Barry Callebaut

Annual report 2005/06

Barry Callebaut

Agenda.

Annual General Meeting 2005/06, Zurich
December 7, 2006

3-month results 2006/07*
January 18, 2007

Half-year results 2006/07
April 3, 2007

9-month results 2006/07*
June 28, 2007

News release, media conference and analysts' conference on 2006/07 annual results, Zurich
November 6, 2007

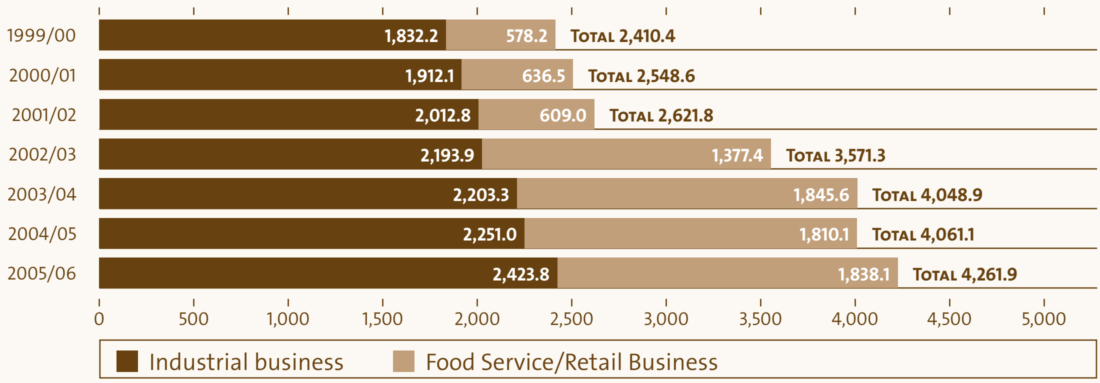
Annual General Meeting 2006/07, Zurich
November 29, 2007

* The company will discontinue the quarterly reporting related to the first and third quarter if and when the company has called the outstanding 9¼% Senior Subordinated Notes due 2010 in the amount of EUR 165 million issued by Barry Callebaut Services N.V.

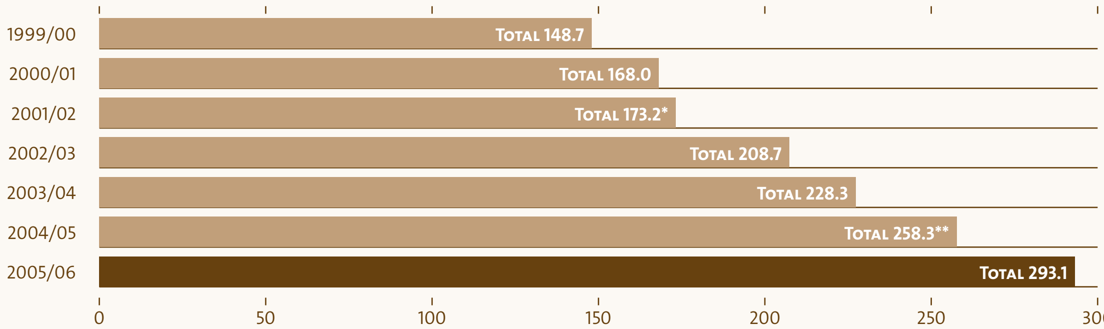
Contents.

Key Figures.

Development of sales revenue
IN CHF MILLION



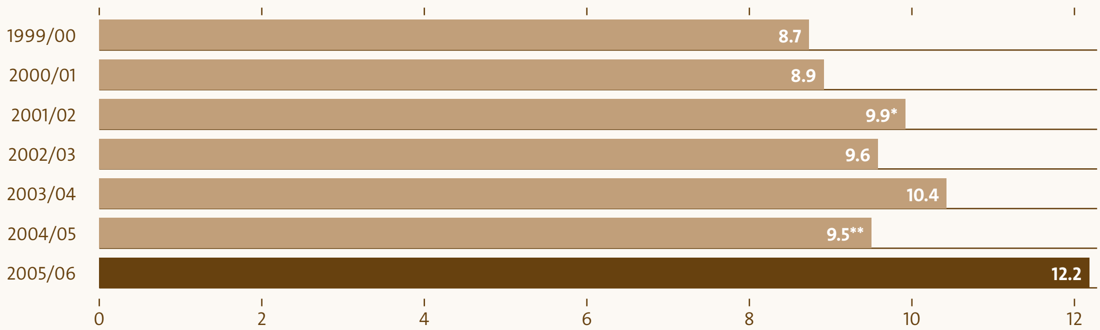
EBIT development
IN CHF MILLION



* EBIT for 2001/02 is based on a normalized result excl. restructuring provisions amounting to CHF 80 million

** EBIT for 2004/05 is based on a normalized result excl. restructuring expenses and impairment charges amounting to CHF 94 million, restated for expenses for share-based payments in the amount of CHF 6.9 million following first-time application of IFRS 2

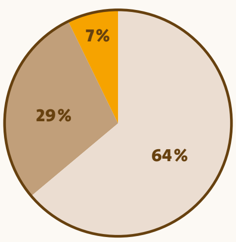
ROIC development
IN %



* Ratio is calculated on a pro forma basis excl. the impact of the Stollwerck acquisition

** Ratio is calculated on a pro forma basis excl. the impact of restructuring expenses and impairment charges, restated for expenses, for share-based payments in the amount of CHF 6.9 million following first-time application of IFRS 2

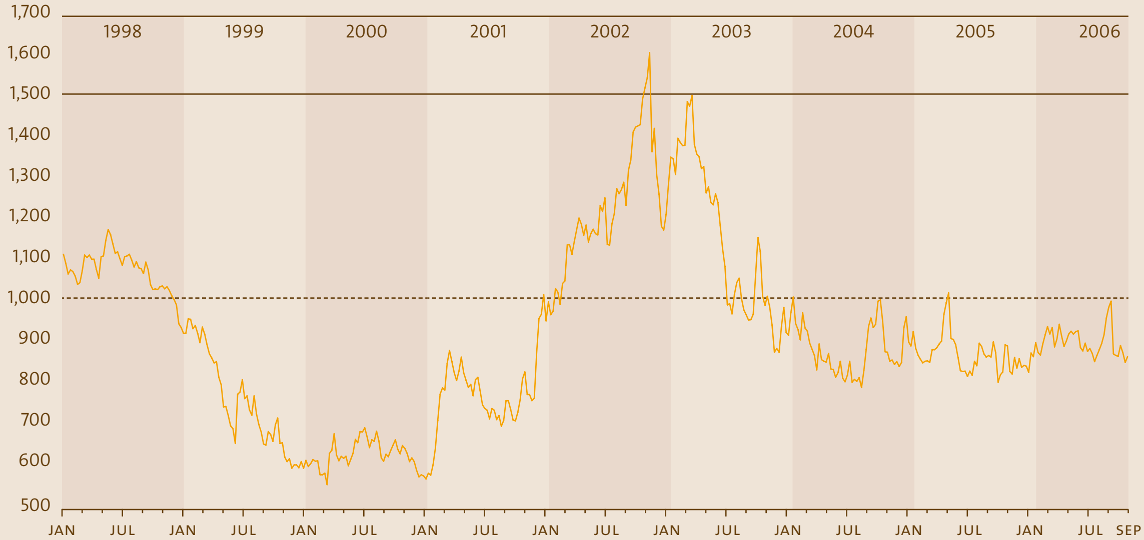
Sales volumes by region, 2005/06
IN TONNES



Europe	671,172
Americas	304,779
Rest of the world	73,837
Total	**1,049,788**

Cocoa price development

In GBP/tonne (London Terminal market, 6-month forward price)



Share price development Barry Callebaut vs. indices

01.09.03 = 100%

Barry Callebaut AG — SPI Swiss Performance Index — SPI Small & Mid-Cap Index

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.

