansion do not only require significant investments in fixed assets, the related business volume growth will also increase our working capital needs. In addition, recent fluctuations in raw material prices and the turbulences in the financial markets have shown that it is prudent to have sufficient credit lines available to cope with such events. Consequently, I am very happy that we successfully renegotiated our senior syndicated bank loan of EUR 850 million. Together with the new 10-year EUR 350 million senior note, we have secured EUR 1.2 billion of long-term credit lines at competitive rates of which about half is currently in use.

Q Has the introduction of EVA® helped in managing the Group?

VB Two years ago, Barry Callebaut introduced the use of Economic Value Added (EVA®) calculations at Group level. During the reporting year, a majority of the Group's management team had EVA® as a key performance measure in calculating a component of their variable compensation. We further measure all investment proposals with this indicator. This entails continuously improving the economic returns of the business and differentiating the allocation of resources.

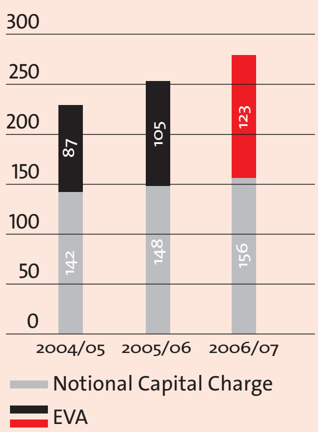
Q What will be your focus for the coming year ?

VB We expect the rapid expansion of our Group to continue. This means that we will carefully manage our investment projects and global growth. We will also challenge and support the business units on costs to further improve our cost competitiveness. We maintain our mid-term objective of achieving investment grade status. We are currently one level away from this.

Economic Value Added

Economic Value Added (EVA®) is the financial performance measure that comes closer than any other to capturing the true economic profit of an enterprise. EVA® also is the performance measure most directly linked to the creation of shareholder wealth over time. To put it simply: EVA® is net operating profit minus an appropriate charge for the opportunity cost of all capital invested in an enterprise. As such, EVA® is an estimate of true "economic" profit, or the amount by which earnings exceed or fall short of the required minimum rate of return that shareholders and lenders could get by investing in other securities of comparable risk.

NOPAT and EVA evolution
(NOPAT, CHF m)



Barry Callebaut calculates its Economic Value Added by taking the Net Operating Profit after Taxation (NOPAT) and deducting a notional interest charge calculated by multiplying the average Capital Employed by the Group Weighted Average Cost of Capital (WACC), which has been determined to be 8%.

Financial Review

Explanatory comments to the Consolidated Financial Statements

On September 14, 2007, the Group signed an agreement to sell its U.S. sugar-candy business Brach's to Farley's & Sathers Candy Company Inc. Consequently, the results of this business are no longer included in the Group's financial performance figures for the continuing business but reported separately in the Statement of Income under the line "net loss from discontinued operations". Prior year figures have been restated accordingly. In the Consolidated Balance Sheet, assets and liabilities related to the discontinued operation are reported under "Assets held for sale" and "Liabilities directly associated with assets held for sale". However, in accordance with IFRS 5, the comparative prior year figures have not been restated in the Consolidated Balance Sheet. In accordance with IFRS 5, the Consolidated Statement of Cash Flows includes the cash flows from discontinued operations. Additional details related to the Statement of Income, Balance Sheet and Statement of Cash Flows of the discontinued operations can be found in Note 28 to the Consolidated Financial Statements.

In previous annual reports, revenue from sales and services also included the revenue from physical bean sales. Such bean sales, assessed as non-core activity, are not included in reported volumes, as these only reflect processed goods. Raw materials including beans are fair valued to market level in the Group's books. Hence, if sold without further processing, they do not give rise to a book gross profit. Therefore, the Group has decided to net physical bean sales both from revenue from sales and services and the related costs of goods sold from now on, which will eliminate the related distorting effects on key figures. In addition to this, expenses formerly reported under other expense – such as amortization charges and other – are now allocated according to their nature. For reasons of comparability, prior year figures have been restated accordingly.

Consolidated Statement of Income

Sales volumes for the Group show a strong increase of 8.5% from 976,661 to 1,059,200 tonnes, to which all regions have contributed. The industrial business segment accounts for a growth of 11.3%, including strong contributions from both the Food Manufacturers and Cocoa business units. The Food Service and Retail segment in total edged up, while the Gourmet business was able to increase its sales volumes significantly. Sales volumes in the Consumer Products business in Europe remained stable whereas those parts of the Consumer Products businesses in North America and Africa, which are continuing, saw some loss of sales volumes.

Revenue from sales and services for the continuing business excluding bean sales grew strongly by 10.6% to CHF 4,106.8 million, up from CHF 3,713.2 million in the previous year, helped by a positive currency impact mainly stemming from the Euro's appreciation against the Swiss Franc. Except for the continuing part of the Consumer Products businesses in the Americas and Africa, all business units contributed to this growth, with the biggest contribution coming from the Food Manufacturers followed by the Cocoa and Gourmet & Specialties business units.

Gross profit improved by 6.9% to CHF 653.8 million from CHF 611.8 million in the previous fiscal year, partly helped by currency impacts. The gross profit percentage in relation to revenue from sales and services is slightly lower at 15.9%, compared to 16.5% the year before, as the price increases for various raw materials could be passed on to the customers to a large extent. Gross profit per tonne slightly decreased to CHF 617.3, compared to CHF 626.4 in the previous fiscal year.

Marketing & Sales expenses increased to CHF 123.5 million from CHF 111.8 million. This is mainly the result of the expansion of marketing and sales activities as planned in existing and growing regions, especially in the Gourmet and Food Manufacturer business units. It reflects the Group's objective to be closer to customers, eliminating intermediary distribution steps in some sales areas. A part of the increase can also be attributed to currency impacts.

General & Administration expenses grew by CHF 18.5 million to CHF 243.5 million. This is partly related to increased amortization charges, mainly due to the "Thalys" project (i.e. integration of the Consumer Products Europe business into the European operations platform); it should be noted that amortization of intangible assets is included under this position and no longer reported under "Other expense". Additionally, the increase is the result of exchange rate effects and increased costs following the growth of the business.

Other income amounted to CHF 54.9 million, compared to CHF 30.7 million in the previous fiscal year. In both years, this position included operating but non-sales-related income items, such as gains on sales of assets, tax credits related to indirect taxes, income generated by the Group's Training Center, Schloss Marbach, reversals of unused provisions and other non-recurring items. In addition, this year's amount includes the recognition of negative goodwill in relation to acquisitions, which was a significant non-recurring item.

Other expense, including litigation and severance payments, losses on sales of fixed assets as well as some non-recurring items, amounted to CHF 17.7 million, compared to CHF 10.7 million in the prior year.

Operating profit (EBIT) increased by 9.8% to CHF 324.0 million from CHF 295.0 million in the prior year. All business units and regions contributed to this growth with the biggest absolute contributions coming from region Europe, respectively the business units Food Manufacturers and Gourmet.

EBIT per tonne stands at CHF 305.9, which represents an increase of 1.3% over last year's figure of CHF 302.0. Region Americas managed to improve its EBIT per tonne considerably, while this key figure slightly decreased in Region Europe. The growth of EBIT per tonne in Asia was more than offset by the decrease in the subregion Rest of World, i.e. mainly in Africa.

Financial income increased to CHF 30.3 million from CHF 12.4 million, which is mainly attributable to gains on interest rate derivatives and an increase of net exchange gains.

Financial expense went up to CHF 113.9 million from CHF 86.6 million. The major drivers, explaining an increase of CHF 26.1 million, are non-recurring costs stemming from the successful restructuring of the debt portfolio entailing the early redemption of the 9.25% EUR 165 million Senior Subordinated Notes, the newly issued 6% EUR 350 million Senior Notes and the amended syndicated EUR 850 million Revolving Credit Facility. Excluding these non-recurring effects and negative currency impacts, financial expenses are comparable to prior year, despite the increase in interest rates.

Income taxes amounted to CHF 33.3 million, up by CHF 2.3 million from last year's CHF 31.0 million, mainly due to the higher profit before income taxes from continuing operations. The effective Group tax rate from continuing operations decreased slightly to 13.9% from 14.1%.

Net profit from continuing operations grew by CHF 17.3 million to CHF 207.0 million, from CHF 189.7 million in the previous fiscal year, representing an increase of 9.1%. The relative increase was slightly lower than the one in EBIT due to higher net financial expenses, mainly due to the debt restructuring as mentioned.

Net loss from discontinued operations (Brach's) amounts to CHF 83.0 million. This amount consists of an operating loss of the discontinued operation of CHF 12.3 million, an impairment charge of CHF 46.7 million on assets, indemnity, pension and transaction costs related to the disposal in the total amount of CHF 13.4 million and financial expense and income taxes of CHF 10.6 million. The prior-year net loss from discontinued operations amounted to CHF 6.1 million.

Net profit for the year including discontinued operations stands at CHF 124.1 million, compared to CHF 183.6 million in the previous fiscal year. Net profit for the year attributable to the shareholders of the parent company amounted to CHF 124.0 million, compared to the prior year's CHF 183.0 million.

Basic earnings per share from continuing operations increased to CHF 40.15, up 9.3% from CHF 36.72 last year. **Cash earnings per share,** defined as operating cash flow before working capital changes divided by diluted shares outstanding, strongly increased by 17.4% to CHF 78.61, compared to CHF 66.94 in the previous year.

Consolidated Statement of Cash Flow

Net cash flow from operating activities before working capital changes compared to prior year strongly improved by CHF 58.8 million to CHF 406.8 million. The higher level of operating cash flow before working capital changes was partly offset by the impact of the cash relevant changes in working capital. As a consequence, the net cash flow from operating activities (including working capital changes) amounted to CHF 234.7 million, up by CHF 22.2 million compared to CHF 212.5 million the year before. In both years, this figure was influenced by the cash-out incurred for restructuring measures. In the current year this effect amounted to CHF 9.2 million (prior year CHF 23.4 million).

Net cash flow from investing activities amounted to CHF –151.0 million, compared to CHF –100.7 million in the prior year. This year's amount included major investments related to the building of factories in China and Russia. Both years also contain investments in ongoing operations such as capacity expansions, replacements and modernizations and software development costs for the integration of new factories as well as the last phase of "Thalys".

Net cash flow from financing activities was CHF –102.6 million, compared to CHF –116.2 million in the previous fiscal year. Excluding the cash effects of the capital reduction of CHF –54.2 million (prior year CHF –41.4 million) and transactions in treasury shares of CHF –18.2 million (prior year CHF –8.2 million), net cash flow from financing activities for the year under review amounted to CHF –30.2 million (2005/06: CHF –66.6 million). This position includes the repayment of the 9.25% EUR 165 million Senior Subordinated Notes in March 2007 and the inflow from the issue of the 6% EUR 350 million Senior Notes in July 2007, respectively.

Consolidated Balance Sheet and financing structure

Total assets as of the end of August 2007 amounted to CHF 3,186.7 million, up 13.3% or CHF 374.9 million from CHF 2,811.8 million in the prior year. The main reasons for the increase were higher inventories of semi-finished and finished goods corresponding to the general increase of the business and acquisitions, the impact of foreign currency effects, as well as increased derivative financial assets.

Net working capital decreased by CHF 37.0 million from CHF 920.9 million at the end of the prior fiscal year, to CHF 883.9 million at the end of August 2007. This decrease is mainly a consequence of the reclassification of the discontinued operations to the lines "assets held for sale" and "liabilities directly associated with assets held for sale", which had an impact of CHF 68.1 million, partly offset by the effect of acquisitions and foreign currency impacts. Without these effects, net working capital on a comparable basis decreased by CHF 8.9 million.

Restructuring provisions have been utilized in the amount of CHF 9.2 million and stand at CHF 0.8 million compared to CHF 10.0 million at August 31, 2006. The usage relates to cash-out incurred for items provided for in previous periods.

Net debt at the end of August 2007 stands at CHF 930.2 million, compared with CHF 906.9 million as of August 31, 2006. At constant exchange rates, our net debt would have decreased by CHF 9.7 million as a result of the Group's strong operating cash flow, which exceeded the Group's need for increased fixed assets and working capital. At the end of the fiscal year, the Group's total debt portfolio had a weighted average duration of 6.1 years, compared to 3.2 years in the previous year. This increase is primarily driven by the issue of the 6% EUR 350 million Senior Notes with maturity in 2017.

Equity – including equity attributable to the shareholders of the parent company (Shareholders' equity) and minority interests – increased by 5.9% or CHF 59.5 million to CHF 1,062.9 million as of the end of August 2007, compared to CHF 1,003.4 million at the end of the prior year. Equity attributable to the shareholders of the parent company amounted to CHF 1,059.1 million, compared to last year's amount of CHF 999.2 million. As a consequence of this, the debt-to-equity ratio further improved to 87.8%, down from 90.8%. The solvency ratio went slightly down to 33.2% from 35.5%. This is mainly the result of the impact of discontinued operations on the Group's net profit and thus the equity. The return on invested capital improved to 14.3% from 13.7% in the prior year.

Consolidated Statement of Income

for the year ended August 31,	Notes	2007	2006[2]
in thousands of CHF			restated[1]
Revenue from sales and services		**4,106,768**	**3,713,216**
Cost of goods sold		(3,452,950)	(3,101,431)
Gross profit		**653,818**	**611,785**
Marketing & Sales		(123,462)	(111,817)
General & Administration		(243,494)	(224,975)
Other income	4	54,901	30,658
Other expense	5	(17,741)	(10,680)
Operating profit (EBIT)		**324,022**	**294,971**
Financial income	6	30,272	12,388
Financial expense	7	(113,868)	(86,600)
Result from investments in associates		(60)	–
Profit before income taxes		**240,366**	**220,759**
Income taxes	8	(33,319)	(31,036)
Net profit from continuing operations		**207,047**	**189,723**
Net loss from discontinued operations, net of tax	28	(82,991)	(6,149)
Net profit for the year		**124,056**	**183,574**
of which attributable to the shareholders of the parent company		124,035	183,022
of which attributable to minority interests		21	552

Earnings per share from continuing and discontinued operations

Basic earnings per share (CHF/share)		24.05	35.53
Diluted earnings per share (CHF/share)		23.97	35.21

Earnings per share from continuing operations[3]	9		
Basic earnings per share (CHF/share)		40.15	36.72
Diluted earnings per share (CHF/share)		40.01	36.39

1 See discontinued operations – note 28
2 Certain comparatives have been reclassified to conform with the current period's presentation
3 Based on the net profit for the year attributable to the shareholders of the parent company excluding the net loss from discontinued operations

Consolidated Balance Sheet

Assets

as of August 31, in thousands of CHF	Notes	2007	2006[1]
Current assets			
Cash & cash equivalents		35,714	38,229
Short-term deposits		5,424	2,048
Trade receivables	10	297,469	290,333
Inventories	11	1,102,137	946,022
Derivative financial assets	12	168,384	106,192
Income tax assets		1,787	7,117
Other current assets	13	241,079	236,997
Assets held for sale	28	123,417	–
Total current assets		**1,975,411**	**1,626,938**
Non-current assets			
Property, plant and equipment	14, 15	724,130	719,250
Financial assets	16	7,266	7,000
Investments in associates	17	484	–
Intangible assets	18	410,950	396,464
Deferred tax assets	19	43,731	49,485
Other non-current assets		24,700	12,693
Total non-current assets		**1,211,261**	**1,184,892**
Total assets		**3,186,672**	**2,811,830**

Liabilities and equity

as of August 31, in thousands of CHF	Notes	2007	2006
Current liabilities			
Bank overdrafts	20	60,874	44,101
Short-term debt	20	349,662	342,505
Trade payables		384,708	318,572
Income tax liabilities		36,247	44,103
Provisions	21	5,091	17,077
Derivative financial liabilities	12	74,259	43,138
Other current liabilities	22	408,249	242,914
Liabilities directly associated with assets held for sale	28	34,468	–
Total current liabilities		**1,353,558**	**1,052,410**
Non-current liabilities			
Long-term debt	23	564,527	569,204
Deferred tax liabilities	19	54,480	47,106
Employee benefit obligations	24	146,968	136,102
Provisions	21	1,879	2,384
Other non-current liabilities		2,326	1,176
Total non-current liabilities		**770,180**	**755,972**
Total liabilities		**2,123,738**	**1,808,382**
Equity	25		
Share capital		381,029	435,314
Retained earnings and other reserves		678,040	563,897
Total equity attributable to the shareholders of the parent company[2]		**1,059,069**	**999,211**
Minority interests	25	3,865	4,237
Total equity		**1,062,934**	**1,003,448**
Total liabilities and equity		**3,186,672**	**2,811,830**