Key Figures Barry Callebaut		Change	2005/06	2004/05[5,6]
Income Statement				
Sales revenue	CHF m	4.9%	4,261.9	4,061.1
Sales volumes	Tonnes	–0.3%	1,049,788	1,052,467
EBITDA[1]	CHF m	9.0%	405.8	372.2
Operating profit (EBIT)	CHF m	13.5%	293.1	258.3
Net profit (PAT)	CHF m	17.4%	183.0	155.9
Cash flow[2]	CHF m	11.3%	347.9	312.6
Balance Sheet				
Total assets	CHF m	3.0%	2,815.5	2,734.1
Net working capital	CHF m	10.8%	920.9	830.8
Non-current assets	CHF m	1.7%	1,188.6	1,168.2
Net debt	CHF m	–4.9%	906.9	953.5
Shareholders' equity[8]	CHF m	20.2%	1,001.9	833.4
Ratios				
Return on capital employed (ROCE)[3]	%	9.2%	17.9%	16.4%
Return on equity (ROE)	%	–2.3%	18.3%	18.7%
EBIT per tonne	CHF	13.7%	279.2	245.5
Debt-to-equity ratio	%	–20.9%	90.5%	114.4%
Shares				
Share price at year end	CHF	48.1%	548	370
EBIT per share (issued)	CHF	13.5%	56.7	50.0
Basic earnings per share	CHF	17.1%	35.5	30.3
Cash earnings per share[4]	CHF	10.1%	66.9	60.8
Capital reduction and repayment per share	CHF	31.3%	10.5[7]	8.0
Other				
Employees	Number	–3.6%	8,236	8,542

1 EBIT + depreciation of property, plant and equipment + amortization of intangible assets
2 Operating cash flow before working capital changes
3 EBITA/average (capital employed – goodwill)
4 Operating cash flow before working capital changes/diluted shares outstanding
5 Key figures for 2004/05 have been calculated based on a pro forma basis excluding the impact of restructuring charges amounting to CHF 94 million
6 Certain comparatives have been restated or reclassified to conform with the current period's presentation
7 Proposal of the Board of Directors to the shareholders (instead of a dividend)
8 Total equity attributable to the shareholders of the parent company

Company Profile.

Our portrait

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

- Multinational branded consumer goods manufacturers who incorporate our ingredients in their consumer 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 branded as well as customer label products

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

Barry Callebaut is present in 24 countries, operates more than 30 production facilities, employs approximately 8,000 people and generated sales of more than CHF 4 billion in fiscal year 2005/06.

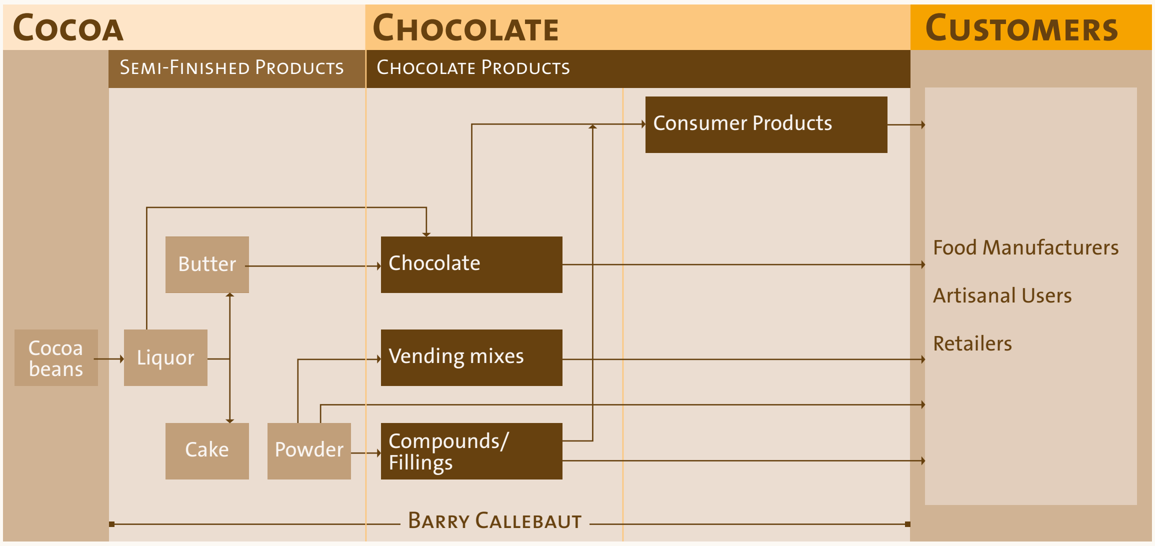
Our vision

Our goal is to be Number One 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. 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 great, 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.

We are working towards our vision with confidence thanks to the strong commitment of all our colleagues around the world to our core values: customer focus – passion – entrepreneurship – team spirit – integrity.



Letter to Shareholders.

Dear Shareholders

We aim to be the heart and engine of the chocolate industry. Our goal is to become Number One in all attractive customer segments and in all major world markets. We are pleased to report that the past fiscal year – the tenth since Belgian Callebaut merged with French Cacao Barry in 1996 – has seen us take a number of major steps along the path to reach that goal.

Sales revenue rose by 4.9 % to CHF 4,261.9 million. Sales volume development was flat, due to the deliberate discontinuation of volumes in the consumer business; sales volumes were 1,049,788 tonnes. Operating profit (EBIT) was up by 13.5 % to CHF 293.1 million compared to fiscal year 2004/05[1]. Net profit (PAT) grew by 17.4 % to CHF 183.0 million. For detailed information about our business please see the sections "Overview of Business Performance" and "Consolidated Financial Statements".

The major events of fiscal year 2005/06 were the following:

- Subsequent to the restructuring measures taken, our European consumer products business has achieved a positive result and is now operating on a solid basis.
- The earnings power of our core business with industrial and artisanal customers was again confirmed.
- We continued our geographic expansion by starting the construction of our own chocolate factory in Russia. We opened sales offices in Chicago (July 2006) and in Shanghai (October 2006).

The trend towards outsourcing amongst large food manufacturers continues and is gradually encompassing all stages of the value chain. With the integration of Stollwerck and its special production facilities into the Group's production network, we were able to expand our range of outsourcing services. In addition to our traditional offering of cocoa and chocolate products, we now cover the full depth of production for third parties – including contract manufacturing of finished, brand-wrapped consumer products. Starting out at a modest level, our contract manufacturing operations are developing at a very encouraging pace. Together with customer label products and chocolate products sold under our own four local brands (*Sarotti* in Germany, *Jacques* in Belgium, *Alprose* in Switzerland and *Brach's* in the U.S.), contract manufacturing forms an integral part of our consumer business strategy.

Clear growth strategy

Innovation, geographic expansion and cost leadership are the pillars of our growth strategy. Our goal is to grow twice as fast as the global chocolate market.

1 Before restructuring charges of CHF 94 million

Innovation. Innovation is driven by the trends we observe among end consumers on the one hand, and among our industrial and artisanal customers on the other, which are, in turn, influenced by end consumers.