1 Certain comparatives have been restated or reclassified to conform with the current year's presentation
2 Shareholders' equity

Consolidated Statement of Cash Flows

Cash flows from operating activities[1]

for the year ended August 31,	Notes	**2007**	2006[2]
in thousands of CHF			
Profit before income taxes from continuing operations		240,366	220,759
Loss before income taxes from discontinued operations	28	(76,669)	(5,298)
Adjustments for:			
Depreciation of property, plant and equipment	14	98,166	99,875
Amortization of intangible assets	18	17,184	12,852
Impairment of property, plant & equipment	14	53,613	393
Recognition of negative goodwill on acquisitions	4, 26	(25,444)	–
(Gain) on sale of property, plant and equipment		(1,871)	(3,980)
(Gain) on sale of subsidiary	27	(1,280)	–
Foreign exchange (gain)/loss		7,007	(4,109)
Fair value (gain)/ loss on derivative financial instruments		(48,986)	(5,500)
Fair value (gain)/loss on hedged firm commitments		91,234	(43,340)
Fair value (gain)/loss on inventories		(46,357)	(9,600)
Write-down of inventories		3,510	1,484
Increase (decrease) of bad debt allowance	10	3,917	1,339
Increase (decrease) of provisions		6,290	2,532
Increase (decrease) of employee benefit obligations		(5,077)	(7,095)
Equity-settled share-based payments	2	8,400	7,756
Result from investments in associates		60	–
(Interest income)		(3,553)	(2,795)
Interest expense		86,263	82,670
Operating cash flow before working capital changes		**406,773**	**347,943**
(Increase) decrease in trade receivables		(61,734)	36,716
(Increase) decrease in inventories		(123,949)	(73,447)
(Increase) decrease in other current assets		(21,385)	63,417
Increase (decrease) in trade payables		74,538	39,825
Increase (decrease) in other current liabilities and use of provisions		94,145	(91,934)
Cash generated from operations		**368,388**	**322,520**
(Interest paid)		(91,105)	(66,956)
(Income taxes paid)		(42,555)	(43,022)
Net cash flow from operating activities		**234,728**	**212,542**

Consolidated Statement of Cash Flows

Cash flows from investing activities[1]

for the year ended August 31, in thousands of CHF	Notes	2007	2006
Purchase of property, plant and equipment	14	(136,354)	(87,876)
Proceeds from sale of property, plant and equipment		10,112	9,301
Acquisition of subsidiaries, net of cash acquired	26	914	–
Expenditure for development costs (software)	18	(16,722)	(26,804)
Cash inflow on disposal of subsidiary	27	4,630	–
Investments in associates		(538)	–
Decrease of deposits		5,050	3,641
(Increase) of deposits		(3,293)	(1,534)
(Increase) in other non current assets		(18,684)	–
Decrease in other non current assets		1,284	752
Interest received		2,641	1,851
Net cash (outflow) inflow from investing activities		**(150,960)**	**(100,669)**

Cash flows from financing activities[1]

for the year ended August 31, in thousands of CHF	Notes	2007	2006
Proceeds from the issue of short-term debt		103,242	134,633
Repayment of short-term debt		(105,978)	–
Proceeds from the issue of long-term debt		824,457	1,984
Repayment of long-term debt		(851,911)	(203,970)
Capital reduction		(54,209)	(41,360)
Purchase of treasury shares		(18,184)	(8,211)
Sale of treasury shares		–	44
Dividends paid to minority shareholders	25	(137)	(238)
Effect of change in minority interests	25	97	929
Net cash (outflow) inflow from financing activities		**(102,623)**	**(116,189)**
Effect of exchange rate changes on cash and cash equivalents		(433)	(168)
Net increase (decrease) in cash and cash equivalents		**(19,288)**	**(4,484)**
Cash and cash equivalents at beginning of year		(5,872)	(1,388)
Cash and cash equivalents at end of year		**(25,160)**	**(5,872)**
Net increase (decrease) in cash and cash equivalents		**(19,288)**	**(4,484)**
Cash		1,118	584
Banks		34,592	37,642
Marketable securities		4	3
Bank overdrafts		(60,874)	(44,101)
Cash and cash equivalents as defined for the cash flow statement		**(25,160)**	**(5,872)**

1 The Cash Flow Statement includes the cash flow from discontinued operations
2 Certain comparatives have been reclassified to conform with the current period's presentation

Consolidated Statement of Changes in Equity

in thousands of CHF	Share capital	Treasury shares	Retained earnings	Hedging reserves	Cumulative translation adjustments	Total equity attributable to the shareholders of the parent company	Minority interests	Total equity
As of August 31, 2005	**476,674**	**(2,537)**	**394,328**	**(5,475)**	**(29,612)**	**833,378**	**5,402**	**838,780**
Restatement of defined benefit plans, net of tax			(2,728)			(2,728)		(2,728)
As of September 1, 2005	**476,674**	**(2,537)**	**391,600**	**(5,475)**	**(29,612)**	**830,650**	**5,402**	**836,052**
Currency translation adjustments				127	7,372	7,499	(550)	6,949
Effect of cash flow hedges (note 12)				20,287		20,287		20,287
Total gains and losses recognized directly in equity				**20,414**	**7,372**	**27,786**	**(550)**	**27,236**
Net profit for the year			183,022			183,022	552	183,574
Total recognized income and expense			**183,022**	**20,414**	**7,372**	**210,808**	**2**	**210,810**
Capital reduction and repayment	(41,360)					(41,360)		(41,360)
Movements of minority interests (note 25)						0	(1,167)	(1,167)
Acquisition of treasury shares		(8,211)				(8,211)		(8,211)
Sale of treasury shares		37	7			44		44
Equity-settled share-based payments		1,326	5,954[1]			7,280		7,280
As of August 31, 2006	**435,314**	**(9,385)**	**580,583**	**14,939**	**(22,240)**	**999,211**	**4,237**	**1,003,448**
Currency translation adjustments				474	9,925	10,399	(353)	10,046
Effect of cash flow hedges (note 12)				(10,583)		(10,583)		(10,583)
Total gains and losses recognized directly in equity				**(10,109)**	**9,925**	**(184)**	**(353)**	**(537)**
Net profit for the year			124,035			124,035	21	124,056
Total recognized income and expense			**124,035**	**(10,109)**	**9,925**	**123,851**	**(332)**	**123,519**
Capital reduction and repayment	(54,285)		76			(54,209)		(54,209)
Movements of minority interests (note 25)						0	(40)	(40)
Acquisition of treasury shares		(18,184)				(18,184)		(18,184)
Sale of treasury shares		0	0			0		0
Equity settled share based payments		10,873	(2,473)			8,400		8,400
As of August 31, 2007	**381,029**	**(16,696)**	**702,221**	**4,830**	**(12,315)**	**1,059,069**	**3,865**	**1,062,934**

1 Net of deferred tax effect of CHF 0.5 million in fiscal year 2005/06

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 SWX Swiss Exchange (BARN, ISIN Number: CH0009002962) since 1998. As of August 31, 2007, Barry Callebaut's market capitalization based on outstanding shares was CHF 4,511 million (August 31, 2006: CHF 2,833 million). The Group's ultimate parent is Jacobs Holding AG with a share of 50.5% of the shares issued.

The Barry Callebaut Group ("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 the sourcing of raw materials to the finished product on the shelf.

The principal brands, under which the Company operates, are Barry Callebaut, Callebaut, Cacao Barry, Carma, Van Leer and Van Houten for chocolate products, Barry Callebaut, Bensdorp, Van Houten and Chadler for cocoa powder, Bensdorp, Van Houten, Caprimo and Ögonblinck 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, France, Germany, Ghana, Italy, Ivory Coast, Japan, Netherlands, Poland, Russia, Singapore, Spain, Sweden, Switzerland, the United Kingdom and the USA.

Basis of presentation

The consolidated financial statements of Barry Callebaut AG and its subsidiaries 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 (the Group) prepare financial statements using the historical cost basis, except for the measurement at fair value of derivative financial instruments and hedged firm commitments and inventories as disclosed in the accounting policies below.

Management assumptions and significant estimates

The preparation of financial statements requires management to make judgements, 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 judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described below:

Note 12	Derivative financial instruments and hedging activities
Note 18	Goodwill – measurement of the recoverable amounts of cash-generating units
Note 19	Utilization of tax losses
Note 24	Measurement of defined benefit obligation
Note 26	Acquisitions
Note 28	Discontinued operations, assets held for sale and liabilities directly associated with assets held for sale

Scope of consolidation / Subsidiaries

The consolidated financial statements of the Group includes all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies which it controls. Control is normally evidenced when a company owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital or otherwise has the power to exercise control over the financial and operating policies of a subsidiary so as to obtain the benefits from its activities. Minority interests are shown as a component of equity in the balance sheet and the share of the net profit attributable to minority interests is shown as a component of the net profit for the period in the Statement of Income. 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.

Investments in associates

Investments in associated companies, in which the Group normally holds an interest of between 20 and 50% and has the power to participate in the financial and operating policies of the investee, are accounted for using the equity method. The investment is stated at the value of the Group's share in the Company's equity and any goodwill paid or negative goodwill realized on acquisition, and the Group's share of the net income or loss of the associated company is reflected in income.

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 statement of income. If related to commercial transactions or to the measurement of financial instruments in coverage of commercial transactions, such foreign currency gains and losses are classified as 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.

Foreign exchange rates

	Closing rate	Average rate	Closing rate	Average rate
		2006/07		2005/06
EUR	1.6400	1.6201	1.5763	1.5583
GBP	2.4194	2.4019	2.3439	2.2791
USD	1.1992	1.2271	1.2309	1.2708

Cash and cash equivalents

Cash and cash equivalents comprise of cash on hand, 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 statement of cash flows.

Trade receivables

Trade receivables are stated at amortized cost, less impairment losses. Specific allowances for doubtful debts are made for receivables, of which recovery is doubtful. In addition, general allowances for doubtful debts are recorded for the remaining receivables based on the incurred, but not yet identified incidence of bad debts, taking into account past experience.

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 13) or other current liabilities (see note 22) is the net 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 Group is exposed to commodity price risks; in particular, the timing of sales versus the timing of purchases as well as the market price risks of cocoa components and non-cocoa raw materials, such as dairy, sweeteners and nuts. Apart from that, the Group is also exposed to foreign currency and interest rate 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 the 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 their 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 a contract with a customer 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 a price list for certain gourmet and consumer products. This price list is normally updated in intervals of six to twelve months. Customers buy products based on the issued price list without fixed commitments on quantities.

The Group uses derivative financial instruments in accordance with its risk management policies to hedge its exposure to commodity price risks related to its future chocolate sales, foreign exchange risks as well as interest rate risks arising from operational, financing and investment transactions. Following the Group's risk management policy, generally the operating group companies do not hold derivative financial instruments for trading purposes. All derivative financial instruments are accounted for at fair value.

The Sourcing business unit, the Group's purchasing and sourcing center, trades contracts for cocoa beans and other chocolate ingredients. The practice of cash settlement of commodity contracts results in these contracts qualifying as derivative financial instruments.

The Sourcing business unit also trades with third parties. Consequently, the unit applies the broker-trader exemption per IAS 2.5 (Inventories). All their inventories and contracts are measured at fair value, as the inventories and portfolios are principally acquired with the purpose of selling in the near future and generating a profit from fluctuations in price or broker-traders' margin. Hence, no hedge accounting is applied for this business unit.

For the 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 stocks to manage price risks associated with the open sales commitments.

Barry Callebaut has subsidiaries in foreign countries that operate using the local currencies of those countries. As some subsidiaries are selling and buying in other currencies than their functional currency, such entities are exposed to foreign currency risks which they hedge by entering into foreign currency derivatives with the Group's treasury department.

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.

Barry Callebaut Services, being the in-house bank of the Group, fair values its financial instruments without applying hedge accounting (except for interest rate hedging done on behalf of the Group). Fair value changes of the financial instruments are recognized in the Statement of Income of the period under review.

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

Fair value hedge accounting is applied to hedges of 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 re-measured at fair value and gains and losses from both are taken to the Statement of Income. 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 Statement of Income. The changes in the fair value of the hedging instrument are also recognized in the Statement of Income.

For *the commodity price risk related to the 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 mark-to-market valuation principles applied are structured to improve the matching of revenues and expenses as they are incurred. For all major components, the valuation is performed by comparing the current market forward price at the balance sheet date with the prevailing market forward price when the contract was entered into. The fair values thus calculated for the hedged items are recorded under the position "*Hedged firm commitments*" included in other current assets or 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 Contract Business,* fair value hedge accounting is also applied and consists of two hedge relationships. The first hedge relationship is between the physical sales contract (hedged item) and the foreign currency forward sales contract (hedging instrument). The second hedge relationship is between the physical purchase contract (hedged item) and the foreign currency forward purchasing contract (hedging instrument). All contracts pertaining to these hedge relationships are valued comparing the prices of the effective foreign exchange rate applied in the contract and the current forward foreign exchange rate for the same period.

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.

For the purpose of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows of a recognized liability or a highly probable forecasted transaction. In a cash flow hedge, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. When the hedged forecasted transaction results in the recognition of a non-financial asset or a liability, then, at the time the non-financial asset or liability is recognized, the associated gains or losses that had previously been recognized in equity are included in the initial cost or other carrying amount of the non-financial asset or liability. If a hedge of a forecasted transaction subsequently results in the recognition of a financial asset or a financial liability, the associated gains and losses that were recognized directly in equity are reclassified into the Statement of Income in the same period or periods, during which the asset acquired or liability assumed affects profits and losses. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the Statement of Income in the same period, in which the hedged exposure affects the Statement of Income. The ineffective part of any gain or loss is recognized immediately in the Statement of Income 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 Statement of Income.

No hedge accounting designation

The Sourcing business unit and the in-house bank of the Group fair value their financial instruments without applying hedge accounting.

Price List Business commodity risk hedging is based on forecasted sales volumes and excluded from fair valuation and hedge accounting, as no derivatives can be clearly designated to the forecasted price list sales. Inventories dedicated to the Price List Business are valued at cost.

Hedging of monetary assets and liabilities

Where a financial instrument is used to hedge economically the foreign exchange exposure of a recognized monetary asset or liability, no hedge accounting is applied and any gain or loss on the hedging instrument is recognized in the Statement of Income thus compensating the gains and losses that arise from the revaluation of the underlying asset or liability.

Inventories

The Group actively trades cocoa beans, any semi-finished products resulting from cocoa beans (such as cocoa liquor, butter, cake or powder), other raw materials such as sugar, dairy and nuts and industrial chocolate to ensure the right quality or to take opportunities. 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 or first-in-first-out method are 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 are classified as held for sale and shown on the balance sheet in a separate item under assets held for sale or liabilities directly associated with assets held for sale if the book value 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, certain criteria must be met, including that the closing of the transaction 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 Company has the positive intent and ability to hold to maturity except for loans and receivables originated by the Company are classified as held-to-maturity investments. Financial assets acquired principally for the purpose of generating a profit from short-term fluctuations in price are classified as 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 in the case of financial assets and liabilities not at fair value through profit or loss transaction costs. Available-for-sale and trading at 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 Company may incur on their sale or other disposal.

Gains or losses on measurement to fair value of available-for-sale investments are included directly in equity until the financial asset is sold or disposed 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 to a third party that comprise the financial asset. 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 initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable 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 Statement of Income. 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.

Other intangible assets

Other acquired intangible assets (e.g. patents, trademarks, licenses) are amortized on a straight-line basis over their anticipated useful life.

Research and development costs

Research costs and product development costs are 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 mostly related to software are capitalized as an intangible asset if it can be demonstrated that the project will probably generate future economic benefits. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period. Development costs that have been capitalized are amortized on a straight-line basis over the period of their expected useful life. The amortization periods adopted do not exceed five 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	20 to 33 years
Plant and machinery	10 years
Office furniture and equipment	3 to 5 years
Motor vehicles	4 to 5 years

Costs for replacing part of an item of property, plant and equipment are recognized in the carrying amount when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other maintenance and repair expenditures are charged to the Statement of Income as incurred.

The carrying amounts of property, plant and equipment are reviewed 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 Statement of Income 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 Statement of Income 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 Statement of Income 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 Statement of Income consist of current service cost, interest cost, expected return on plan assets and past service cost as well as actuarial gains or losses to the extent they are recognized. The past service cost for the enhancement of pension benefits is accounted for over the period that such benefits vest.

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the Statement of Income 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 option plan
The stock option plan has been discontinued. The last outstanding options have been exercised in fiscal year 2006/07.