A mega trend in the food industry is the growing consumer awareness of health issues, and of the impact nutrition has on health. Functional products and "healthy" products with wholesome ingredients, less sugar, less fat and less salt, are increasingly popular. However, consumers are not prepared to compromise on taste.

Our innovation strategy is built upon our value chain advantage and has one focus: the cocoa bean. The cocoa bean contains hundreds of different natural components with health-enhancing attributes that are largely destroyed during the chocolate-making process. With our "Back to the Bean" approach we analyze the health benefits of the cocoa bean and preserve them to the highest degree possible in the final chocolate product by using special technology. Two premises serve as our guide: The new products have to offer a better nutritional profile but still taste great, and they must be 100% natural, without any additives.

During the past fiscal year, we launched a number of products that meet these criteria. They include a chocolate that utilizes the natural sweetness of the cocoa bean and contains 30% less sugar. Previously used sugar substitutes such as Maltitol, which can have a laxative effect if consumed in large quantities, can be omitted entirely. Following successful shelf tests with a product under our consumer brand "Sarotti", we have introduced to our industrial customers a dark and a milk chocolate containing not only the highest level of polyphenols currently available on the market, but also very effective antioxidants. The antioxidant properties of polyphenols – often associated with red wine, green tea or vitamin E and C – are attributed to have positive effects on stress, tension, aging, heart disease, high blood pressure, memory loss and concentration problems.

For customers and consumers who attach great importance to the cultivation methods used for the raw ingredients in chocolate, our offering also includes organic and fair-trade chocolate varieties.

Dark chocolate, particularly chocolate made with single-origin beans from exclusive cocoa-growing areas, continues to enjoy increasing popularity. In the U.S. market alone, sales of dark chocolate rose by some 30% over the prior year. Our traditional strength in the production of dark chocolate, our presence in the countries of origin and our strengthened direct sourcing activities in the cocoa-growing countries mean we are well placed to benefit fully from this demand.

Our broad offering of single-origin cocoa liquors and chocolates, coupled with our innovative products act as door-openers and have facilitated sales to previously fully integrated chocolate manufacturers.

For our artisanal customers we have expanded the line of convenience as well as of premium products. In the convenience range we have launched more ready-to-use products to help confectioners, bakers and chefs save time and money. Over the next year, we plan to round off this product offering with deep-frozen products. For top chocolatiers and confectioners we have just launched our one-of-a-kind "Or Noir" chocolate formulations. These customers can now come to a specially built laboratory in Meulan, France, and compose their own chocolate from a choice of twelve different single-origin cocoa liquors.

Geographic expansion. We have also further pursued our targeted geographic expansion. In August 2006 we commissioned a second cocoa-roasting line in Ghana, thereby doubling our cocoa-processing capacity from 30,000 to 60,000 tonnes a year. We view this investment as proof of our long-term commitment to this West African country, which offers a favorable investment climate to foreign investors.

In Russia, construction work for our own chocolate factory 60 km south of Moscow began. This factory will supply industrial and artisanal customers – primarily Western food manufacturers in the initial phase. We expect the factory to become operational in the first months of 2007.

After a careful analysis of all possible options in China, the Board of Directors decided in September 2006 to build our own chocolate factory in Shanghai. We anticipate that the construction and start-up period will take between 12 to 18 months.

Cost leadership. Innovation and geographic expansion will only be possible if we succeed in maintaining cost leadership over the long term. We will use the "dedicated factory" approach to achieve this, meaning that each one of our currently 36 factories has a clear focus and a particular role within our production network. This allows us to benefit from economies of scale and to develop a high level of specialist know-how in each factory. All our standard products are produced as close to customers as possible. For every major standard product there is a backup factory to cope with potential production downtimes. Specialty products are manufactured centrally in a limited number of appropriately equipped factories. Our factories in the origin countries give us privileged access to cocoa beans and allow us to optimize the supply chain. In "Centers of Excellence", which are focused on specific product groups or production technologies, we are constantly refining production processes and technologies. This is how we manage to lower production costs per tonne by 5% every year.

Particular attention should be paid to the cost savings achieved in our European consumer business, in addition to quality and price improvements. In its efforts, the business unit has been able to draw on the Group's comprehensive expertise. Our European consumer business now has a healthy, competitive foundation on which to build.

Uniquely positioned

Our unique positioning provides an excellent platform for our growth strategy.

Barry Callebaut is the only fully vertically integrated chocolate company with a global presence. Since our Group was formed ten years ago, we have evolved from being a supplier of industrial and specialty chocolate for industrial and artisanal customers to a provider of integrated solutions – from the bean to the shelf – for the entire food industry. We are proud that we can supply all the big names in the food industry. We train an average of 500 artisanal users of our products per week. We are 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 price – under one roof. We have more than 1,650 active recipes and generate some 30% of our sales revenue with products developed during the past three years. This is a solid basis, built up over the last 150 years, upon which we intend to actively shape our future.

New organizational structure with greater focus on regional markets

Since forming clearly defined customer segments five years ago, we have succeeded in substantially increasing our customer focus and our market share in Western Europe. However, the markets in Eastern Europe, North America and Asia are growing faster than the mature markets of Western Europe. As we stated last year, we aim to increase the percentage of sales generated outside Western Europe and North America from 11% to 20% by 2010. To this end we introduced a new organizational structure with a regional focus as of September 1, 2006. Within the regions we shall continue to focus on our traditional customer segments: Industrial Customers, Gourmet & Specialties and (where applicable) Consumer Products. Maurizio Decio was appointed Regional Vice President for the Asia Region and a member of the Management Team with effect from September 1, 2006.

"Winning Together"

Barry Callebaut has grown consistently in the last ten years, as has its workforce. It is, therefore, more important than ever to promote a sense of team spirit, global cohesion and a common culture within the organization. What serves this purpose better than sports?

With that in mind, we announced a Group-wide fitness initiative in September 2005. Adopting the slogan "Winning Together", we chose the New York City Marathon 2006 as the highlight of the campaign. People who are physically fit are likely to perform better and live longer – a win-win situation for everyone. All our 8,000 employees – whether athletic or not, born runners or runners-to-be – were invited to take part. Following a careful selection process, 25 employees were chosen for a special year-long coaching and training program in preparation for the world's most famous marathon on November 5, 2006. An additional 15 starting places were offered to experienced runners who were able to prepare for the race on their own. The fitness initiative included internal communications activities, local jogging and sports groups, participation in local sports events and general health tips posted on our Intranet, all of which was intended to encourage our employees to adopt a balanced lifestyle with more physical activity and a healthy diet.

In the middle section of this annual report you can read more about this initiative, which received a very enthusiastic response from our employees worldwide.

Changes to the Board of Directors

Andreas W. Keller, a member of the Board of Directors since 1999, has expressed the desire to not stand for re-election at the General Meeting on December 7, 2006. Based on his own entrepreneurial experience in the field of international marketing and distribution, particularly in Asia, he was able to draw on a wealth of valuable expertise, which greatly benefited Barry Callebaut. The Board of Directors, the Senior Management Team and the entire staff would like to express their sincere thanks to Andreas Keller for his many years of outstanding service to the company.

All other Board members will be standing for re-election for a period of one year.

A word of thanks

The heart and engine of Barry Callebaut is our workforce of some 8,000 people in 24 countries. Through their know-how, customer focus and passion for chocolate, they are contributing to our good results each and every day, and we would like to extend our sincere gratitude. 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 you, our shareholders, for your enduring loyalty and trust.

Andreas Jacobs
Chairman of the Board of Directors

Patrick G. De Maeseneire
Chief Executive Officer

Board of Directors and Management.

Board of Directors

Andreas Jacobs
Chairman

Andreas Schmid
Vice Chairman

Rolando Benedick

Markus Fiechter

Andreas W. Keller
(until December 7, 2006)

Stefan Pfander

Urs Widmer

Corporate Secretary

Ute Zeller
(until August 31, 2006)

Roland Mauerhofer
(as of January 1, 2007)

As of September 1, 2006

Management Team

Patrick G. De Maeseneire *
Chief Executive Officer

Onno J. Bleeker *
Europe
(formerly Consumer
Products Europe)

Maurizio Decio
Asia

Dieter A. Enkelmann *
Chief Financial Officer

Massimo Garavaglia *
Food Manufacturers
and Gourmet & Specialties
North America
(formerly Food Manufacturers)

Chuck Haak
Brach's
(formerly Consumer
Products North America)

Dirk Poelman
Chief Operations Officer

Benoît Villers *
Global Sourcing & Cocoa
(formerly Gourmet &
Specialties)

* Members of the Senior Management Team

Overview of Business Performance.

For the current fiscal year various revised IFRS accounting standards have been applied by the Group for the first time. The most important changes affecting the Group are related to IAS 39 (financial instruments), IAS 2 (inventories) and IFRS 2 (share-based payments). The application of these standards lead to a different treatment of various positions. IAS 39 and IAS 2 mainly impacted the presentations of the balance sheet and related disclosure notes. IFRS 2 (share-based payments) requires the recognition of costs related to share-based payments under personnel expenses. In the Group's income statement, these are included in the line item "General & Administration". As required by the relevant standards, the prior-year figures have been restated or reclassified and therefore might differ from the ones published in the Annual Report for the fiscal year 2004/05. For more detailed information about the changes see the section "Summary of Accounting Policies" and "Notes" as disclosed in the Financial Statement section of this annual report.

Income Statement

Sales volumes in the business units Food Manufacturers and Gourmet & Specialties went up by 4.2%, confirming the robustness of Barry Callebaut's core businesses. As the Group deliberately discontinued sales volumes in the consumer business and sales volumes in the Cocoa business slightly decreased, overall sales volumes remained flat at 1,049,788 tonnes, down 0.3%.

While total sales volumes of the Group in Europe were stable, they decreased by 1% in the Americas and grew by 3% in Asia-Pacific/Africa.

Revenue from sales and services increased by 4.9% to CHF 4,261.9 million, compared to CHF 4,061.1 million in the previous year, helped by positive currency impacts mainly involving the Euro and U.S. Dollar against the Swiss Franc.

The Food Manufacturers, Gourmet & Specialties and Cocoa business units showed a strong increase in sales revenue, the latter as a result of higher physical bean sales. The Consumer Products business unit's sales revenue experienced a decrease, mainly as a result of discontinued customer label contracts in Europe, but to a lesser extent than the decrease in sales volumes.

Gross profit, defined as sales revenue minus cost of goods sold, increased by 5.9% or CHF 37.1 million to CHF 664.9 million.

Gross profit in relation to revenue from sales and services is slightly higher at 15.6% compared to 15.5%.

Gross profit per tonne improved by CHF 36.8 to CHF 633.4, up from CHF 596.6 in the previous fiscal year. The biggest contribution to this increase came from Consumer Products Europe – as a result of its restructuring measures, increased sales prices per tonne, improved raw material utilization and an improved product mix – followed by the business units Gourmet & Specialties and Cocoa.

Sales & Marketing expenses decreased by 4.7% to CHF 143.9 million, down from CHF 151.0 million in the prior year.

General & Administration expenses increased by 2.1% to CHF 239.0 million from CHF 234.0 million. Since fiscal year 2005/06 the IFRS 2 requires that the costs related to share-based payments be included under personnel expenses. These expenses amounting to CHF 7.8 million for the fiscal year under review are included under this position, and for comparison purposes, the prior-year figure had to be restated for expenses of CHF 6.9 million. Combined, the two cost blocks Sales & Marketing and General & Administration expenses are slightly lower compared to the prior year.

Other income amounted to CHF 38.3 million, compared to CHF 47.9 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, curtailment gains for employee benefit plans, reversals of unused provisions and other non-recurring items.

Other expense including the amortization of intangibles, bad debt losses, losses on sales of fixed assets and other non-recurring or prior-period-related expense items amounted to CHF 27.3 million compared to CHF 32.4 million in the prior year.

Operating profit (EBIT) strongly increased by CHF 34.8 million or 13.5 % to CHF 293.1 million, compared to CHF 258.3 million in the prior year (last year before restructuring expense, write-downs and impairments of assets, restated for the impact of the share-based payments). All business units contributed to this growth, with the biggest increase coming from the Consumer Products Europe business unit.

EBIT per tonne stands at CHF 279.2, which represents an increase of 13.7 % over last year's figure of CHF 245.5. All business units contributed to this increase. By far the strongest contribution came from the Consumer Products Europe business unit for reasons explained above.

Net financial costs covering **financial expense** and **financial income** amounted to CHF 77.7 million, down by CHF 5.5 million from CHF 83.2 million in the prior year. This decrease was mainly attributable to favorable exchange rate and interest rate movements and lower bank charges, despite slightly higher average net debt.

Income taxes amounted to CHF 31.9 million, compared to CHF 19.9 million in the previous year. The absolute amount for the fiscal year under review increased due to the substantially higher pre-tax income, partly compensated by the significantly lower non-tax-effective losses and expenses. The latter in combination with the prior-year impact of the CHF 94 million restructuring charges, which were only partly tax effective, reduced the Group's tax rate to 14.8 %, compared to 24.5 % in the prior year.

Net profit (including minorities) increased to CHF 183.6 million, compared to CHF 61.3 million in the previous fiscal year. Net profit attributable to the shareholders of the parent company (PAT) amounted to CHF 183.0 million, a strong increase of 17.4 % compared to the prior year's CHF 155.9 million. The latter is calculated on a pro forma basis by adding back the CHF 94 million restructuring charge to the prior year's net profit of CHF 61.9 million. PAT for the financial year under review is impacted by the share-based payments – net of taxes – in the amount of CHF 7.2 million (prior year: CHF 6.4 million).

Basic earnings per share amounted CHF 35.53, up by 17.1 % from CHF 30.33 last year on a pro forma basis before the restructuring impacts. After restructuring and the restatement for the share-based payments, last year's basic earnings per share amounted to CHF 12.04. **Cash earnings per share**, defined as operating cash flow before working capital changes divided by diluted shares outstanding, increased to CHF 66.94 compared to CHF 60.79 in the previous year.

Cash Flow Statement

Net cash flow from operating activities before working capital changes amounted to CHF 347.9 million, an increase of CHF 35.3 million compared to CHF 312.6 million in the previous year. The higher level of net cash flow from operating activities was partly offset by the impacts of the cash relevant changes in working capital. Consequently, the resulting increase of net cash flow from operating activities (including working capital changes) is somewhat lower at CHF 10.2 million and amounted to CHF 212.5 million compared to CHF 202.3 million the year before. In both years, this figure was influenced by the cash-out incurred for restructuring measures. In the current year the cash-out amount related to restructuring amounted to CHF 23.4 million.