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 Statement of Income 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 Statement of Income. 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 in the period in which 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. Taxes are calculated in accordance with the tax regulations in effect in each country. The Group recognizes deferred 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 tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized. 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. Non-recoverable withholding taxes are only accrued if distribution by subsidiary companies is foreseen.

Revenue recognition

Revenues from the sale of goods are recognized when the significant risks and rewards of ownership of the goods have been transferred to the buyer, 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 from sales and services consist of the net sales turnover of semi-processed and processed goods and services related to food-processing. Trading of raw materials which are fair valued does not give rise to a profit or loss; consequently related revenues and costs of goods sold 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 that 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 Statement of Income 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 Statement of Income over the period necessary to match them with the costs they are intended to compensate.

Borrowing costs

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

Segment reporting

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise primarily interest-earning assets and related interest income, interest-bearing loans, borrowings and related interest expenses, income tax assets and liabilities and corporate assets and expenses. Eliminations represent intercompany balances and transactions between the different segments. Segment assets and liabilities represent the situation at the end of the financial year.

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

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

Segmental information is based on two segment formats.

Geographical segments

The geographical segment format – reflecting management responsibility and geographical area – is the Group's primary management and internal reporting structure. The Group manages its business through three geographic areas:

Europe, consisting of the following countries: the British Isles, France, Belgium, the Netherlands, Luxemburg, Germany, Italy, Spain, Portugal, all Eastern European countries including Russia, all Scandinavian countries, Switzerland, Austria, Greece, Turkey.

Americas, consisting of all countries of North America and South America.

Asia/Rest World consisting of all other countries.

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

Business segments

The results reported in the business segments reflect total profitability throughout the value chain.

The first business segment, Industrial Business, comprises the business units Cocoa and Food Manufacturers, both asset and working capital-intensive activities dealing with the Group's industrial customers.

The second business segment, Food Service & Retail Business, combines the business units Gourmet & Specialties and Consumer Products, grouping the more value-added products and services in the Group's professional, gastronomy, artisanal and consumer products segment.

Changes in accounting policies

The accounting policies are the same as those applied in the consolidated financial statements for the year ended August 31, 2006, except for the fact that the Group adopted as of September 1, 2006, amendments to IAS 19 "Employee benefits – actuarial gains and losses, group plans and disclosures" and IFRIC 4 "Determining whether an arrangement contains a lease". Other new and revised standards and interpretations that were effective for financial periods starting on or after January 1, 2006 were not applicable to the Group, or did not have a significant impact on the Consolidated Financial Statements.

IAS 19

The adoption of amended IAS 19 has an impact on the disclosures given, but not on the amounts recognized in the consolidated financial statements. The Group did not adopt the new alternative to recognize actuarial gains and losses directly in a statement of recognized income and expense.

IFRIC 4

In applying IFRIC 4, the Group analyzed its arrangements to identify any arrangements that do not take the legal form of a lease, but in substance contain a lease. The analysis has not revealed any significant arrangements that have to be accounted for under IAS 17.

Restatement

A previously reported pensions related asset would have never qualified as an asset according to Group Policies. Consequently, the resulting correction of CHF 2.7 million, net of attributable taxes, has been treated as an adjustment to opening equity of the comparable period.

The following new and revised Standards and Interpretations have been issued, but are not yet effective and are not applied early in these Consolidated Financial Statements. Their impact on the Consolidated Financial Statements of Barry Callebaut Group has not yet been systematically analyzed.

Standards that have been approved but not yet applied

Standard/Interpretation		Assessment	Effective date	Planned application by Barry Callebaut
IFRS 7	– Financial instruments: Disclosures	**	January 1, 2007	Reporting year 2007/08
	Amendment to IAS 1: Presentation of financial statements: Capital disclosure		January 1, 2007	Reporting year 2007/08
IFRS 8	– Operating segments	*	January 1, 2009	Reporting year 2009/10
IFRIC 10	– Interim financial reporting and impairment	*	November 1, 2006	Reporting year 2007/08
IFRIC 11	– Group and treasury share transactions	*	March 1, 2007	Reporting year 2007/08
IFRIC 12	– Service concession arrangements	*	January 1, 2008	Reporting year 2008/09
IAS 23	– Borrowing costs	*	January 1, 2009	Reporting year 2009/10
IFRS 2	– Amendment	*	January 1, 2008	Reporting year 2008/09
IFRIC 13	– Customer loyalty programs	*	July 1, 2008	Reporting year 2008/09
IFRIC 14	– IAS 19 – The limit of defined benefit assets, minimum funding requirements and their interaction	*	January 1, 2008	Reporting year 2008/09
IAS 1	– Presentation of Financial Statements	**	January 1, 2009	Reporting year 2009/10

* No or no significant impacts are expected on the consolidated financial statements of the Barry Callebaut Group

** Mainly additional disclosures are expected on the consolidated financial statements of the Barry Callebaut Group

*** The impacts on the consolidated financial statements of the Barry Callebaut Group cannot yet be determined with sufficient reliability

Notes to the Consolidated Financial Statements

Changes in the scope of consolidation

The following companies were founded or acquired during the fiscal year 2006/07:
- Barry Callebaut China Plc.
- Barry Callebaut Manufacturing Bourgogne SA (Dijon, France; founded for acquisition of assets from Nestlé)
- Dolphin Srl. (San Sisto, Italy; acquired from Nestlé)
- Barry Callebaut Netherlands Russia LLC
- Barry Callebaut Pastry Manufacturing Iberica SL

As of February 28, 2007, the Group disposed of its consumer products business in Senegal by selling its former subsidiary Chocosen SA (details see note 27).

As of June 29, 2007, the Group acquired a business from Nestlé including a chocolate factory in Dijon, France, and a cocoa liquor and liquid chocolate production facility at their chocolate factory in San Sisto, Italy (details see note 26).

The Group has decided to sell its U.S. sugar-candy business Brach's towards the end of the fiscal year 2006/07. On September 14, 2007, the Group signed an agreement for such a sale with Farley's & Sathers Candy Company Inc. Consequently, the related business is reported under discontinued operations respectively assets held for sale and liabilities directly associated with assets held for sale (details see note 28).

Notes

Information by segments

I – Business Segments

Segment Statement of Income

	Industrial Business		Food Service & Retail Business		Corporate/ unallocated		Eliminations		Consolidated	
in thousands of CHF	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06
Revenue from sales and services										
External sales	2,574,160	2,239,107	1,532,608	1,474,109					4,106,768	3,713,216
Inter-segment sales	424,286	549,470	1,314	32,021			(425,600)	(581,491)		
Income from sales and services	**2,998,446**	**2,788,577**	**1,533,922**	**1,506,130**			**(425,600)**	**(581,491)**	**4,106,768**	**3,713,216**
Earnings before interest, taxes, depreciation and amortization (EBITDA)	**287,799**	**275,445**	**201,357**	**176,510**	**(62,050)**	**(59,407)**			**427,106**	**392,548**
Depreciation and amortization	(57,065)	(53,350)	(41,940)	(40,457)	(4,079)	(3,770)			(103,084)	(97,577)
Operating profit (EBIT)	**230,734**	**222,095**	**159,417**	**136,053**	**(66,129)**	**(63,177)**			**324,022**	**294,971**
Result from investments in associates									(60)	
Financial cost, net									(83,596)	(74,212)
Income taxes									(33,319)	(31,036)
Net profit from continuing operations									**207,047**	**189,723**
Net loss from discontinued operations									(82,991)	(6,149)
Net profit for the year									**124,056**	**183,574**
of which attributable to the shareholders of the parent company									124,035	183,022
of which attributable to minority interests									21	552

Segment asset and liabilities

in thousands of CHF	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06
Segment assets	2,221,330	1,756,925	804,072	1,015,146					3,025,402	2,772,071
Investment in associates					484				484	
Corporate/unallocated assets					37,369	39,759			37,369	39,759
Assets held for sale					123,417				123,417	
Total assets	**2,221,330**	**1,756,925**	**804,072**	**1,015,146**	**161,270**	**39,759**			**3,186,672**	**2,811,830**
Segment liabilities	623,774	371,398	181,725	248,545					805,499	619,943
Corporate/unallocated liabilities					1,283,771	1,188,439			1,283,771	1,188,439
Liabilities directly associated with assets held for sale					34,468				34,468	
Total liabilities	**623,774**	**371,398**	**181,725**	**248,545**	**1,318,239**	**1,188,439**			**2,123,738**	**1,808,382**

Other segment information

in thousands of CHF	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06
Capital expenditure	105,956	56,198	42,445	54,772	3,276	2,096			151,677	113,066
Non-cash expenses other than depreciation, amortization and impairment					(8,400)	(7,756)			(8,400)	(7,756)
Impairment losses		(393)								(393)

Notes

II – Geographical Segments: Region

Segment Statement of Income

	Europe		Americas		Asia-Pacific/ Rest of World		Corporate/ unallocated		Eliminations		Consolidated	
in thousands of CHF	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06
Revenue from sales and services												
External sales	3,048,310	2,716,802	756,853	726,257	301,605	270,157					4,106,768	3,713,216
Inter-segment sales	61,001	57,159	302	160		3			(61,303)	(57,322)		
Income from sales and services	**3,109,311**	**2,773,961**	**757,155**	**726,417**	**301,605**	**270,160**			**(61,303)**	**(57,322)**	**4,106,768**	**3,713,216**
Earning before interest, taxes, depreciation and amortization (EBITDA)	**363,238**	**337,932**	**83,694**	**71,727**	**42,224**	**42,296**	**(62,050)**	**(59,407)**			**427,106**	**392,548**
Depreciation and amortization	(73,003)	(68,222)	(16,635)	(14,997)	(9,367)	(10,588)	(4,079)	(3,770)			(103,084)	(97,577)
Operating profit (EBIT)	**290,235**	**269,710**	**67,059**	**56,730**	**32,857**	**31,708**	**(66,129)**	**(63,177)**			**324,022**	**294,971**
Result from investments in associates											(60)	
Financial cost, net											(83,596)	(74,212)
Income taxes											(33,319)	(31,036)
Net profit from continuing operations											**207,047**	**189,723**
Net loss from discontinued operations											(82,991)	(6,149)
Net profit for the year											**124,056**	**183,574**
of which attributable to the shareholders of the parent company											124,035	183,022
of which attributable to minority interests											21	552

Segment asset and liabilities

in thousands of CHF	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06
Segment assets	2,264,539	1,949,952	437,590	559,649	323,273	262,470					3,025,402	2,772,071
Investment in associates							484				484	
Corporate/unallocated assets							37,369	39,759			37,369	39,759
Assets held for sale							123,417				123,417	
Total assets	**2,264,539**	**1,949,952**	**437,590**	**559,649**	**323,273**	**262,470**	**161,270**	**39,759**			**3,186,672**	**2,811,830**
Segment liabilities	655,564	470,407	82,732	89,072	67,203	60,464					805,499	619,943
Corporate/unallocated liabilities							1,283,771	1,188,439			1,283,771	1,188,439
Liabilities directly associated with assets held for sale							34,468				34,468	
Total liabilities	**655,564**	**470,407**	**82,732**	**89,072**	**67,203**	**60,464**	**1,318,239**	**1,188,439**			**2,123,738**	**1,808,382**

Other segment information

in thousands of CHF	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06	**2006/07**	2005/06
Capital expenditure	79,004	65,325	39,347	29,768	30,050	15,877	3,276	2,096			151,677	113,066
Non-cash expenses other than depreciation, amortization and impairment							(8,400)	(7,756)			(8,400)	(7,756)
Impairment losses		(393)										(393)

Notes

2. Personnel expense

in thousands of CHF	2006/07	2005/06
Wages and salaries	(362,642)	(348,512)
Compulsory social security contributions	(94,655)	(92,197)
Contributions to defined contribution plans	–	(852)
Expenses related to defined benefit plans	(12,096)	(8,431)
Increase in liability for long service leave	(10)	(8)
Equity-settled share-based payment transactions	(8,400)	(7,756)
Total personnel expense	**(477,803)**	**(457,756)**

3. Research and development expense

in thousands of CHF	2006/07	2005/06
Total research and development expense	**(15,462)**	**(10,457)**

Research and development costs not qualifying for capitalization are directly charged to the Statement of Income and are reported under Sales & Marketing and General & Administration.

4. Other income

in thousands of CHF	2006/07	2005/06
Recognition of negative goodwill on acquisitions (note 26)	25,444	–
Release of unused restructuring provisions	–	222
Release of unused other provisions	4,233	1,790
Gain on disposal of property, plant and equipment	2,210	4,075
Gain on disposal of subsidiary (note 27)	1,280	–
Commission	324	3,179
Contract cancellations	2,105	1,541
Sale of shells of cocoa beans	803	936
Tax credits for material purchases	1,256	4,545
Other	17,246	14,370
Total other income	**54,901**	**30,658**

5. Other expense

in thousands of CHF	2006/07	2005/06
Loss on sale of property, plant and equipment	(447)	(199)
Customer credit insurance	(1,844)	(1,222)
Impairment on property, plant and equipment	–	(393)
Litigation & severance payments	(4,757)	(2,974)
Restructuring costs	(4,650)	(1,096)
Costs related to chocolate museums	(528)	(739)
Other	(5,515)	(4,057)
Total other expense	**(17,741)**	**(10,680)**

Notes

6. Financial income

in thousands of CHF	2006/07	2005/06
Interest income	3,384	2,672
Exchange gains, net	6,193	4,104
Gain on derivative financial instruments	20,695	5,612
Total financial income	**30,272**	**12,388**

Gain on derivative financial instruments of CHF 20.7 million contains a portion of CHF 20.3 million transferred from equity into the Statement of Income.

7. Financial expense

in thousands of CHF	2006/07	2005/06
Interest expense	(81,908)	(79,191)
Bank charges	(5,840)	(4,735)
Structuring fees	(8,351)	(2,674)
Costs related to early redemption of Senior Subordinated Notes	(17,769)	–
Total financial expense	**(113,868)**	**(86,600)**

Interest expense includes the net cost of the interest rate swaps, being the result of paying fixed interest rates in exchange for receiving floating interest rates. Interest expense for 2006/07 also includes interest paid under the assets backed securitization program of trade receivables for an amount of CHF 17.0 million (2005/06: CHF 10.4 million).

Bank charges include commitment fees, being paid on the undrawn portion of committed credit facilities, for an amount of CHF 2.6 million (2005/06: CHF 2.4 million).

The structuring fees for 2006/07 are mainly attributable to the renegotiated EUR 850 million Revolving Credit Facility and include both the amortization of the remainder of capitalized fees under the previous debt structuring as well as of the newly incurred fees.

The expenses related to the early redemption of the Senior Subordinated Notes amount to CHF 17.8 million and include the remainder of the capitalized structuring fees as well as the call premium paid due to the early redemption. The net cost of paying back the Senior Subordinated Notes amounted to approximately CHF 8.0 million in 2006/07.

Notes

8. Income taxes

in thousands of CHF	2006/07	2005/06
Current taxes	(35,555)	(36,809)
Deferred taxes	2,236	5,773
Total income taxes	**(33,319)**	**(31,036)**

Reconciliation of income taxes

in thousands of CHF	2006/07	2005/06
Profit before income taxes	240,366	220,759
Expected taxes at the domestic rates applicable to profit/loss		
in the countries concerned	(36,888)	(38,516)
Weighted average applicable tax rate	15.35%	17.45%
Tax relief on losses carried forward previously not yet recognized	3,376	9,149
Tax effect of non-deductible expenses	(7,645)	(4,734)
Tax effect of non-effective tax losses	(16,479)	(10,680)
Tax effect of income recognized for tax purposes only	(615)	(4,194)
Tax effect of expenses recognized for tax purposes only	22,400	2,641
Tax effect of income not subject to tax	10,006	7,826
Impact of tax rate changes on deferred taxes	(8,757)	244
Adjustments related to prior years	1,283	7,228
Total income taxes	**(33,319)**	**(31,036)**

The applicable expected tax rate per company is the domestic income tax applicable to the profits of the company for fiscal period 2006/07.

The weighted average applicable tax rate in fiscal year 2006/07 based on continuing operations is 15.4%, compared to last year's applicable tax rate of 17.5%. The decrease of the weighted average applicable tax rate is due to the company's mix of the profit before taxes.