Net cash flow from investing activities amounted to CHF –100.7 million, compared to CHF –164.3 million in the prior year. The prior year was impacted by the effects of cash outflows for acquisitions, including the acquisition of the Vending Mix business from AM Foods. The other principal components of investing activities in the last two fiscal years were capital expenditures related to continuous investments in ongoing operations such as the building of an additional roasting line in Ghana and the software development costs for the integration of the Consumer Products Europe business into the European operations platform.

Net cash flow from financing activities was CHF –116.2 million compared to CHF –37.3 million in the prior fiscal year. Excluding the cash effects of the capital reduction of CHF –41.4 million (in prior year CHF –40.3 million) and transactions in treasury shares of CHF –8.2 million (in prior year CHF –10.4 million), net cash flow from financing activities for the year under review amounted to CHF –66.6 million (2004/05: CHF +13.4 million).

Balance Sheet and Financing Structure

Total assets as of the end of August 2006 amounted to CHF 2,815.5 million, up 3.0 % or CHF 81.4 million from CHF 2,734.1 million in the prior year. The main reasons for the increase were higher inventories of semi-finished and finished goods, the impact of foreign currency effects, as well as increased intangible assets – the latter as a result of capitalized development costs due to the integration of the Consumer Products Europe business into the European operations platform – partly compensated by lower trade receivables.

Net working capital increased by 10.8 % or CHF 90.1 million to CHF 920.9 million at the end of August 2006, up from CHF 830.8 million at the end of the prior-year period. This increase is mainly due to higher inventory levels of semi-finished and finished goods, higher net derivative financial assets and lower payables and provisions, partly offset by lower trade receivables.

Restructuring provisions stood at CHF 10.0 million at the end of August 2006, compared to CHF 33.4 million as of the end of August 2005. The usage of CHF 23.4 million relates to the cash-out incurred for items provided for in previous periods.

Net debt stands at CHF 906.9 million, down by CHF 46.6 million from CHF 953.5 million as of the end of August 2005. The positive free cash flow, after securitization program, investing activities and the cash outflow for the capital reduction and repayment, more than compensated for the increased financing needs for the higher net working capital and adverse currency impacts. At the end of the fiscal year, the Group's total debt portfolio had a weighted average duration of 3.2 years compared to 4 years in the prior year. This decrease is mainly the consequence of the revolving character of the syndicated facility and does not reflect the almost unchanged liquidity profile of the Group, after the first extension option for one additional year was exercised by the banks participating in the syndicated revolving facility. Interest rate exposures have been hedged and fixed up to an average duration of 3.8 years for approximately 68 % of the reported net debt.

Equity – including equity attributable to the shareholders of the parent company (previously called "Shareholders' equity") and minority interests – increased by 20.0 % or CHF 167.4 million to CHF 1,006.2 million as of the end of August 2006, compared to CHF 838.8 million at the end of the prior year. Equity attributable to the shareholders of the parent company amounts to CHF 1,001.9 million compared to last year's amount of CHF 833.4 million. As a consequence of this, the debt-to-equity ratio significantly improved to 90.5 %, down from 114.4 %, and the solvency ratio rose to 35.6 %, up from 30.5 % at the end of the previous year. The return on invested capital improved to 12.2 % from 9.5 % in prior year.

Industrial Business.

The Sourcing & Cocoa and Food Manufacturers business units build the Industrial business segment. They include the asset- and capital-intensive activities of the Group that are needed to procure all raw materials, to process cocoa and to produce semi-finished and chocolate products that are sold to industrial food processors and consumer goods manufacturers, along with ready-to-use products and services.

Industrial Business Segment

		Change in %	**2005/06**	2004/05[1]
Sales volumes	**Tonnes**	2.8	707,839	688,418
Cocoa	**Tonnes**	–3.8	128,384	133,478
Food Manufacturers	**Tonnes**	4.4	579,455	554,940
Sales revenue	**CHF m**	7.7	2,423.8	2,251.0
Cocoa	**CHF m**	9.1	612.1	561.3
Food Manufacturers	**CHF m**	7.2	1,811.7	1,689.7
EBITDA	**CHF m**	3.7	275.4	265.7
Operating profit (EBIT)	**CHF m**	6.2	222.1	209.1
EBIT/Tonne	**CHF**	3.3	313.8	303.8
Segment assets	**CHF m**	6.4	1,756.9	1,650.9
EBIT/Segment assets	**%**	–0.2	12.6	12.7

[1] Before restructuring and impairment charges

Sales volumes in the Industrial business segment increased by 2.8 % to 707,839 tonnes. Whereas Cocoa saw its third-party volumes decline by 3.8 % due to higher internal need for semi-finished products, the Food Manufacturers business unit achieved a solid volume increase of 4.4 %.

Sales revenue saw an increase of 7.7 % to CHF 2,423.8 million in fiscal year 2005/06. Excluding positive currency effects, sales revenue grew by 5.2 %.

Operating profit (EBIT) increased by 6.2 % to CHF 222.1 million. Both businesses, Cocoa and Food Manufacturers, contributed to this increase.

Total segment assets including current assets amounted to CHF 1,756.9 million, up CHF 106.0 million (or 6.4 %) compared to the restated prior-year figure.

EBIT over total segment assets remained at the high level of 12.6 % (previous year: 12.7 %).

Sourcing

Barry Callebaut is a fully integrated company that masters every step in cocoa and chocolate production, from sourcing of beans to the finished product on the shelf. The company's value creation starts with the procurement of high-quality raw materials like cocoa, sugars, dairy products, fats, nuts, dried fruits and other ingredients as well as packaging materials. The Sourcing business unit centrally manages all purchasing activities. This strengthens the Group's purchasing power and allows it to apply consistent risk management processes for the procurement of raw materials.

Barry Callebaut purchases around 15% of the global cocoa harvest to cover internal and external demand. Thanks to Barry Callebaut's business model, fluctuations in cocoa and other raw material prices are mostly passed on to customers, and therefore they have an influence on sales revenue and net working capital, but no material effect on the profitability of the company.

Other key raw materials for the production of chocolate besides cocoa beans are sugar and milk powder. Hurricane Katrina, which destroyed the largest U.S. sugar refinery located in Chalmette, Louisiana, in late summer 2005, the effects of the following hurricanes Rita and Wilma, a drought in Thailand, and strong demand for ethanol, which can also be derived from sugar cane, led to considerable sugar price volatility in fiscal year 2005/06. Between September 1, 2005 and February 3, 2006, raw sugar prices almost doubled from USD 222.7 per tonne to USD 425.5 per tonne, and then fell back to the earlier levels during the rest of fiscal year 2005/06. Due to its hedging strategy, Barry Callebaut managed to avoid negative impacts caused by the unusually high sugar price volatility.

Barry Callebaut is a large user of hazelnuts, a commodity not traded in a regulated market. Hazelnuts mainly originate from one country, Turkey, where Barry Callebaut has now a direct sourcing operation. Due to frost and difficult supply circumstances in two consecutive years, the market was exposed to a steep increase in hazelnut prices in 2004 and 2005, which had an adverse effect on the consumer price list business in these years. In fiscal year 2005/06, hazelnut prices declined and no longer had a negative impact on Barry Callebaut's results.

As of the beginning of 2006, Barry Callebaut strengthened and re-focused its sourcing team in the U.S. in order to bring the sourcing activities in the NAFTA region in line with the company's globally integrated purchasing approach. Barry Callebaut applies a variety of sourcing strategies and best practices for the comprehensive management of market risks in order to cope with the fluctuations in supply and demand for cocoa and other raw materials. Besides vendor assessment, price hedging through futures market transactions, currency hedging, market structure management and arbitrage management as required by the underlying portfolio, a key element is the ongoing diversification of origin countries for cocoa sourcing. Sourcing activities have been recently started in Nigeria.