9. Earnings per share from continuing operations

in CHF	2006/07	2005/06
Basic earnings per share for continuing business (CHF/share)	40.15	36.72
Diluted earnings per share (CHF/share)	40.01	36.39

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	2006/07	2005/06
Net result attributable to ordinary shareholders,		
used as numerator for basic earnings per share		
adjusted for the net loss from discontinued operations	207,026	189,171
After-tax effect of income and expense on dilutive potential ordinary shares	–	–
Adjusted net result used as numerator for diluted earnings per share	207,026	189,171

Notes

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

	2006/07	2005/06
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares outstanding	14,103	18,438
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,155,897	5,151,562
Equity-settled share-based payments and exercisable options	18,983	46,147
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	5,174,880	5,197,709

10. Trade receivables

as of August 31, in thousands of CHF	2007	2006
Trade receivables	322,874	311,821
Bad debt allowance	(25,405)	(21,488)
Total trade receivables	**297,469**	**290,333**

The Group maintains an assets backed securitization program whereby trade receivables are sold on a monthly basis at their nominal value minus a discount in exchange for cash. The net amount of the sold receivables is CHF 367.9 million as of August 31, 2007 (2006: CHF 353.5 million), and was fully derecognized from the balance sheet.

The trade receivables are contractually due within a period of 1 to 120 days.

In the current fiscal year the charge of bad debt losses affecting the consolidated Statement of Income amounted to CHF 5.5 million (2005/06: CHF 2.2 million).

11. Inventories

as of August 31, in thousands of CHF	2007	2006
Cocoa bean stocks	299,876	280,780
Semi-finished and finished products	634,473	527,706
Other raw materials and packaging materials	167,788	137,536
Total inventories	**1,102,137**	**946,022**
Thereof stocks carried at fair value less costs to sell		
Cocoa bean stocks	278,539	267,072
Semi-finished and finished products	503,666	364,401
Other raw materials	66,026	85,687
Total stocks carried at fair value less costs to sell	**848,231**	**717,160**

As of August 31, 2007, inventories amounting to CHF 7.7 million (2006: CHF 0.3 million) are pledged as security for financial liabilities (note 31).

In financial year 2006/07, inventory write-downs of CHF 3.5 million were recognized as expenses (2005/06: CHF 1.5 million).

Notes

12. Derivative financial instruments and hedging activities

	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
as of August 31,		**2007**		2006
in thousands of CHF				
Cash flow hedges				
Interest rate risk				
Swaps	4,608	–	17,150	–
Fair value hedges				
Sales price risk (cocoa and other ingredients)				
Forward and futures contracts	80,684	52,205	3,766	25,652
Foreign exchange risk				
Forward and futures contracts	6,422	5,743	12,420	7,985
Other – no hedge accounting				
Raw materials				
Forward and futures contracts	59,187	6,410	64,601	2,579
Foreign exchange risk				
Forward and futures contracts	6,732	9,901	8,255	6,911
Interest rate risk				
Swaps	10,751	–	–	11
Total derivative financial assets	**168,384**		**106,192**	
Total derivative financial liabilities		**74,259**		**43,138**

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. The notional amounts of these instruments are disclosed in note 31.

The fair value measurement of some items requires assumptions and management's assessment of certain market parameters. Whenever possible, fair valuation is based on market prices. In the absence of such prices, management estimates market prices based on recent arm's length transactions. If required an adjustment is made to take into account the specific characteristics of the underlying assets or commodities.

Effect of cash flow hedges on equity

	Interest rate risk	Total hedging reserve
in thousands of CHF		
Balance as of September 1, 2005	**(5,475)**	**(5,475)**
Movements in the period:		
Gains/(losses) taken into equity, net of tax	25,899	25,899
Transfer to the Statement of Income for the period	(5,612)	(5,612)
Cumulative translation adjustment	127	127
As of August 31, 2006	**14,939**	**14,939**
Balance as of September 1, 2006	**14,939**	**14,939**
Movements in the period:		
Gains/(losses) taken into equity, net of tax	9,732	9,732
Transfer to the Statement of Income for the period	(20,315)	(20,315)
Cumulative translation adjustment	474	474
As of August 31, 2007	**4,830**	**4,830**

Notes

Cash flow hedges

As a consequence of the amendment and restructuring of the EUR 850 million Revolving Credit Facility several hedge relationships had to be reviewed, triggering a dedesignation and consequently a transfer of the Fair Value of the major part of the instruments from equity into the Statement of Income in the amount of CHF 20.3 million (note 6). For forecast drawings under the Revolving Credit Facility, hedge accounting remains in place for an amount of EUR 60 million, for which the Group has swapped floating interest rates for fixed.

Fair value hedges

Fair value hedges as outlined in the above table include forward purchase commitments and cocoa future contracts designated as the hedging instruments for commodities related to firm sales commitments as well as heding instruments in relation to foreign currency risks.

For the fair value hedge relationship of the contract business, the Group also considers its related fair valued inventories as hedging instruments even though they are not reported as financial derivatives but as inventories. The amount of fair value adjustments to inventories was CHF 16.4 million (2006: CHF –30.0 million).

For all major components, the valuation is performed by comparing the current market forward price at the balance sheet date with the prevailing market forward price when the contract was entered into. All financial derivatives and the hedged items are marked at fair value.

Other – no hedge accounting

This position contains the fair values of the instruments of the Sourcing & Cocoa business unit and the Group's treasury center, which are not designated for hedge accounting.

Hedged firm commitments

in thousands of CHF	Assets	Liabilities	Assets	Liabilities
as of August 31,		**2007**		2006
Commodities price risk (cocoa and other ingredients) – sales contracts	36,028	80,565	52,459	2,982
Foreign exchange price risk – sales and purchase contracts	945	2,667	7,889	13,231
Total fair value of hedged firm commitments	**36,973**	**83,232**	**60,348**	**16,213**

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 – are outlined in the table hedged firm commitments above. The balance of these items at balance sheet date is presented under other current assets (see note 13) and other current liabilities (see note 22).

Notes

13. Other current assets

as of August 31, in thousands of CHF	2007	2006
Prepaid expenses	35,853	57,721
Accrued income	4,215	4,173
Prepaid taxes (value added tax and duties)	105,276	36,431
Receivables from governments	24,135	37,194
Margin calls paid/Broker ledger balance	295	12,394
Advances to cocoa suppliers	6,908	4,674
Receivables from asset-purchasing company	–	970
Hedged firm commitments (note 12)	36,973	60,348
Prepaid contribution to pension funds/insurance	2,854	2,377
Other	24,570	20,715
Total other current assets	**241,079**	**236,997**

14. Property, plant and equipment

2006/07 in thousands of CHF	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	Total
At cost					
As of September 1, 2006	617,991	1,329,345	227,970	47,964	2,223,270
Change in Group structure	25,734	11,184	331	168	37,417
Additions	3,493	36,585	14,025	82,251	136,354
Disposals	(1,139)	(16,631)	(7,721)	(4,559)	(30,050)
Currency translation adjustments	15,658	30,742	5,577	1,224	53,201
Reclassified to assets held for sale	(64,637)	(154,090)	(24,024)	(214)	(242,965)
Other reclassifications	5,042	28,493	(36,562)	(41,323)	(44,350)
As of August 31, 2007	**602,142**	**1,265,628**	**179,596**	**85,511**	**2,132,877**
Accumulated depreciation and impairment losses					
As of September 1, 2006	339,640	973,940	190,440	–	1,504,020
Change in Group structure	(295)	(1,237)	(1,703)	–	(3,235)
Depreciation charge	15,621	68,474	14,071	–	98,166
Impairment losses	30,514	18,986	4,113	–	53,613
Disposals	(61)	(15,561)	(6,674)	–	(22,296)
Currency translation adjustments	10,240	22,060	4,787	–	37,087
Reclassified to assets held for sale	(52,722)	(145,968)	(23,446)	–	(222,136)
Other reclassifications	(185)	(3,288)	(32,999)	–	(36,472)
As of August 31, 2007	**342,752**	**917,406**	**148,589**	**–**	**1,408,747**
Net as of August 31, 2007	**259,390**	**348,222**	**31,007**	**85,511**	**724,130**

Notes

2005/06	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	Total
in thousands of CHF					
At cost					
As of September 1, 2005	597,144	1,288,418	224,082	36,252	2,145,896
Change in Group structure	–	–	–	–	–
Additions	2,141	40,203	11,594	33,938	87,876
Disposals	(616)	(23,388)	(7,640)	(1,961)	(33,605)
Currency translation adjustments	9,421	22,836	4,539	549	37,345
Reclassifications	9,901	1,276	(4,605)	(20,814)	(14,242)
As of August 31, 2006	**617,991**	**1,329,345**	**227,970**	**47,964**	**2,223,270**
Accumulated depreciation and impairment losses					
As of September 1, 2005	310,920	926,235	182,832	–	1,419,987
Change in Group structure	–	–	–	–	–
Depreciation charge	16,591	66,347	16,937	–	99,875
Impairment losses	–	393	–	–	393
Disposals	(131)	(21,188)	(6,965)	–	(28,284)
Currency translation adjustments	5,562	16,614	3,574	–	25,750
Reclassifications	6,698	(14,461)	(5,938)	–	(13,701)
As of August 31, 2006	**339,640**	**973,940**	**190,440**	**–**	**1,504,020**
Net as of August 31, 2006	**278,351**	**355,405**	**37,530**	**47,964**	**719,250**

In 2006/07, the impairment charges in the amount of CHF 53.6 million fully relate to discontinued operations and include the effect of CHF 6.9 million for transaction and indemnity costs in relation with the discontinuance of the operations (note 28). In prior year impairment losses of CHF 0.4 million charged to the Statement of Income 2005/06 are related to the Industrial business segment (see also note 1 and 5).

Repair and maintenance expenses for the business year 2006/07 amounted to CHF 49.9 million (2005/06: CHF 46.9 million).

The fire insurance value of property, plant and equipment amounted to CHF 2,530.9 million as of August 31, 2007, and CHF 2,814.1 million 2006, respectively.

As of August 31, 2007, plant and equipment held under financial leases amount to CHF 5.2 million (2006: CHF 5.9 million). The related liabilities are reported under short-term and long-term debt (see notes 15, 20 and 23).

As of August 31, 2007, no financial liabilities are secured by mortgages on properties (2006: CHF 0.1 million), see note 31.

Notes

15. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
as of August 31,	**2007**	2006	**2007**	2006
in thousands of CHF				
Amounts payable under finance leases				
within one year	2,292	2,229	2,214	2,083
in the second to fifth year inclusive	678	2,348	654	2,271
Total amount payable under finance leases	**2,970**	**4,577**	**2,868**	**4,354**
less: future finance charges	(102)	(223)	n/a	n/a
Present value of lease obligations	**2,868**	**4,354**	**2,868**	**4,354**
Amount due for settlement next 12 months (note 20)			2,214	2,083
Amount due for settlement after 12 months (note 23)			654	2,271

	Net carrying amount of property, plant and equipment under finance lease	
as of August 31,	**2007**	2006
in thousands of CHF		
Plant and machinery	4,960	5,629
Furniture, equipment and motor vehicles	227	307
Total assets under financial lease	**5,187**	**5,936**

The Group entered into finance leasing arrangements for machinery. The weighted average term of finance leases entered into is 4.4 years (2005/06: 5.35 years). The average effective interest rate was 4.9% (2005/06: 4.8%). 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.

16. Financial assets

as of August 31,	**2007**	2006
in thousands of CHF		
Financial assets	7,266	7,000
Total financial assets	**7,266**	**7,000**

The investment in Jacquot SA (25%) in the amount of CHF 7.0 million (2006: CHF 6.8 million) is held at acquisition costs less accumulated impairment losses. The Group does not have significant influence. Therefore, financial information in accordance with IFRS is not available to apply equity accounting and no fair value can be estimated reliably.

Notes

17. Investments in associates

as of August 31,	**2007**	2006
in thousands of CHF		
Investment in associates	**484**	**–**

On December 20, 2006, the Group acquired a 20% share of Pasteleria Totel S.L. and a 20% share of Bombones Chocolates Semar S.L. The two companies specialize in manufacturing deep frozen gourmet products.

18. Intangible assets

2006/07	Goodwill	Brand names	Development costs (software)	Other	Total
in thousands of CHF					
At cost					
As of September 1, 2006	341,605	30,080	74,057	12,119	457,861
Change in Group structure	(1,593)	165	–	(682)	(2,110)
Additions	3,572	878	16,722	1,387	22,559
Disposals	–	–	(176)	(602)	(778)
Currency translation adjustments	1,653	2	3,731	(151)	5,235
Reclassified to assets held for sale	–	–	–	(839)	(839)
Other reclassifications	–	–	40,141	125	40,266
As of August 31, 2007	**345,237**	**31,125**	**134,475**	**11,357**	**522,194**
Accumulated amortization and impairment losses					
As of September 1, 2006	–	17,186	37,063	7,148	61,397
Change in Group structure	–	–	–	(657)	(657)
Amortization charge	–	2,666	13,544	974	17,184
Disposals	–	–	(62)	(145)	(207)
Impairment losses	–	–	–	–	–
Currency translation adjustments	–	–	2,200	(290)	1,910
Reclassified to assets held for sale	–	–	–	(792)	(792)
Reclassifications	–	–	32,853	(444)	32,409
As of August 31, 2007	**–**	**19,852**	**85,598**	**5,794**	**111,244**
Net as of August 31, 2007	**345,237**	**11,273**	**48,877**	**5,563**	**410,950**

Notes

2005/06	Goodwill	Brand names	Development costs (software)	Other	Total
in thousands of CHF					
At cost					
As of September 1, 2005	340,530	30,048	43,448	16,904	430,930
Change in Group structure	–	–	–	–	–
Additions	–	32	26,804	192	27,028
Disposals	–	–	–	–	–
Currency translation adjustments	1,075	–	1,163	755	2,993
Adjustment of goodwill	–	–	–	–	–
Reclassifications	–	–	2,642	(5,732)	(3,090)
As of August 31, 2006	**341,605**	**30,080**	**74,057**	**12,119**	**457,861**
Accumulated amortization and impairment losses					
As of September 1, 2005	–	14,366	26,625	10,002	50,993
Change in Group structure	–	–	–	–	–
Amortization charge	–	2,820	9,378	654	12,852
Disposals	–	–	–	–	–
Impairment losses					
Currency translation adjustments	–	–	620	637	1,257
Reclassifications	–	–	440	(4,145)	(3,705)
As of August 31, 2006	**–**	**17,186**	**37,063**	**7,148**	**61,397**
Net as of August 31, 2006	**341,605**	**12,894**	**36,994**	**4,971**	**396,464**

Additions to development costs amounting to CHF 16.7 million in fiscal year 2006/07 mainly include costs relating to the Thalys project and internally generated capitalized software development costs (2005/06: CHF 26.8 million). The Thalys project is aimed at bringing the companies of the Consumer Products Europe business unit onto a central SAP platform and integrating them into the European Supply Company (ESC). The amortization period is 5 years.

The remaining amortization period of intangible assets varies between 0 and 14 years. The amortization expense is included in the position General & Administration.

Notes

Impairment testing for cash-generating units containing goodwill
Since September 1, 2004, goodwill has no longer been amortized but is tested for impairment on an annual basis.

The carrying amount of goodwill for the Group amounts to CHF 345.2 million. The allocation to the segments is as follows:

in millions of CHF	**2007**	2006
Geographical segments		
Europe	306.1	302.3
Americas	38.4	38.6
Asia/Rest of World	0.7	0.7
Business segments		
Industrial business segment	178.1	178.4
Food Service and Retail business segment	167.1	163.2

For the purpose of impairment testing, the goodwill is assigned to business units that represent the lowest level within the Group, at which the goodwill is monitored for internal management purposes.

For the impairment test, the recoverable amount of a cash-generating unit is based on its value in use and is compared to the carrying amount of the corresponding cash-generating unit. Future cash flows are discounted using a pre-tax rate that reflects current market assessments based on the weighted average cost of capital (WACC) of 10%, which corresponds to an after-tax WACC of 8%.

The Group performs its impairment test during the fourth quarter of the fiscal year. This approach is chosen since the Mid-Term Plan covering the next three financial years is updated annually at the beginning of the fourth quarter. The Mid-Term Plan is based on assumptions that there will be no major changes with regard 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 perpetual growth rate for the residual value is not higher than the expected long-term growth rate of the industry. For the impairment test of fiscal year 2006/07 a terminal growth rate of 2% was used.

Key assumptions used for impairment testing:

Segment	Industrial	Food Service & Retail	Total
Carrying amount of goodwill in CHF millions	178.1	167.1	345.2
Basis for recoverable amount	value in use	value in use	
Discount rate	10%	10%	
Projection period	3 years	3 years	
Terminal growth rate	2%	2%	

Based on the impairment tests, there was no need for the recognition of any impairment losses in fiscal year 2006/07.

The key sensitivities for the impairment test are the weighted average cost of capital (WACC) as well as the terminal growth rate. A sensitivity analysis for the business segments has been performed with the outcome that an increase of the WACC by 2% and a terminal growth rate of 0% in both segments would not change the conclusions of the impairment test.

Notes

19. Deferred tax assets and liabilities

in thousands of CHF	Balance as of September 1, 2005	Restatement of employment benefit obligations	Deferred tax Income/ (expense) 2005/06	Currency translation adjustments	Balance as of August 31, 2006	Deferred tax Income/ (expense) 2006/07	Effect of acquisition	Reclassed to held for sale	Currency translation adjustments	Balance as of August 31, 2007
Deferred tax assets										
Deferred tax property, plant and equipment	(9,300)	–	7,570	(162)	(1,892)	(9,896)	–	(1,488)	(36)	(13,312)
Deferred tax inventories	1,463	–	(2,043)	(1)	(581)	2,659	–	–	17	2,095
Deferred tax provisions	5,117	–	1,461	131	6,709	5,162	–	(391)	193	11,673
Deferred tax other assets	4,384	–	1,470	(90)	5,764	(1,175)	–	1	73	4,663
Deferred tax other liabilities	3,695	–	(2,878)	45	862	(1,665)	3,790	–	(16)	2,971
Capitalization of tax loss carry-forwards	31,274	–	6,722	627	38,623	(768)	–	(3,508)	1,294	35,641
Total deferred tax assets	**36,633**	**–**	**12,302**	**550**	**49,485**	**(5,683)**	**3,790**	**(5,386)**	**1,525**	**43,731**
Deferred tax liabilities										
Deferred tax property, plant and equipment	(22,205)	–	(2,975)	(379)	(25,559)	12,128	(13,387)	–	(1,207)	(28,025)
Deferred tax inventories	(6,158)	–	194	(12)	(5,976)	(840)	–	–	(12)	(6,828)
Deferred tax provisions	(5,520)	932	(692)	(161)	(5,441)	(3,399)	–	–	(395)	(9,235)
Deferred tax other assets	(11,658)	–	(938)	(322)	(12,918)	3,164	–	–	(395)	(10,149)
Deferred tax other liabilities	5,143	–	(3,735)	131	1,539	(1,972)	(121)	–	204	(350)
Capitalization of tax loss carry-forwards	198	–	1,051	–	1,249	(1,162)	–	–	20	107
Total deferred tax liabilities	**(40,200)**	**932**	**(7,095)**	**(743)**	**(47,106)**	**7,919**	**(13,508)**	**–**	**(1,785)**	**(54,480)**
Net deferred tax (liabilities)/assets	**(3,567)**	**932**	**5,207**	**(193)**	**2,379**	**2,236**	**(9,718)**	**(5,386)**	**(260)**	**(10,749)**

The derecognition of a deferred tax liability of CHF 0.9 million has been recognized directly in opening retained earnings of fiscal year 2005/06 relating to the derecognition of an employment benefit asset of CHF 3.7 million, which was also recognized directly in opening retained earnings of financial year 2005/06.

The effect of acquisition is mainly related to the fair value measurement at acquisition, resulting in a net deferred tax liability of CHF 9.7 million (see note 26).

Tax loss carryforwards not recognized as deferred tax assets

Tax loss carryforwards not recognized as deferred tax assets have the following expiry dates:

in thousands of CHF	
Year of expiration	
2007	4,218
2008	2
2009	–
2010–2016	8
After 2016	272,293
Unlimited	309,474
Total unrecognized tax losses carried forward	**585,995**

Notes

Tax losses carried forward are assessed for future recoverability based on business plans and projections of the related companies. Tax losses carried forward are capitalized only if the usage within a period of 3–5 years is probable.

Tax losses carried forward utilized during the year 2006/07 were CHF 13.0 million (2005/06: CHF 49.5 million). The tax relief hereon amounted to CHF 3.5 million, which was already entirely recognized as a deferred tax asset in prior year (2005/06: CHF 8.9 million, of which CHF 3.2 million was already recognized as deferred tax asset).

As of August 31, 2007, the Group has unutilized tax losses carried forward of approximately CHF 705.4 million (August 31, 2006: CHF 738.6 million) that are available for offset against future taxable income.

Of the total losses carried forward, an amount of CHF 119.4 million has been recognized for deferred taxation purposes resulting in a deferred tax asset of CHF 35.6 million.

20. Bank overdrafts and short-term debt

	Carrying amounts		Fair values	
as of August 31,	**2007**	2006	**2007**	2006
in thousands of CHF				
Bank overdrafts	**60,874**	**44,101**	**60,874**	**44,101**
Commercial paper	198,938	255,320	198,938	255,320
Short-term bank debts	147,862	84,876	147,862	84,876
Short-term portion of long-term bank debts (note 23)	192	174	192	174
Interest-bearing loans from employees	456	52	456	52
Finance lease obligations (note 15)	2,214	2,083	2,214	2,083
Short-term debt	**349,662**	**342,505**	**349,662**	**342,505**
Total bank overdrafts and short-term debt	**410,536**	**386,606**	**410,536**	**386,606**

Short-term financial liabilities are mainly denominated in EUR, in USD and in CFA (Communauté Financière Africaine), 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,			**2007**			2006
EUR	304,091	3.92%	6.00%	284,693	3.00%	6.00%
GBP	5,939	6.50%	7.12%	6,386	3.00%	5.00%
USD	40,997	5.50%	6.37%	42,851	3.00%	6.19%
CAD	1,185	5.50%	5.65%	1,655	3.80%	3.80%
CFA	42,345	5.00%	14.00%	37,061	5.70%	12.00%
Other	15,979	3.24%	7.24%	13,960	1.57%	5.52%
Total	**410,536**	**3.24%**	**14.00%**	**386,606**	**1.57%**	**12.00%**

as of August 31,	**2007**	2006
in thousands of CHF		
Split fixed/floating interest rate:		
Fixed	2,834	6,350
Floating	407,702	380,256
Total bank overdrafts and short-term debt	**410,536**	**386,606**

Notes

21. Provisions

in thousands of CHF	Provision for restructuring costs	Provision for litigation & claims	Other provisions	Total
Balance as of September 1,2006	10,014	1,236	8,211	19,461
Change in Group structure	–	–	(42)	(42)
Provisions added	–	955	7,024	7,979
Usage	(9,191)	(692)	(6,628)	(16,511)
Reversal	–	–	(4,233)	(4,233)
Reclassified to liabilities directly				
associated with assets held for sale	–	(27)	–	(27)
Currency translation adjustments	20	68	255	343
as of August 31, 2007	**843**	**1,540**	**4,587**	**6,970**
of which:				
Current	843	265	3,983	5,091
Non-current	–	1,275	604	1,879

Restructuring

During the fiscal year 2006/07, restructuring provisions in the amount of CHF 9.2 million have been used, mainly related to redundancy and severance payments. The remaining restructuring provision in the amount of CHF 0.8 million covers several smaller items not yet effected as of August 31, 2007.

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, 2007.

Other provisions

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

22. Other current liabilities

as of August 31, in thousands of CHF	**2007**	2006
Accrued wages and social charges	81,462	70,404
Advertising and promotion	1,883	6,308
Pension liabilities	856	1,718
Interests accrued	5,882	15,228
Year-end rebates and commissions	29,736	29,747
Other taxes	4,863	5,892
Margin calls received/Broker ledger balance	12,486	14,554
Payable to asset-purchasing company	56,016	15,997
Hedged firm commitments (note 12)	83,232	16,213
Payables to government	7,051	19,101
Accrued expenses for outstanding invoices	18,276	6,728
Deferred income	63,858	3,863
Amount due for purchase of property, plant and equipment	8,869	–
Other payables	33,779	37,161
Total other current liabilities	**408,249**	**242,914**

Notes

The net amount reported as “Payable to asset-purchasing company” is the result of a discount amounting to CHF 25.9 million as of August 31, 2007 (2006: CHF 25.2 million), and receivables collected before the next roll-over date, amounting to CHF 81.9 million as of August 31, 2007 (2006: 41.2 million).

23. Long-term debt

	Carrying amounts		Fair values	
as of August 31,	**2007**	2006	**2007**	2006
in thousands of CHF				
Subordinated Notes	–	255,053	–	278,294
Senior Notes	561,680	–	548,689	–
Long-term bank debts	2,378	311,203	2,378	296,264
Less current portion (note 20)	(192)	(174)	(192)	(174)
Interest-bearing loans from employees	7	788	7	788
Long-term other loans	–	63	–	63
Finance lease obligation (note 15)	654	2,271	654	2,271
Total long-term debt	**564,527**	**569,204**	**551,536**	**577,506**

In March 2007, the Group exercised the early repayment option embedded in the EUR 165 million 9.25% Senior Subordinated Notes, at a fixed price of 104.625%. On July 13, 2007, the Group issued a 6% Senior Note with maturity in 2017 for an amount of EUR 350 million. The Senior Notes have 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 and rank completely pari-passu with the Group’s Senior Debt. 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 2 extension options to be exercised at the discretion of the participating banks in 2008 and 2009. The Revolving Credit Facility being issued by Barry Callebaut Services NV is guaranteed by Barry Callebaut AG and certain of its subsidaries. At August 31, 2007, the Group had no outstanding drawings but expects substantial utilization in the near future.

The issuance of the Senior Notes due in 2017 and the improved terms of the Revolving Credit Facility are milestones in the Group’s commitment to align the sources of funding with operational needs and to strengthen the liquidity and maturity profile of the debt portfolio and lead to the following maturity profile of the long-term debt:

as of August 31,	**2007**	2006
in thousands of CHF		
2007/08	–	2,652
2008/09	747	687
2009/10	253	21,992
2010/11	259	542,390
2011/12 and thereafter (for 2005/06)	284	1,483
2012/13 and thereafter (for 2006/07)	562,984	–
Total long-term debt	**564,527**	**569,204**

Notes

The weighted average maturity of the total debt substantially increased from 3.2 to 6.1 years, mainly driven by the issuance of the Senior Notes due in 2017. From a liquidity point of view, the average maturity of the total debt exceeds 8 years considering that the short-term debt is fully covered with the committed Revolving Credit Facility.

Long-term financial liabilities are almost completely denominated in EUR at fixed interest rates as shown in tables below:

Split per currency	Amount	Interest range		Amount	Interest range	
in thousands of CHF		from	to		from	to
as of August 31,			**2007**			2006
EUR	564,327	4.00%	6.14%	568,956	2.69%	9.25%
USD	0	N/A	N/A	83	4.82%	6.19%
Other	200	4.50%	8.50%	165	4.00%	10.00%
Total long-term debt	**564,527**	**4.00%**	**8.50%**	**569,204**	**2.69%**	**10.00%**

as of August 31,	**2007**	2006
in thousands of CHF		
Split fixed/floating interest rate:		
Fixed rate	564,388	568,510
Floating rate	139	694
Total long-term debt	**564,527**	**569,204**

24. Employee benefit obligations

A. Post-employment and long-term benefit plans

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

Employee benefit obligations recognized in the balance sheet

as of August 31,	**2007**	2006
in thousands of CHF		
Pension funds		
defined benefit plans	125,888	119,197
Other post-retirement benefit plans	8,802	6,947
Other long-term employee benefits	12,278	9,958
Total employee benefit obligations recognized in the balance sheet	**146,968**	**136,102**

An employee benefit asset of CHF 3.7 million relating to periods before financial year 2005/06 has been reassessed and as a consequence derecognized from the balance sheet and opening retained earnings of financial year 2005/06.

Notes

Reconciliation of assets and employee benefit obligations recognized in the balance sheet

	Defined benefit pension plans	Other non-current employee benefits	Total	Total
as of August 31,			**2007**	2006
in thousands of CHF				
Present value of funded obligations	218,861	–	218,861	213,184
Fair value of plan assets	(182,024)	–	(182,024)	(165,606)
Excess of liabilities/(assets) of funded obligations	36,837	–	36,837	47,578
Present value of unfunded obligations	83,833	21,046	104,879	104,041
Net unrecognized actuarial gains/(losses)	4,786	33	4,819	(15,517)
Unrecognized assets	433	–	433	–
Net employee benefit obligations recognized in the balance sheet	**125,889**	**21,079**	**146,968**	**136,102**

Plan assets consist of the following:

as of August 31,	**2007**	2006
in thousands of CHF		
Market value of equities	99,419	74,759
Market value of bonds	27,356	44,142
Market value of cash and other assets	55,249	46,705
Total value of plan assets	**182,024**	**165,606**

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

Expenses recognized in the statement of income

	Defined benefit pension plans	Other non-current employee benefits	Total	Total
in thousands of CHF			**2006/07**	2005/06
Current service cost	6,903	2,107	9,010	8,583
Interest expenses	15,350	452	15,802	15,143
Expected return on plan assets	(10,611)	–	(10,611)	(12,788)
Net actuarial (gain)/loss recognized in the year	232	(338)	(106)	428
Past service cost	(444)	57	(387)	(1,849)
Employees' contributions	(1,610)	(2)	(1,612)	(1,086)
Total defined benefit expenses	**9,820**	**2,276**	**12,096**	**8,431**
Total defined contribution expenses			–	**852**

Notes

The expense is recognized in the following line items in the Statement of Income

in thousands of CHF	2006/07	2005/06
Cost of goods sold	(5,868)	(4,503)
Marketing & Sales	(1,023)	(785)
General & Administration	(5,586)	(4,287)
Research & Development	(194)	(149)
Other Income	1,281	983
Other Expense	(706)	(542)
Total expenses recognized in the Statement of Income	**(12,096)**	**(9,283)**

The actual return on plan assets in 2006/07 was positive for an amount of CHF 14.0 million (2005/06: positive return of CHF 11.7 million).

Principal actuarial assumptions used (weighted averages)

in %	2006/07	2005/06
Discount rate	5.6%	5.0%
Expected rate of salary increase	2.4%	2.4%
Expected return on plan assets	6.4%	6.4%
Medical cost trend rates	5.0%	5.0%

The relevant assumptions as outlined in the above table reflect the situation of the individual plans and the parameters applicable in the respective company or country related to the plans. The assumptions are assessed on a yearly basis and actuarial valuations are prepared accordingly. The overall expected rate of return on plan assets is 6.4%. This rate is based on the expected returns on the individual asset categories.

Movements of defined benefit obligations, net

	Defined benefit pension plans	Other non-current employee benefits	Total	Total
in thousands of CHF			2006/07	2005/06
as of September 1,	119,198	16,904	136,102	143,368
Restatement of employment benefit obligations				3,660
Reclassifications	(815)	215	(600)	(559)
Changes in Group structure	3,224	1,164	4,388	–
Currency translation adjustments	4,350	599	4,949	2,558
Total defined benefit expenses excluding actuarial adjustments on defined benefit obligations for discontinued operations	9,820	2,276	12,096	3,308
Actuarial adjustment on defined benefit obligations for discontinued operations	4,927	1,679	6,606	–
Employer's contributions	(7,021)	(1,281)	(8,302)	(8,931)
Benefits paid	(7,794)	(477)	(8,271)	(7,302)
as of August 31,	**125,889**	**21,079**	**146,968**	**136,102**

Notes

Movement in the present value of defined benefit obligations

in thousands of CHF	**2006/07**
Funded defined benefit obligations as of September 1, 2006	213,184
Unfunded defined benefit obligations as of September 1, 2006	104,041
Present value of defined benefit obligations as of September 1, 2006	**317,225**
Current Service cost	9,010
Past Service cost	(387)
Interest expenses	15,802
Benefits paid (funded and unfunded plans)	(8,666)
Actuarial adjustment on defined benefit obligations for discontinued operations	6,606
Reclassifications	(600)
Movement in unrecognized actuarial (gains)/losses	(16,955)
Recognized actuarial gains	(106)
Effect of changes in Group structure	4,388
Currency translation adjustments	(2,577)
Total present value of defined benefit obligations as of August 31, 2007	**323,740**

Movement in the fair value of plan assets

in thousands of CHF	**2006/07**
Plan assets at September 1, 2006	165,606
Employer's contributions	8,302
Employees' contributions	1,612
Expected return on plan assets	10,611
Benefits paid (funded plans)	(395)
Movement in unrecognized actuarial gains/(losses)	3,381
Unrecognized plan assets	433
Currency translation adjustments	(7,526)
Total fair value of plan assets as of August 31, 2007	**182,024**

The data for the movements in the prior year are not available.