Due to its global sourcing network and capabilities, Barry Callebaut is able to offer its customers an extended and unrivaled range of origins, including fine-grade cocoa varieties grown in regions such as Ecuador, Peru, Venezuela, Santo Domingo, Cuba, Grenada, São Tomé, Madagascar, Java and Papua New Guinea.

Cocoa

The Cocoa business unit processes cocoa beans into semi-finished products, i.e. cocoa liquor, cocoa butter and cocoa powder. About two-thirds of these products are produced for the company's own use. The remainder is supplied to the food industry for the production of chocolate products, dairy applications, beverage applications and baked goods.

Sales volumes of semi-finished products to third-party customers amounted to 128,384 tonnes, down 3.8 % or 5,094 tonnes compared to the previous year. The main reason for this decline was a decrease in cocoa liquor sales to third-party customers due to Barry Callebaut's own growing need for semi-finished products as a result of higher sales of chocolate products and a continued shift towards more dark chocolate. Total production output of semi-finished products increased by more than 5 %.

Third-party sales revenue increased by 9.1 % to CHF 612.1 million, up from CHF 561.3 million. This growth – contrasting with the declining third-party sales volume – was driven by higher cocoa bean sales of approximately 50,000 tonnes over the course of the year, which are not included in sales volumes since these only include processed goods. Sales revenue from semi-finished products decreased due to the lower volumes and a declining combined ratio, i.e. declining combined sales prices for

Commitment to origin countries

Barry Callebaut's value chain starts with the procurement of cocoa beans. Although the company does not own any plantations, it is committed to improving the working and living conditions of cocoa farmers, their families and cocoa communities and it endeavors to promote the welfare of its own employees in Africa and Latin America.

As a member of the World Cocoa Foundation (WCF), which is dedicated to providing cocoa farmers training in sustainable, environmentally friendly production methods, Barry Callebaut contributes to sustainable cocoa cultivation and to the progress of the Sustainable Tree Crop Program (STCP) in West and Central Africa. Barry Callebaut is also a signatory of the "Industry Protocol" developed with governments and governmental organizations, industry and trade associations, as well as NGOs: The aim of the Protocol is to develop and implement industry-wide standards of public certification, with a goal of covering 50% of the cocoa sector in Ghana and Ivory Coast by July 2008, and getting statistically representative data on the incidence of the worst forms of child labor and forced adult labor.

Barry Callebaut has initiated a series of projects that have a direct impact in the countries of origin. In Ivory Coast, Barry Callebaut and its subsidiaries started the Quality Partner Program in September 2005, seeking to improve the education, health, well-being and living conditions of cocoa farmers and farming communities through training and health initiatives. Out of 58 cooperatives that participated in the first years, 30 were selected for the new campaign in 2006/07 and 10 new cooperatives were added. In Brazil, back in 2001, Barry Callebaut launched an educational program that taught farmers new sustainable techniques for producing certified organic cocoa beans. Four years later, in October 2005, Barry Callebaut Brazil was proud to become the country's first exporter of organic cocoa products, delivering organic cocoa butter and powder to North America.

For its own employees in Africa and Latin America, Barry Callebaut has implemented programs offering health advice, household budgeting assistance and educational support, as well as housing projects. The company realized three housing projects for factory workers in fiscal year 2005/06: In early 2007, 93 houses in Abidjan and 39 houses in San Pedro (both in Ivory Coast) will be handed over at subsidized purchase prices in order to provide employees with secure and convenient accommodation close to their place of work. Similarly, the company inaugurated the Barry Village in Ghana with 54 new homes for employees in November 2005.

A more detailed report "Responsibility. Our commitment to origin countries" is available on Barry Callebaut's website: www.barry-callebaut.com.

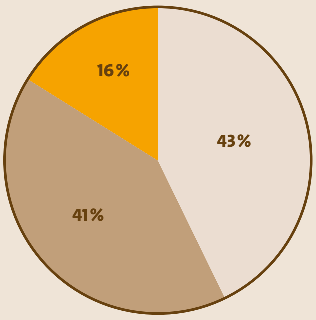
cocoa butter and cocoa powder relative to the cocoa bean price.

Nevertheless, the overall EBIT contribution of the business unit showed double-digit growth due to higher pressing output, improved efficiency, tight cost management in the operations and an increased contribution from intensified local sourcing activities.

In line with the Group's initiatives to advance the geographic diversification of its sourcing and processing activities, Barry Callebaut has installed a second roasting line at its factory in Tema, Ghana. Operations of this production unit started in August 2006, doubling the factory's annual capacity from 30,000 to 60,000 tonnes. An additional investment was made in Ilhéus, Brazil, where a new butter deodorizer was installed. Throughout all operations, including those in Europe and North America, the Cocoa business unit has intensified its cost leadership efforts and improved the performance of its factories. Investments have been made to allow production equipment to handle products with more added value. Equipment has been upgraded for the production of more highly alkalized cocoa liquor in Ivory Coast, and new blending technology has been introduced at several locations to create more flexibility in producing cocoa powders.

Barry Callebaut's presence in numerous countries of origin and its cocoa processing facilities in Brazil, Ivory Coast, Ghana and Cameroon are a major competitive advantage, since they help to optimize the total supply chain. Despite the tense political situation in Ivory Coast, Barry Callebaut remains committed to the country. Although another outbreak of violence occurred in July 2006, all three Barry Callebaut facilities in Ivory Coast managed to increase production activities in fiscal year 2005/06.

Cocoa
Sales volumes by region, 2005/06
in tonnes



Europe	54,919
Americas	52,835
Rest of the world	20,630
Total	**128,384**

Food Manufacturers

Food Manufacturers is Barry Callebaut's largest business unit. It provides chocolate products, ready-to-use fillings, coatings and customized services to the entire food manufacturing industry. The business unit is a supplier to most of the world's major branded food companies. It is highly focused on innovation and partnership with customers to help them meet consumer demand for an optimal balance between indulgence, health and convenience. The Food Manufacturers business unit is benefiting from the continued outsourcing trend.

The Food Manufacturers business unit again achieved solid sales volume growth of 4.4 % to 579,455 tonnes. This is an increase of 24,515 tonnes from the previous year's output of 554,940 tonnes. Barry Callebaut continues to benefit from the outsourcing trend within the food manufacturing industry. Key accounts generated above-average growth. Their additional business does not lead to a linear volume increase, but rather is reflected in spurts of growth. As Barry Callebaut's consultations with industrial customers indicate, more and more fully integrated companies are embracing the idea of outsourcing production volumes.

All regions, Europe, the Americas and Asia-Pacific, contributed to the sales volume increase of the Food Manufacturers business unit. Double-digit growth was recorded in Germany, Eastern Europe and Canada. Despite fierce competition, Barry Callebaut was able to considerably grow sales volumes even in mature markets, such as the U.K., the Netherlands, France, Belgium and Italy.

Sales revenue of the Food Manufacturers business unit increased by 7.2% to CHF 1,811.7 million, up from CHF 1,689.7 million in the previous year. Excluding positive foreign exchange effects, growth amounted to 5.0%. Rising demand for dark chocolate – increasingly acknowledged as health-benefiting – is a major contributor to the positive development of sales revenue. In the U.S., the dark chocolate market expanded by 30% in 2005.