Additional information

in thousands of CHF	**2007**
Present value of defined benefit obligations	323,740
Fair value of plan assets	(182,024)
Funding deficit of the plans	141,716
Experience adjustment arising from plan liabilities	5,151
Experience adjustment arising from plan assets	(338)

Notes

B. Equity compensation benefits

Stock option plan

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

The number of options granted depended on the performance of the individuals. No expenses related to the stock option plan were recorded in the Statement of Income. The plan has been discontinued after the last portion was exercised during fiscal year 2006/07.

	Number of options	Weighted average exercise price (CHF/share)	Number of options	Weighted average exercise price (CHF/share)
		2006/07		2005/06
Outstanding as of September 1,	1,000	235	2,000	235
Exercised during the year	(1,000)	235	(1,000)	235
Outstanding as of August 31,	–	–	**1,000**	**235**
Exercisable as of August 31,	–	–	**1,000**	**235**

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

All the options outstanding as of August 31, 2006, had an exercise price of CHF 234.5.

	Number of options	Number of options
Expiry date – August	**2007**	2006
2007	–	1,000

Employee Stock Ownership Program

Shares are granted to participants according to individual contracts and the current Employee Stock Ownership Program. The nomination and 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. 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. 13,230 shares were granted in fiscal year 2006/07 (5,750 shares in 2005/06). The fair value of the shares at grant date is recognized over the vesting period as a personnel expense. For 2006/07 the amount recognized (before taxes) was CHF 8.4 million with a corresponding increase in equity (2005/06: CHF 7.8 million).

Notes

25. Equity

Share capital

as of August 31,	2007	2006	2005
in thousands of CHF			
Share capital is represented by 5,170,000 authorized			
and issued shares of each CHF 73.70 fully paid in			
(in 2006: 84.20; in 2005: 92.20)	**381,029**	435,314	476,674

The issued share capital amounts to CHF 381.0 million (previous year CHF 435.3 million), divided into 5,170,000 registered shares with a nominal value of CHF 73.70 each (CHF 84.20 as of August 31, 2006). 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 shareholders' meeting held on December 7, 2006, decided on a share capital reduction and repayment of CHF 10.50 per share (total share capital reduction of CHF 54.3 million). After this transaction, the share capital is represented by 5,170,000 authorized and issued shares of CHF 73.70 nominal value each, fully paid in.

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

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, 2007, amounted to CHF 17.0 million (2006: CHF 13.0 million).

As of August 31, 2007, the number of outstanding shares amounted to 5,150,512 (2006: 5,146,282) and the number of treasury shares to 19,488 (2006: 23,718). During this fiscal year no treasury shares have been sold whereas 20,540 shares have been purchased and 24,770 transferred to employees under the Employee Stock Ownership Program.

Retained earnings

As of August 31, 2007, retained earnings contain legal reserves of CHF 92.0 million (2006: CHF 96.4 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 in minority interests

in thousands of CHF	2006/07	2005/06
as of September 1,	4,237	5,402
Minority share of profits/(losses)	21	552
Purchase of minority shares	–	63
Sale of minority shares [1]	97	(992)
Dividends paid to minority shareholders	(137)	(238)
Currency translation adjustment	(353)	(550)
as of August 31,	**3,865**	**4,237**

1 Minority interests in BC Iberica Pastry Manufacturing in 2006/07
(for fiscal year 2005/06 Barbara Luijckx Sp. z o.o. has been sold)

Notes

26. Acquisitions

In fiscal year 2006/07, the following acquisitions/business combinations took place:

As of June 29, 2007, the Group acquired a business from Nestlé comprising a chocolate factory in Dijon (France) and the cocoa liquor and liquid chocolate production assets in San Sisto (Italy). For this purpose the Group founded a new 100% subsidiary named Barry Callebaut Manufacturing Bourgogne SA in Djion, France to take over the Dijon activities and acquired 100% of Dolphin Srl., into which Nestlé had previously transferred the business related to the San Sisto site. In both sites the business acquired comprises employees, business related contracts and the production related assets.

Additionally, the Group acquired the German part of the Bensdorp business related to consumer products with contract date as of December 12, 2006.

In fiscal year 2005/06, there were no acquisitions or major changes in the legal structure of the Group apart from a number of smaller companies that were merged or liquidated to simplify the legal structure.

in thousands of CHF	Preacquisition carrying amounts	Fair value adjustments	Recognized values on acquisition
Inventories	10,591	–	10,591
Property, plant and equipment	23,884	20,002	43,886
Intangible assets	–	165	165
Other current liabilities and deferred income	(6,405)	(12,964)	(19,369)
Employee benefit obligations	(5,777)	1,180	(4,597)
Deferred tax, net	–	(9,718)	(9,718)
Fair value of assets and liabilities acquired	**22,293**	**(1,335)**	**20,958**
Goodwill on acquisition			3,572
Negative goodwill on acquisition			(25,444)
Consideration, paid in cash			**(914)**
Cash and cash equivalents less bank overdrafts (net) acquired			–
Cash outflow for acquisition of subsidiaries, net of cash and bank overdrafts acquired			**914**

Since the valuation of the assets and liabilities of businesses recently acquired is still in progress, the above values are determined provisionally.

The negative goodwill on the acquired factories from Nestlé is mainly the result of differences between the value, at which property, plant and equipm ent were acquired and their fair value assessed by the Group and reflecting the business plan underlying the acquisition.

The effect of the acquisitions on the Group's sales were approximately CHF 35 million on net sales revenue and CHF 0.2 million on net profit from continuing operations. Had the acquisition occurred on September 1, 2006, the Group's net sales revenue would have been approximately CHF 4,250 million and the net profit from continuing operations approximately CHF 211 million.

Notes

27. Disposals

in thousands of CHF	2007
Current assets	6,398
Property, plant and equipment	3,234
Intangible assets	25
Goodwill from acquisitions	1,593
Financial liabilities	(1,085)
Employee benefit obligations	(209)
Other liabilities	(7,669)
Net assets disposed	**2,287**
Profit/(loss) on current year's disposals	1,280
Total disposal consideration	**3,567**
Cash and cash equivalents and bank overdrafts (net) disposed of	1,063
Consideration receivable	3,567
Cash inflow on disposals	**4,630**

As of February 28, 2007, the Group disposed of its consumer products business in Senegal by selling its former subsidiary Chocosen SA.

28. Discontinued operations and assets held for sale and liabilities related to assets held for sale

The Group has decided to sell its U.S. sugar-candy business Brach's towards the end of the fiscal year 2006/07. On September 14, 2007, the Group signed an agreement for such a sale with Farley's & Sathers Candy Company Inc. The sale will include all of the business and all the assets of Brach's and its affiliates, including three factories in Chattanooga (Tennessee, U.S.), Winona (Minnesota, U.S.) and Vernell (Mexico). The two parties expect the transaction to be closed in November 2007.

Consequently, the results of this business are no longer included in the Group's financial statements for continuing operations, but are reported separately in the Statement of Income under the line "net loss from discontinued operations". All prior year figures related to the Consolidated Statement of Income and notes thereon have been restated accordingly. In the Consolidated Balance Sheet the assets and liabilities related to the discontinued operations are reported under "Assets held for sale" and "Liabilities directly associated with assets held for sale". However, in accordance with IFRS 5, the comparables of the prior year have not been restated for the Balance Sheet. For movement tables related to assets and liabilities, discontinued operations have been eliminated at the closing values of the fiscal year 2006/07. The Consolidated Statement of Cash Flows in accordance with IFRS 5 includes the cash flows from discontinued operations and this note provides a summary of the cash flows related to the discontinued business separately.

Notes

Result and cash flow of the discontinued operations

in thousands of CHF	**2006/07**	2005/06
Revenue from sales and services	**331,433**	**368,446**
Operating expenses[1]	(343,753)	(370,306)
Operating loss before impairment on assets and disposal costs	**(12,320)**	**(1,860)**
Impairment on assets	(46,670)	–
Pensions, indemnities and transaction costs	(13,375)	–
Operating loss (EBIT)	**(72,365)**	**(1,860)**
Financial items	(4,304)	(3,438)
Loss before income taxes from discontinued operations	**(76,669)**	**(5,298)**
Income taxes	(6,322)[2]	(851)
Net loss from discontinued operations	**(82,991)**	**(6,149)**
Earnings per share from discontinued operations		
Basic earnings per share (CHF/share)	(16.10)	(1.19)
Diluted earnings per share (CHF/share)	(16.04)	(1.18)
Cash flows from discontinued operations		
Net cash flow from operating activities	4,551	1,151
Net cash flow from investing activities	(2,986)	(6,793)
Net cash flow from financing activities	(1,863)	5,863

1 Includes depreciation and amortization of CHF 12.3 million (2005/2006: CHF 15.2 million)
2 Of which CHF 5.4 million write-off on deferred tax assets (note 19)

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

in thousands of CHF	**2007**
Total current assets	**102,527**
Property, plant and equipment	20,829
Intangible assets	47
Other non-current assets	14
Total non-current assets	**20,890**
Total assets held for sale	**123,417**
Total current liabilities	**34,408**
Provisions and other non-current liabilities	60
Total non-current liabilities	**60**
Total liabilities associated with assets held for sale	**34,468**

Notes

29. Financial risk management

The nature of its business exposes the Group to a variety of market risks, including the effects of changes in commodity prices, foreign currency exchange rates, interest rates and credit risk. The Group's overall risk management program acknowledges volatility of commodity and financial markets and seeks to minimize the potential adverse effects on the financial performance of the Group in a cost-efficient manner.

The Group's risk management continuously monitors the Group's adherence to its risk policies and its exposures to commodity price risk, foreign currency risk, interest rate risk and credit risk as well as its use of derivative instruments. The risk management committee meets on average every six weeks.

Commodity price risk

The manufacturing of the Group's products requires raw materials such as cocoa beans, sweeteners, dairy 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 and commodity forward contracts to manage price risks associated with inventories and with open commitments. The related accounting treatment is explained in the section Summary of Accounting Policies under the caption "Derivative financial instruments and hedging activities".

In order to quantify and manage the Group's consolidated exposure to commodity price risks, the concept of Value-at-Risk ('VaR') is applied. The VaR Concept serves as the analytical instrument for assessing the Group's commodity price risk incurred under normal market conditions. VaR is thereby the maximum loss that the Group will not exceed within a defined confidence level (i.e. 95%) and over a given time horizon (i.e. 10 days).

Foreign currency risk

The Group operates across the world and consequently is exposed to foreign currency risk, primarily in EUR, GBP and USD. The Group actively monitors its currency exposure and consequently enters into transactions with the aim of preserving the value of assets, commitments and anticipated transactions.

Subsidiaries use forward contracts, primarily transacted with Corporate Treasury, to hedge the foreign currency exposures of assets and liabilities and certain unrecognized firm commitments and highly probable forecasted purchases and sales.

Corporate Treasury in turn hedges the net consolidated exposures to an acceptable level at an acceptable all-in cost, mainly by means of forward contracts entered into with high credit quality financial institutions.

Interest rate risk

The Group is exposed to changes in interest rates through its short- and long-term debt obligations. The Group's policy is to manage its interest cost using a mix of fixed and variable rate debt, however aiming at fixing interest rates in the range of 50% to 75% of the Group's total debt portfolio. To achieve such mix, the Group enters into interest rate derivative instruments, in which it exchanges fixed and variable interest rates.

Credit risk and concentration of credit risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. The extent of the Group's credit risk exposure is represented by the aggregate balance of amounts receivable, reduced by the effects of netting arrangements, if any, with counterparties. The maximum nominal credit risk exposure in the event all other parties fail to perform their obligation was CHF 1,121.3 million as of August 31, 2007 (2006: CHF 1,058.1 million). A significant portion of the credit exposure on accounts receivable has been covered by entering into credit insurance policies with highly rated credit insurance companies. The credit insurance policy relates to a selected number of customers with important outstanding amounts.

Notes

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

Liquidity risk

The Group's liquidity is ensured by means of regular Group-wide monitoring and planning of liquidity as well as investment policy coordinated by Corporate Treasury. For extraordinary financing needs, adequate credit lines with financial institutes have been arranged.

Fair value of financial instruments

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

Cash and cash equivalents

The carrying value approximates fair value because of the short-term maturity of these instruments.

Trade accounts receivable

Fair value approximates cost less provision for doubtful debts.

Other financial assets and financial liabilities

Other financial assets and financial liabilities include short-term deposits with third parties, deposits with related parties, short-term and long-term debts and loans from related parties as well as other assets and liabilities. The carrying amount of these financial instruments does not differ significantly from their fair value, except for the Senior Bond Notes, which had a fair value of CHF 548.7 million as of August 31, 2007 (August 31, 2006: Subordinated Notes with a fair value of CHF 278.3 million, note 23). The fair values of these items were based on expected cash flows or available market prices.

Derivative financial instruments

The Group uses derivative financial instruments to hedge underlying transactional currency exposure and to hedge the contract prices of the cocoa components and non-cocoa components (such as sweeteners, dairy and nuts) of future sales deliveries. All derivative financial instruments are valued at mark-to-market.

Notes

30. Related parties

In accordance with Art. 20 of the Swiss Stock Exchange regulations, Barry Callebaut AG discloses the following shareholders holding a participation of more than 5% of the issued share capital of the Company:

– Jacobs Holding AG, Zurich, Switzerland	50.50%
– Renata Jacobs	8.43%

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

in thousands of CHF	Nature of cost/revenue	**2006/07**	2005/06
Sales to related parties		**36,796**	**31,868**
Jacquot SA	Revenue from sales and services	35,302	31,868
DKSH Group	Revenue from sales and services	1,365	–
Pastelería Totel, S.L.	Revenue from sales and services	129	–
Operating expenses charged by related parties		**7,116**	**7,358**
Jacobs Holding AG	Management services	1,820	1,811
Adecco Group	Human resources services	5,035	5,276
Pastelería Totel, S.L.		108	–
Other		153	271
Accounts receivable related parties		**6,254**	**6,459**
Jacquot SA		6,166	6,458
DKSH Group		88	1
Other		–	–
Accounts payable related parties		**1,722**	**1,527**
Jacobs Holding AG		283	175
Adecco Group		1,404	982
Pastelería Totel, S.L.		35	–
Other		–	370

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

Compensation of key management personnel

The key management personnel are defined as the Board of Directors and the Senior Management Team. Key management compensation for financial year 2006/07 consists of the following:

in millions of CHF	**2006/07**	2005/06
Short-term employee benefits	7.6	6.9
Post-employment benefits	0.8	0.3
Share-based payments	4.8	7.8

Notes

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

as of August 31, in thousands of CHF	2007	2006
Contingent liabilities and pledges		
Assets pledged as security for liabilities		
Mortgages	–	72
Inventories pledged	7,697	287
Other contingent liabilities	–	–
Commitments		
Future capital expenditures	26,703	1,926
Notional amounts of derivative financial instruments		
Foreign exchange sales obligations	1,175,536	914,751
Foreign exchange purchase obligations	885,664	689,185
Forward sales obligations	1,228,599	1,117,008
Forward purchase (including repurchase) obligations	1,901,304	785,285
Future contracts sales	418,402	380,948
Future contracts purchases	482,737	391,964

As of August 31, 2007, the Group has issued guarantees covering liabilities or commitments on behalf of third parties in the amount of CHF 1.7 million.

Assets pledged as security for liabilities amount in total to CHF 7.7 million (2006: CHF 0.4 million) and relate to pledged inventories.

Operating lease arrangements

in thousands of CHF	2006/07	2005/06
Lease paid under operating leases	13,485	9,923
Future operating lease commitments	81,407	69,803

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

as of August 31, in thousands of CHF	2007	2006
Within one year	13,923	10,580
In the second to fifth year inclusive	34,184	29,370
After five years	33,300	29,853

Operating lease payments represent rentals payable by the Group for certain vehicles, equipment, buildings and offices. Equipment and vehicle leases are negotiated for an average term of three years.