The EBIT of the Food Manufacturers business unit increased due to the higher volumes, as explained above. While the Food Manufacturers business unit confirmed its overall earnings power, the EBIT contribution from the Americas was below expectations. The reasons are threefold: First, the start-up of the factory on the U.S. West Coast led to additional costs, but was not yet fully utilized in its first year of operation – as is typical for newly built factories. Second, higher fuel and utilities costs, passed on to our customers, had a dampening impact on our competitive situation. Third, the chocolate market for the bakery industry – currently our main market segment in America – is highly competitive and price-driven. Barry Callebaut's competitive advantage, however, lies in its innovation power, broad product range and diverse production capacity – a value proposition that is more attractive to the confectionery market. With improved plant network management, the strengthening of the North American sales force and the introduction of a new regional management structure, the necessary measures have been taken to capitalize on the emerging outsourcing potential of the major players in the U.S. chocolate industry, which in many cases have been fully integrated until now.

In order to grow in the emerging markets in Eastern Europe and to specifically better serve the Russian customer base, which was broadened in fiscal year 2005/06, Barry Callebaut is investing approximately CHF 25 million in a new state-of-the-art chocolate factory in Checkhov near Moscow. Over the past few years, the company has become the largest importer of industrial and specialty chocolate in Russia, for the most part supplied from its plant in Poland.

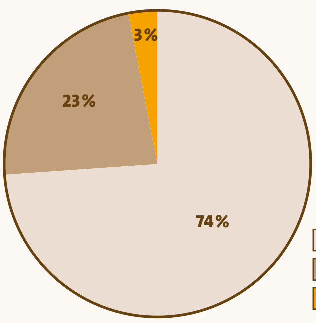
With respect to the targeted expansion into China, Barry Callebaut has initiated action for the construction of a production facility in the greater Shanghai area, where the company has the highest concentration of existing and potential customers. In order to get closer to its customer base, Barry Callebaut opened new sales offices in Chicago in July 2006 and in Shanghai in October 2006.

Throughout the organization, the Food Manufacturers business unit has increased the efficiency of its chocolate plants by implementing technological improvements and upgrading lines, leading to cost reductions and higher capacity.

With the appointment of Hans Vriens as the Group's Chief Innovation Officer in November 2005, Barry Callebaut has reconfirmed its commitment to innovation and a faster pace of new product launches. Industrial customers increasingly view Barry Callebaut as a partner for evaluating end-consumer behavior trends. They expect a pro-active product development approach to help them cope with today's high speed of innovation. And they clearly count on the tailor-made consultancy services, the R&D capabilities and technical assistance that Barry Callebaut can offer on a global basis.

In order to improve the permissibility of chocolate consumption, the company has brought a string of innovations to market. Particular attention is given to the growing concern about obesity and other diet-related considerations on the one hand and the search for functional, positive products on the other. Barry Callebaut launched a new sugar-reduced, fiber-enriched chocolate having the excellent taste, consistency and structure of traditional chocolate. Responding to the demand for functional food, Barry

Food Manufacturers
SALES VOLUMES BY REGION, 2005/06
IN TONNES



Europe	432,142
Americas	131,175
Rest of the world	16,138
Total	**579,455**

Callebaut introduced its ACTICOA™ chocolate to industrial customers at the Food Ingredients Europe trade fair (FIE) in Paris at the end of November 2005. ACTICOA™ chocolate has a guaranteed level of polyphenols, which act as health-benefiting antioxidants.

In the areas of single-origin, organic and fair-trade chocolate, the company is marketing and leveraging its competitive advantages. Responding to consumers' constant quest for new taste sensations and for more authentic products, Barry Callebaut offers an unrivaled range of single-origin chocolates. The company has also picked up on the increasing consumer awareness of sustainability issues and ethical considerations that has buoyed the growth of organic and fair-trade products and increased its offerings in these segments. The optimal use of scale effects allows the company to designate dedicated lines for the production of special products, which include kosher chocolate as well.

Barry Callebaut has further expanded its outsourcing offerings, not only for semi-finished products and bulk chocolate, but also for finished products like decorations and molded tablets. In fiscal year 2005/06, the company intensified its cross-business segment initiatives and developed innovative co-manufacturing and customer label solutions for food manufacturers in Europe and in the U.S. New contracts have been won as a result of these new initiatives.

Food Service/ Retail Business.

The business units Gourmet & Specialties and Consumer Products build the Food Service/Retail Business segment, which caters to the needs of chocolate craftsmen, vending operators and global retailers. Activities include the supply of innovative premium specialties and convenience products to food professionals as well as the creation of high-quality, good-tasting, healthy products for end consumers.

Food Service/Retail Business Segment

		Change in %	**2005/06**	2004/05[1]
Sales revenue	**CHF m**	1.5	1,838.1	1,810.1
Gourmet & Specialties	**CHF m**	10.1	542.2	492.4
Consumer Products	**CHF m**	–1.7	1,295.9	1,317.7
EBITDA	**CHF m**	19.4	189.8	159.0
Operating profit (EBIT)	**CHF m**	27.2	134.2	105.5
EBIT margin	**%**		7.3	5.8
Segment assets	**CHF m**	0.3	1,015.1	1,012.5
EBIT/Segment assets	**%**		13.2	10.4

[1] Before restructuring and impairment charges

Sales revenue in the Food Service/Retail Business segment grew by 1.5 % to CHF 1,838.1 million, up from CHF 1,810.1 million. Whereas the Gourmet & Specialties business unit achieved strong 10.1 % sales revenue growth, the Consumer Products business unit's sales revenue declined by 1.7 %.

Operating profit strongly increased to CHF 134.2 million, up by CHF 28.7 million or 27.2 % compared to last year's EBIT of CHF 105.5 million. Both business units contributed to the profitability increase. The strongest contribution to the EBIT increase came from Consumer Products Europe, which achieved a positive result following the implementation of the restructuring measures announced in July 2005; on the other hand, the contribution from the rest of the consumer business, i. e. from North America and Africa, slightly decreased.

Total assets for the segment remained almost unchanged at CHF 1,015.1 million, up CHF 2.6 million (or 0.3 %) compared to the previous year. As a consequence, EBIT over segment assets increased to 13.2 %, up from 10.4 % (before restructuring) in the prior year.

In July 2005, Barry Callebaut announced an intensified restructuring program for the Food Service/Retail Business Segment. The related restructuring charge of CHF 92.8 million was included in the fiscal year 2004/05 accounts. The cost savings and improvements in the gross margin as a result of the program are expected to reach between CHF 40 to 50 million as from fiscal year 2007/08 onwards.

Gourmet & Specialties

The Gourmet & Specialties business unit provides its products and services through two divisions: Gourmet and Beverages. The customers of the Gourmet division, professional users such as chocolatiers, pastry chefs, bakeries, hotels, restaurants and caterers, rely on the division's premium chocolate products and on convenient, ready-to-use and ready-to-sell products. The Beverages division is a leading supplier of cocoa, chocolate and cappuccino blends for vending machines in Europe.

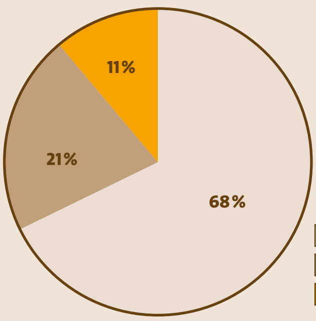
The Gourmet & Specialties business unit again achieved strong sales revenue growth of 10.1% to CHF 542.2 million, up from CHF 492.4 million. Excluding positive currency effects, sales revenue growth in the Gourmet & Specialties business unit amounted to 7.9%. Both volume growth and an improved product mix contributed to this increase. As of fiscal year 2005/06, the Consumer Africa division is reported under Consumer Products. Prior-year figures have been restated accordingly.