Other contingent liabilities

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

32. Group companies

The principal subsidiaries of Barry Callebaut as of August 31, 2007, 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
	Van Houten Service AG	100	CHF	100,000
	Chocolat Alprose SA	100	CHF	7,000,000
Belgium	Barry Callebaut Services N.V.	100	EUR	423,710,000
	Barry Callebaut Belgium N.V.	100	EUR	62,700,000
Brazil	Barry Callebaut Brasil SA	100	BRL	26,114,993
Cameroon	Société Industrielle Camerounaise des Cacaos SA	99.95	CFA	5,010,000,000
	Chocolaterie Confiserie Camerounaise/Chococam SA	74.4	CFA	4,000,000,000
Canada	Barry Callebaut Canada Inc.	100	CAD	2,000,000
China	Barry Callebaut China Plc.	100	USD	18,000,000
Denmark	Barry Callebaut Danmark APS	100	DKK	125,000
France	Barry Callebaut Manufacturing France SA	100	EUR	6,637,540
	Barry Callebaut France SA	100	EUR	50,000,000
	Omnigest SA	100	EUR	4,419,600
	Barry Callebaut Manufacturing Bourgogne SA	100	EUR	2,000,000
Gabon	Chocogab SA	74.14	CFA	63,550,000
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	100,000,000
	Stollwerck GmbH	100	EUR	20,500,000
	Stollwerck Schokoladenvertriebs GmbH	100	EUR	7,184,000
	Wurzener Dauerbackwaren GmbH	100	EUR	5,625,000
	Schloss Marbach GmbH	100	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd.	100	USD	9,204,219
Great Britain	Barry Callebaut Holding (UK) Ltd.	100	GBP	23,300,000
	Barry Callebaut Manufacturing (UK) Ltd.	100	GBP	15,467,852
	Barry Callebaut UK Ltd.	100	GBP	3,200,000
Hong Kong	Van Houten (Asia Pacific) Ltd.	100	HKD	2
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
Ivory Coast	Société Africaine de Cacao SACO SA	100	CFA	6,770,470,000
	Barry Callebaut Négoce SA	100	CFA	3,700,000,000
	SN Chocodi SA	100	CFA	500,000,000
	Alliance Cacao SA	51.46	CFA	340,000,000
Japan	Barry Callebaut Japan Ltd.	100	JPY	10,000,000
Mexico	Vernell Holding SA de CV	100	USD	25,000,000
Netherlands	Barry Callebaut Nederland B.V.	100	EUR	21,435,000
	Luijckx B.V.	100	EUR	18,242
	Dings Décor B.V.	70	EUR	22,689
Panama	Adis Holdings Inc.	100	CHF	41,624,342
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 Russia LLC	100	RUB	1,000,000
	Barry Callebaut Netherlands Russia LLC	100	RUB	1,000,000

Notes

Country	Subsidiary	Ownership in %	Currency	Capital
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd.	100	SGD	63,000,000
	Van Houten (Singapore) Pte. Ltd.	100	SGD	500,000
Spain	Barry Callebaut Ibérica SL	100	EUR	25,000
	Barry Callebaut Pastry Manufacturing Ibérica SL	80	EUR	300,000
Sweden	Barry Callebaut Sweden AB	100	SEK	100,000
Turkey	Barry Callebaut Eurasia LLC	100	TRL	40,000
USA	Barry Callebaut USA Holding, Inc.	100	USD	8,312,100
	Barry Callebaut Cocoa USA Inc.	100	USD	7,663
	Brach's Confections Holding, Inc.	100	USD	1,000
	Brach's Confections, Inc.	100	USD	50
	Barry Callebaut USA LLC	100	USD	190,211

33. Subsequent events

On September 14, 2007, the Group signed an agreement to sell its U.S. sugar-candy business Brach's to Farley's & Sathers Candy Company Inc. (also see note 28).

On October 5, 2007, the Group announced an agreement to acquire 100% of Food Processing International Inc., a cocoa processing company in Eddystone near Philadelphia, USA, which offers a capacity of 25,000 metric tonnes. Barry Callebaut intends to increase the production capacity of the factory to 50,000 metric tonnes within the next 2 to 3 years. The total investment amount including the expansion will be approximately CHF 62 million.

The consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2007 and are subject to approval by the General Meeting of shareholders on November 29, 2007.

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Report of the Group Auditors to the General Meeting of

Barry Callebaut AG, Zurich

As Group Auditors, we have audited the Consolidated Financial Statements (Statement of Income, Balance Sheet, Statement of Cash Flows, Statement of Changes in Equity and Notes on pages 54 to 100) of Barry Callebaut AG for the year ended August 31, 2007.

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

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

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

We recommend that the Consolidated Financial Statements submitted to you be approved.

KPMG Ltd

Roger Neininger
Swiss Certified Accountant
Auditor in Charge

Marc Ziegler
Swiss Certified Accountant

Zurich, 1 November 2007

5-Year Overview

Key Figures Barry Callebaut Group		CAGR (%)[14]	2006/07	2005/06[15]	2004/05[16]	2003/04	2002/03
Income Statement							
Sales revenue	CHF m	3.6%	4,106.8	3,713.2	4,061.1	4,048.9	3,571.3
Sales volumes	Tonnes	4.4%	1,059,200	976,661	1,052,467	1,011,358	891,048
EBITDA[1]	CHF m	6.4%	427.1	392.5	372.2	364.8	333.1
Operating profit (EBIT)	CHF m	11.6%	324.0	295.0	258.3	228.3	208.7
Net profit[2]	CHF m	18.9%	207.0	189.7	155.3	116.3	103.5
Cash flow[3]	CHF m	15.6%	406.8	347.9	312.6	252.2	227.7
EBIT/Sales revenue	%	7.8%	7.9%	7.9%	6.4%	5.6%	5.8%
EBIT per tonne	CHF	6.9%	305.9	302.0	245.5	225.7	234.2
Balance Sheet							
Total assets	CHF m	4.1%	3,186.7	2,811.8	2,734.1	2,760.5	2,712.7
Net working capital[4]	CHF m	(1.9%)	883.9	920.9	830.8	914.1	955.1
Non-current assets	CHF m	3.6%	1,211.3	1,184.9	1,168.2	1,099.9	1,049.9
Net debt	CHF m	(2.5%)	930.2	906.9	953.5	943.0	1,030.1
Shareholders' equity[5]	CHF m	8.7%	1,059.1	999.2	833.4	800.9	759.2
Capital expenditure[6]	CHF m	22.0%	153.1	114.7	102.2	90.0	69.1
Ratios							
Economic Value Added (EVA)	CHF m	42.3%	122.9	105.4	87.3	53.8	30.0
Return on invested capital (ROIC)[7]	%	10.1%	14.3%	13.7%	12.9%	11.0%	9.7%
Return on equity (ROE)	%	9.5%	19.5%	19.0%	18.7%	14.4%	13.6%
Debt to equity ratio	%	(10.3%)	87.8%	90.8%	114.4%	117.7%	135.7%
Solvency ratio[8]	%	4.4%	33.2%	35.5%	30.5%	29.0%	28.0%
Interest coverage ratio[9]		5.0%	5.1	5.3	4.5	3.9	4.2
Net debt/EBITDA		(8.4%)	2.2	2.3	2.6	2.6	3.1
CAPEX/Sales revenue	%	17.8%	3.7%	3.1%	2.5%	2.2%	1.9%
Shares							
Share price at year end	CHF	46.8%	873	548	370	235	188
EBIT per share (issued)	CHF	11.6%	62.7	57.1	50.0	44.2	40.4
Basic earnings per share	CHF	19.1%	40.2	36.7	30.3	22.4	20.0
Cash earnings per share[10]	CHF	6.9%	78.6	66.9	60.8	66.3	60.1
Payout per share[11]	CHF	13.2%	11.5	10.5	8.0	7.8	7.0
Pay-out ratio	%	(4.8%)	29%	29%	27%	35%	35%
Price-earnings ratio at year end[12]		23.3%	21.7	14.9	12.2	10.5	9.4
Market capitalization at year end	CHF m	46.8%	4,510.8	2,833.2	1,912.9	1,215.0	972.0
Number of shares issued		0.0%	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total capital repayment/dividend paid[13]	CHF m	11.1%	54.3	41.4	40.3	36.1	35.6
Other							
Employees		(0.8%)	7,592	7,028	8,542	8,933	7,837
Beans processed	Tonnes	4.0%	442,378	435,825	416,659	393,500	378,714
Chocolate & compound production	Tonnes	8.7%	885,372	838,940	788,582	669,930	633,564

1 EBIT + depreciation of property, plant and equipment + amortization of intangible assets
2 Net profit from continuing operations (including minorities)
3 Operating cash flow before working capital changes
4 Includes current assets and liabilities related to continuing 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 development costs (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 Operating cashflow before working capital changes/diluted shares outstanding
11 Par value reduction instead of a dividend (except 2002/03); 2006/07 as proposed by the Board of Directors to the shareholders
12 Share price at year end/basic earnings per share
13 Capital reduction and repayment as from FY 2004/05. In prior years, dividend payment, net of dividends on treasury shares. Amount shown in fiscal year when payment occurs.
14 Compound annual growth rate
15 Certain comparatives have been restated or reclassified to conform to the current period's presentation
16 Key figures for 2004/05 haven been calculated on a pro forma basis excluding the impact of restructuring charges amounting to CHF 94 million

Contents

Balance Sheet

Assets

as of August 31, in CHF	2007	2006
Current assets		
Cash and cash equivalents	31,375	18,428
Treasury shares	16,695,748	13,035,197
Accounts receivable from Group companies	29,903,999	19,549,929
Short-term loans granted to Group companies	141,214,147	127,706,313
Other current assets	2,926,678	3,769,590
Total current assets	**190,771,947**	**164,079,457**
Non-current assets		
Property, plant and equipment	2,340,094	1,537,372
Financial assets		
Investments	975,465,754	872,509,883
Intangible assets		
Trademarks	25,196,059	61,387,300
Patents	747,973	1,222,733
Other	1,070,262	1,282,980
Total non-current assets	**1,004,820,142**	**937,940,268**
Total assets	**1,195,592,089**	**1,102,019,725**

Liabilities and shareholders' equity

as of August 31, in CHF	2007	2006
Current liabilities		
Bank overdrafts	359,039	–
Accounts payable to third parties	1,676,179	1,442,489
Accounts payable to Group companies	3,900,443	3,404,740
Accounts payable to shareholder	282,880	349,698
Short-term loans from Group companies	188,291,142	140,398,671
Accrued liabilities	18,116,288	14,429,952
Accrued taxes	759,871	903,047
Total liabilities	**213,385,842**	**160,928,597**
Shareholders' equity		
Share capital[1]	381,029,000	435,314,000
Legal reserve	157,019,393	157,019,394
Reserve for treasury shares	16,695,749	9,384,863
Retained earnings	427,462,105	339,372,871
Total shareholders' equity	**982,206,247**	**941,091,128**
Total liabilities and shareholders' equity	**1,195,592,089**	**1,102,019,725**

1 The share capital as of August 31, 2007 consists of 5,170,000 fully paid-in shares at a nominal value of CHF 73.70 (August 31, 2006: CHF 84.20)

Statement of Income

for the year ended August 31, 2007	2007	2006
in CHF		
Income		
Dividend income	109,230,000	112,000,000
Other income from investments	–	38,090,306
Financial income	61,369,389	9,110,406
Gain on sale of participations	1,510,214	–
License income	39,014,345	35,365,681
Management fees	15,601,956	15,403,768
Realized and unrealized profit on treasury shares	–	3,601,743
Other income	2,353,146	342,637
Total income	**229,079,050**	**213,914,541**
Expenses		
Personnel expense	(40,478,913)	(25,281,716)
Financial expense	(35,138,761)	(8,447,972)
Depreciation of fixed assets	(675,363)	(281,329)
Amortization of intangible assets	(38,087,166)	(21,203,034)
License expenses	(1,838,794)	(1,665,204)
Other expenses	(16,596,891)	(14,920,988)
Total expenses	**(132,815,888)**	**(71,800,243)**
Profit before taxes	**96,263,162**	**142,114,298**
Income taxes	(938,885)	(1,698,113)
Net profit	**95,324,277**	**140,416,185**

Retained earnings

for the year ended August 31,	2007	2006
in CHF		
Balance, beginning of fiscal year	339,372,871	205,643,046
(Increase)/Decrease of reserve for treasury shares	(7,310,885)	(6,847,304)
Capital reduction on treasury shares	75,842	160,944
Net profit	95,324,277	140,416,185
Balance, end of fiscal year	**427,462,105**	**339,372,871**

Notes to the Financial Statements

1. Liens, guarantees and pledges in favour of third parties:

The Company is a co-debtor for bank loans of max. EUR 850 million (CHF 1,394 million; 2005/06: CHF 1,079.8 million) obtained by Barry Callebaut Services N.V., Belgium, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 427.5 million less 35% withholding tax). Furthermore the company is a codebtor also to the Senior Notes of EUR 350 million (CHF 574 million; 2005/06: senior subordinated notes CHF 339.4 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 506 million.

As of September 1, 2003, VAT Subgroup for the Swiss Barry Callebaut entities.

2. Fire insurance value of property, plant and equipment

as of August 31,	2007	2006
Fire insurance value of property, plant and equipment	CHF 4,500,000	CHF 3,270,000

3. Investments

Name and domicile		Share capital	Purpose	Percentage of investment	
as of August 31,				**2007**	2006
ADIS Holding Inc., Panama	CHF	41,624,324	Holding	100%	100%
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	Sales & Production	100%	100%
Barry Callebaut Services N.V., Belgium	EUR	423,710,000	Group Treasury	100%	100%
Barry Callebaut Sourcing AG, Switzerland	CHF	2,000,000	Sourcing	100%	100%
Chocolat Alprose SA, Switzerland	CHF	7,000,000	Sales & Production	100%	100%
C.J. van Houten & Zoon Holding GmbH, Germany	EUR	72,092,155	Holding	100%	100%
Van Houten Service AG, Switzerland	CHF	100,000	Dormant	100%	100%

Investments are stated at cost less necessary impairment.

4. Treasury shares

The Company holds 19,488 treasury shares as of August 31, 2007 (2006: 23,718). In 2006/07, the Company bought 20,540 shares at an average price of CHF 885.31 per share (2005/06: 19,395 shares at an average price of CHF 423.34) and transferred 24,770 shares at an average price of CHF 438.97 per share (2005/06: 3,800 shares transferred and 100 sold at an average price of CHF 349.60). As of August 31, 2007, the treasury shares have been valued at average costs of CHF 856.72 per share (2005/06: average price of CHF 549.59 per share).

5. Significant shareholders

	2007	2006
Jacobs Holding AG, Zurich, Switzerland	50.50%	50.50%
Renata Jacobs	8.43%	8.43%

6. Subsequent events and other matters

On July 13, 2007, the Company entered into agreements for a strategic supply and innovation partnership with The Hershey Company. Under this agreement, the Company commits on behalf of the Group and specifically some of its subsidiaries on a global long-term contract for supply and innovation of cocoa, chocolate and confectionary products and related capital investments.

On September 14, 2007, the Group signed an agreement to sell its U.S. sugar-candy business Brach's to Farley's & Sathers Candy Company Inc. Under this agreement the Company guarantees on behalf of the Group the full and punctual payment of all amounts owed by the Group to the buyer.

Appropriation of Available Earnings

The Board of Directors proposed to carry forward the balance of retained earnings of CHF 427,462,105.

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Report of the Statutory Auditors to the General Meeting of

Barry Callebaut AG, Zurich

As Statutory Auditors, we have audited the accounting records and the Financial Statements (Balance Sheet, Statement of Income and Notes on pages 104 to 107) of Barry Callebaut AG for the year ended August 31, 2007.

These Financial Statements are the responsibility of the Board of Directors. Our responsibility is to express an opinion on these Financial Statements based on our audit. We confirm that we meet the legal requirements concerning professional qualification and independence.

Our audit was conducted in accordance with Swiss Auditing Standards, which require that an audit be planned and performed to obtain reasonable assurance about whether the Financial Statements are free of material misstatement. We have examined on a test basis evidence supporting the amounts and disclosures in the Financial Statements. We have also assessed the accounting principles used, significant estimates made and the overall Financial Statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

We recommend that the Financial Statements submitted to you be approved.

KPMG Ltd

Roger Neininger	Marc Ziegler
Swiss Certified Accountant	*Swiss Certified Accountant*
Auditor in Charge	

Zurich, November 1, 2007

Contents

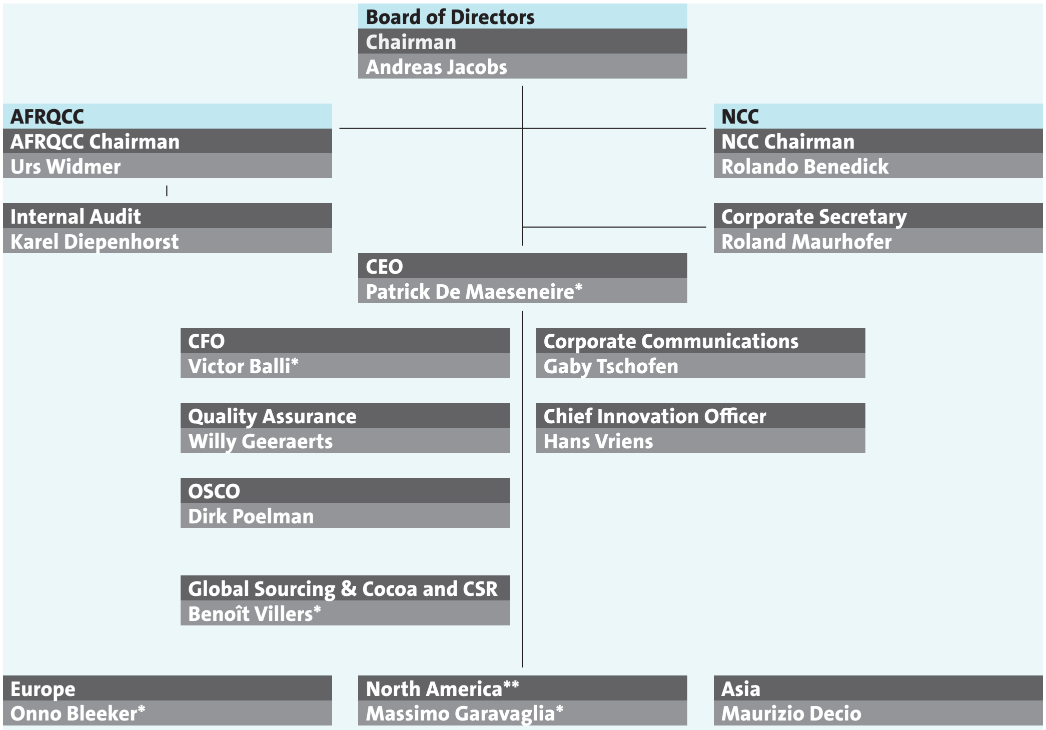
Corporate Governance

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

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

Group structure and shareholders

The organization of the Barry Callebaut Group has a regional focus and is divided into four strategic business units. The following chart provides an overview of the operational Group structure as of August 31, 2007:



* Member of the Senior Management Team
** During fiscal year 2006/07 Brach's (President: Chuck Haak) was also part of the region North America

The Barry Callebaut Group reports by regions and by business segments. Information about the stock listing, principal subsidiaries and significant shareholders of Barry Callebaut is given on pages 59, 67, 97, 99 and 100 of the Consolidated Financial Statements. There are no cross-shareholdings equal to or higher than 5% of the issued share capital.

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

Capital structure

The information required by the SWX Corporate Governance Directive regarding the capital structure is given in note 25 (share capital, movements in the share capital) and in note 24B (options) of the Consolidated Financial Statements. The company has no convertible bonds outstanding. In the past three years the Group's capital structure has not been changed.

Board of Directors

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

As of August 31, 2007, the Board of Directors consisted of six 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
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, Vice 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 named CEO of Jacobs Holding AG (Adecco SA, Barry Callebaut AG, Brach's Confections Holding Inc.) 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 of Barry Callebaut AG. In December 2005 he passed on the Chairmanship to Andreas Jacobs and took on the function of Vice Chairman.

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

Andreas Schmid is also Chairman of Unique Zurich Airport AG and a member of the Advisory Board of Credit Suisse 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) has been CEO of the Manor Group since 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, since 2006 he has been Executive Chairman. Rolando Benedick is also Chairman of Manor Sud SA (formerly Innovazione).

Rolando Benedick joined the Manor Group in 1967 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 a non-executive Board member of Jacobs Holding AG, of MCH Messe Switzerland AG and Accarda AG. In addition, he serves as Board member of the Basel Chamber of Commerce, Swiss Sport Aid, the Gottlieb Duttweiler Institute (GDI) and the Swiss Retail Federation (SRF).

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 Consultant, Project Manager and Manager at the Zurich office. From 1994 to 2004 he was CEO of the Minibar Group.

Markus Fiechter is a member of the Board of Directors of Minibar AG.

Markus Fiechter holds a Master 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 as Marketing Manager for Effem GmbH, Verden, Germany, as Marketing Director for Kal Kan Foods Inc., Los Angeles, and for Mars Inc. In 1981, he joined Wrigley GmbH in Germany, where he held various executive positions in several countries within the Wrigley Group. Until January 2006 he was Chairman Europe of Wm. Wrigley Jr. Company in Chicago, USA; Vice President of Wm. Wrigley Jr. Company; and President of the Executive Board of Wrigley GmbH, Germany.

Stefan Pfander is a member of the Board of Directors of Sweet Global Network e.V. (German trade association), a member of the Supervisory Board of GfK (market research institute), Tchibo GmbH, Maxingvest AG, and Beiersdorf AG, President of the ICGA (International Chewing Gum Association) in Brussels, and a Senior Advisor of Lehman Brothers.

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 ATAG Ernst & Young Holding AG. From 1998 to 2002 Urs Widmer was Chairman of the Board of Directors of ATAG 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 required, but at least four times per fiscal year. The duration of the Board meetings is usually six hours, but varies from meeting to meeting, depending on the agenda.

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

By request of one member of the Board, members of the Senior Management Team shall be invited to attend meetings. The Board of Directors can determine by majority vote that other third parties, for example external consultants, may attend part or all of the meeting. In the past fiscal year, members of the Senior Management Team were present at all Board and Committee meetings.

Resolutions are adopted by 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 recorded in written minutes of the meeting.

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

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 as they relate to the company's accounting policies, financial reporting, internal control, legal and regulatory compliance functions and quality management. In addition, to ensure financial risk management, the committee approves the basic risk management principles and guidelines, reviews the hedging and financing strategies, reviews the bases 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 committee meets as often as business requires, but at least three times per fiscal year. In the last fiscal year, the committee met four times. External consultants were present at two of the four meetings. The length of the meetings is usually two hours, but varies from meeting to meeting, depending on the agenda.

Nomination & Compensation Committee
Rolando Benedick (Chairman) and Stefan Pfander

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

The committee meets as often as business requires, but at least three times per fiscal year. In the last fiscal year, the committee met four times. The length of the meetings is usually two hours, but varies from meeting to meeting, depending on the agenda.

Directors may request any information necessary to fulfill their duties. Outside of meetings, any Director may request information from members of the Senior Management Team concerning the Group's business development. Requests for information must be addressed to the Chairman of the Board. The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. The internal audit function, which is independent from management, reports its significant findings to the Audit, Finance, Risk, Quality & Compliance Committee. In the last fiscal year, one internal audit task was carried out by a third party.

Senior Management Team
The Senior Management Team is headed by the Chief Executive Officer and consists of five persons. The members of the Senior Management Team do not have significant activities outside of the Barry Callebaut Group.

Barry Callebaut and Jacobs Holding AG, Zurich, have agreed to execute administrative services agreements, under which Jacobs Holding AG offers to Barry Callebaut certain management, consultancy and flight services as well as training facilities. In the last fiscal year, the total compensation paid by Barry Callebaut under these agreements amounted to CHF 1.8 million. The contract is yearly renewable.

Name	Nationality	Responsibility	Member since
Patrick G. De Maeseneire	Belgian	Chief Executive Officer	2002
Victor Balli	Swiss	Chief Financial Officer	2007
Onno J. Bleeker	Dutch	Europe	2002
Massimo Garavaglia	Italian	North America	2004
Benoît Villers	French	Global Sourcing & Cocoa	1997

Patrick G. De Maeseneire
Chief Executive Officer, Belgian national

Patrick G. De Maeseneire (1957) has served as CEO of Barry Callebaut AG since June 2002.

Before joining Barry Callebaut, Patrick De Maeseneire held positions with Adecco S.A., Wang Belgium, Apple Computers and Arthur Andersen (Consulting).

In 2007 Patrick De Maeseneire was granted the title of Baron by King Albert II of Belgium.

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

Victor Balli
Chief Financial Officer, Swiss national

Victor Balli (1957) was appointed Chief Financial Officer and member of the Senior Management Team 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 CFO and board member of several Niantic group companies. 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.

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.

Onno J. Bleeker
President Europe, Dutch national

Onno J. Bleeker (1957), member of the Senior Management Team of Barry Callebaut AG, was appointed President Europe in September 2006.

Onno Bleeker started his career with Verba, a food trading and distributing company that provided services to Callebaut in the Netherlands. He ultimately became a partner in the company and was its General Manager until 1988, when Verba was bought by Callebaut. Between 1989 and 2001 he held a number of high-level executive positions within Callebaut and from 1996 within the Barry Callebaut Group, formed through the merger of Cacao Barry and Callebaut. From January 2002 until August 2002 Onno Bleeker was partner and Managing Director of Mebrom Gas and Components International N.V., an international distributor of industrial and refrigerating gases and components.

In 2002 Onno Bleeker was appointed President Cocoa and Food Manufacturers and member of the Senior Management Team of Barry Callebaut AG. From September 2004 to April 2005 Onno Bleeker served as Chief Operations Officer at Barry Callebaut responsible for global production and supply chain. From May 2005 until August 2006, he was President Consumer Products Europe.

Onno Bleeker studied business at the London Business School.

Massimo Garavaglia
President North America, Italian national

Massimo Garavaglia (1966), member of the Senior Management Team of Barry Callebaut AG, was named President North America in September 2006.

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.

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

Benoît Villers
President Global Sourcing & Cocoa and Chairman of the CSR Committee, French national

Benoît Villers (1956), member of the Senior Management Team of Barry Callebaut AG, was appointed President Global Sourcing & Cocoa and Chairman of the CSR Committee in September 2006.

Benoît Villers started his career in 1981 as a credit analyst for Natexis Bank and after that worked for the French Public Administration as a financial analyst between 1985 and 1987. Since 1987 Benoît Villers has held various positions in Belgium and Italy at Cacao Barry, which merged with Callebaut in 1996. From 1996 to 1997 he was the General Manager for Barry Callebaut France and was appointed to the Senior Management Team in 1997. He held the position of Executive Vice President for Sales and Marketing between 1997 and 1998, then Executive Vice President Southern Europe, Asia Pacific, Middle East from 1999 to 2000 and President Cocoa between 2000 and 2001. From 2001 until August 2006 he was President Gourmet & Specialties.

Benoît Villers has a Master's degree in economics from the Institut Sciences Politiques.

Compensation, shareholdings and loans

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

The Nomination & Compensation Committee ensures that Barry Callebaut offers an overall package of remuneration, which corresponds to corporate and individual performance and market practice, in order to attract and retain Directors and Executives with the necessary skills. The current remuneration scheme for the Board is based on directors' fees and the granting of Barry Callebaut AG shares. Executive management compensation consists of a fixed base salary, a performance-related cash bonus and the granting of restricted Barry Callebaut AG shares.

In the fiscal year 2006/07 the Board approved the top management remuneration strategy developed by the Nomination & Compensation Committee, parts of which had been reviewed by external consultants. As from July 2007 Barry Callebaut works with an executive remuneration framework, which consists of four elements: fixed base salary, short-term cash-based incentives (50–100% of base salary), long-term incentives in the form of share allotments (70–125%) and benefits (10–20%). The allotment of shares is based on a deferred share plan. Participants are granted a number of shares, of which 80% will be given without being linked to performance criteria. The shares will vest as follows: 30% after one year, 30% after two years and 40% after three years, half of which (20%) subject to achieving the performance criteria defined by the Nomination & Compensation Committee. This new remuneration scheme has been applied to the eligible top executives who have joined the company during the fiscal year under review. The participants of the former remuneration scheme will be transferred to the new scheme after a transition period.

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

Board of Directors

In the fiscal year 2006/07, total fees to the Board of Directors including directors' fees, fees for committee membership and a lump sum contribution for expenses amounted to CHF 1.5 million. The Directors were granted a total of 2,000 shares for the performance during the fiscal year under review. For the performance in the previous fiscal year 2,400 shares were transferred to the members of the Board. None of the Board members received any other compensation as set out above.

There were no payments for former members of the Board of Directors in fiscal year 2006/07. On August 31, 2007, members of the Board of Directors including persons closely linked to them held 13,535 shares in Barry Callebaut AG, not including the participation of Jacobs Holding AG (as disclosed on page 106) and potential holdings in Barry Callebaut AG shares by members of the Jacobs family.
Barry Callebaut AG and its Group companies have not granted any collateral, loans, advances or credits to the Board members including persons closely linked to them as at August 31, 2007.

The Board member with the highest compensation received a total compensation of CHF 0.71 million and was granted 1,000 shares for the fiscal year under review.

Senior Management Team

In the fiscal year 2006/07 aggregate compensation of the Senior Management Team comprising annual base salary and performance-related cash bonuses relating to the previous fiscal year amounted to CHF 6.89 million. For the performance in the fiscal year under review 14,970 shares were granted to the members of the Senior Management Team. For the performance of the previous fiscal year 13,970 shares of Barry Callebaut AG were transferred to the members of the Senior Management Team. None of the members of the Senior Management Team received any other compensation other than set out above. There has been no compensation for former members of the Senior Management Team.

On August 31, 2007, members of the Senior Management Team including persons closely linked to them held 16,465 shares in Barry Callebaut AG. No options on shares of Barry Callebaut AG have been granted under the Stock Option Plan. Details about the Stock Option Plan are given in note 24 to the Consolidated Financial Statements.

Barry Callebaut AG and its Group companies have not granted any collateral, loans, advances or credits to the members of the Senior Management Team including persons closely linked to them as at August 31, 2007.

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 the fiscal year 2006/07, no such exception has been 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 with a nominal value of at least CHF 1 million 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 service agreements and employment contracts of the members of the Senior Management Team do not contain clauses on change of control. Barry Callebaut does not offer "golden parachutes" to its senior executives. Employment contracts contain notice periods of 6–12 months for the members of the Senior Management Team, during which they are entitled to full compensation. Three members of the Senior Management Team have an employment contract for a fixed time period, not exceeding three years.

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

External auditors

KPMG LTD., Zurich, act as the statutory auditors of Barry Callebaut AG, Zurich, and as the group auditors of the consolidated financial statements since fiscal year 2005/06. The statutory auditors and the group auditors are appointed by the General Meeting for a one-year term of office. The auditor in charge of KPMG has exercised this function since fiscal year 2005/06.

For the past fiscal year, the remuneration for the audit of the accounting records and the financial statements of Barry Callebaut AG, and the audit of the consolidated financial statements, amounted to CHF 2.4 million. For tax and other advisory services KPMG received a total of CHF 0.5 million. No internal audit or other services were rendered by KPMG during the period under review.

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 footnotes.

The external auditors attended one meeting of the Audit, Finance, Risk, Quality & Compliance Committee in the fiscal year 2006/07.

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 quarterly 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 agenda for the current fiscal year and contacts are given on page 124.

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Chocolate Glossary

A

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

B

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

C

Compound
Tastes like chocolate but cannot be called chocolate as it does not meet the legal requirements. 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.

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.
See also: Forastero, Trinitario.

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, which would spoil the cocoa butter, and prevents over-fermentation.

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.

F

Fairtrade
The Fairtrade Labelling Organization (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.

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.

H

HACCP
HACCP stands for Hazard Analysis and Critical Control Point. It is a management plan that follows a systematic and preventive approach to ensure quality and safety of Barry Callebaut products and the environment in which they are produced.

I

Industry Protocol
Also known as Cocoa Protocol or Harkins-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. The final milestone of the Protocol calls for the certification of 50% of the cocoa sector in Ivory Coast and Ghana by July 2008. Barry Callebaut is a signer of the Protocol.

K

Kosher
Foods certified as “Kosher” comply with Jewish dietary laws. The certification is done by Orthodox Jewish Kashrut dietary law specialists.

L

Liquor
Also known as cocoa liquor or cocoa mass. The thick liquid paste that is produced in the grinding process. The heat produced by the pressure and grinding of the process liquifies the cocoa butter in the beans, and a thick liquid paste appears, the cocoa liquor.

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.

O

Origin chocolate
Chocolate made from beans from one single-origin country or region.

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 Ivory Coast. 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.

Quetzalcoatl
The Aztec god who, according to legend, gave the cocoa tree to man and showed him how to cultivate it. Venerated as guardian of the cocoa tree, Quetzalcoatl was seen as the purveyor of both strength and wealth.

R

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

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%).

Semi-finished products
Examples include cocoa liquor, cocoa butter and cocoa powder. Also called cocoa products.

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.

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.

Agenda

	Date	
Annual General Meeting 2006/07, Zurich	November	29, 2007
3-month key sales figures 2007/08	January	22, 2008
Half-year results 2007/08	April	3, 2008
9-month key sales figures 2007/08	July	1, 2008
News release, media conference and analyst conference on 2007/08 annual results, Zurich	November	6, 2008
Annual General Meeting 2007/08, Zurich	December	4, 2008

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Forward-looking statements

Certain statements in this Annual Report 2006/07 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 today, November 6, 2007. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.

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