Sales revenue growth in the **Gourmet** division amounted to 16.1%. Increased sales volumes and the improved product mix in almost all markets contributed to this result. The Gourmet division made a strong contribution to the EBIT growth of the Gourmet & Specialties business unit. The division's volume growth was twice the overall market growth rate, and the unit was particularly successful in the targeted growth markets of Eastern Europe and Asia-Pacific, where high demand from new four- and five-star hotels is the main driver of new business. But also in mature markets, such as Germany, Austria and the U.K., Barry Callebaut managed to strongly expand its business with artisanal customers. Barry Callebaut, being the only chocolate company offering Belgian, French and Swiss chocolate, has been able to satisfy consumer demand for new taste experiences. In Japan, the sales office established in September 2004 gained 7-Eleven as a customer for ready-to-sell products that are now offered under the Barry Callebaut brand in Japan's 7-Eleven retail stores.

Labor costs and increasing competition from in-store bakeries of large retailers and semi-industrial chains continue to put traditional craftsmen in Europe under pressure. The Gourmet division supplies chocolatiers and confectioners with superior chocolate products that allow them to achieve differentiation with premium creations. At the same time, today's changing business environment is leading to increasing demand from artisan makers for convenient high-quality ready-to-use, ready-to-sell and frozen products that enable them to efficiently meet consumer needs. The Gourmet division serves artisans at both levels. Retailers with in-store-bakeries and semi-industrial customers equally benefit from the division's broad range of offerings and the ongoing upgrading of the product portfolio. Barry Callebaut also continued to improve the cross-area access to its products and services for corporate key accounts – such as Cash & Carry and restaurant chains as well as wholesalers associations, vacation resorts, institutional caterers and retailers.

Investments in the Gourmet division have focused on innovation projects, most importantly on the first one-of-a-kind "Or Noir" lab in Meulan, France, which enables artisanal customers to easily compose tailor-made couverture recipes for small volumes starting at 500 kg. The "Or Noir" concept is further proof of how Barry Callebaut helps Gourmet customers gain a premium profile and provide the added value that consumers expect from professionals.

Gourmet & Specialties
Sales revenue by region, 2005/06
in CHF million



Europe	370.2
Americas	114.6
Rest of the world	57.4
Total	**542.2**

In order to better align its products and services with customer needs and to implement a fully integrated marketing approach, the Gourmet division implemented a brand positioning and brand differentiation program in fiscal year 2005/06. *Callebaut* is the global supplier of a comprehensive range of quality chocolate recipes. *Cacao Barry*, formerly focused on the French market, is now focusing on the market for high-end chocolate specialties. *Carma*, which has received a renewed product design as well, is the Swiss chocolate and desserts label used not only in Switzerland, but also in export markets, while *Van Leer* is Barry Callebaut's Gourmet brand in the U.S.

The **Beverages** division is Barry Callebaut's supplier of vending mixes for beverage machines. Sales volumes in the customer label vending business saw a decrease in fiscal year 2005/06 resulting in a shift towards the higher margin branded products that are marketed to customers under the quality labels *Van Houten*, *Caprimo* and *Bensdorp*. Branded and customer label products now contribute about equally to the sales volumes of the division. Production for all product categories has been centralized at the facility in Kågeröd, Sweden. Although overall sales revenue declined, the Beverages division was able to increase its contribution to operating profit. This positive performance also reflects realized acquisition synergies after the integration of the vending mix business of Swedish AM Foods, acquired in 2004 from Arla Foods of Denmark, and an optimized marketing, sales and distribution structure.

Barry Callebaut's Beverages division is now the No. 1 player in the chocolate and cappuccino vending mix business in Europe with sales teams in France, Germany, Belgium, the U.K., Spain, Italy, Poland and Sweden. Thanks to its strengthened R&D capabilities in the area of instant powder beverages, the division has become a driving force for innovation in the area of chocolate, cocoa and cappuccino mixes for the vending, office coffee and HORECA (hotel, restaurant and catering business) channels.

In fiscal year 2005/06, the Van Houten assortment was upgraded with two innovations: Van Houten Choco Fairtrade and Van Houten Choco Less Sugar. Further, the HORECA assortment has been totally renewed and now includes Choc-o-laté, a liquid chocolate, powder chocolates, a vitalized small-portion selection and even napolitaines to go with the drinks.

Consumer Products

Barry Callebaut's consumer business builds on three strategic pillars: comprehensive customer label solutions, contract manufacturing services for international food manufacturers and a small number of local brands for bringing innovation to market. Own retail brands are Sarotti in Germany, Jacques in Belgium, Alprose in Switzerland and Brach's in the U.S. Barry Callebaut's dedicated factories and know-how in the area of consumer products also strengthen its ability to offer broader outsourcing options to its global industrial and retail customers – all the way through to the finished consumer products.

Sales revenue in the Consumer Products business unit decreased by 1.7% or CHF 21.8 million to CHF 1,295.9 million, corresponding to 30.4% of total Group sales revenue. The main reason for the revenue decline was the discontinuation of customer label contracts in Europe, which was partly offset by price increases and an improved product mix. Overall, this resulted in higher sales revenue per tonne. Sales revenue in the North American consumer business slightly declined, whereas the consumer business Africa achieved remarkable growth.

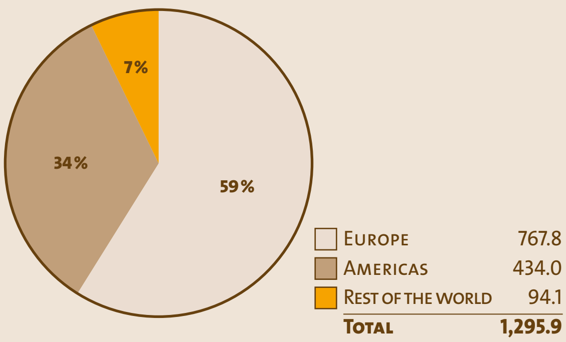
The restructuring program announced in July 2005 in **Consumer Products Europe** is largely completed, and has put the business on a solid basis. After last year's loss, the European consumer business has returned to profitability. The sales force has been adjusted to the refocused business portfolio as well as to the changed retail environment and is now concentrating on big outlets while smaller shop surfaces are being taken care of by an external distribution partner. With the migration of all administrative processes to the Group's existing European operational platform and the ongoing roll-out to all factories, the back office functions have been streamlined and made more effective. The "dedicated factory approach", in which facilities serve as "Centers of Excellence" for clearly defined production processes and product categories, has proven to be successful. In Germany, Belgium and Switzerland, Barry Callebaut manufactures consumer products for domestic and foreign markets in six production facilities. In order to optimize the capacity utilization and to reduce fixed costs, the company produces consumer products for retailers and food manufacturers as well as a number of industrial and artisanal products at the same sites. Following a major rearrangement of the distribution infrastructure, Consumer Products Europe has streamlined the flow of goods, optimized transport costs, improved warehousing efficiency and, thus, reduced fixed and variable costs. Stocking and delivery logistics in Germany are now managed at just two distribution centers in Saalfeld and Nohra (both in Thüringen), down from four. The facility in Nohra was opened in the summer 2006 and has a palette capacity of 35,000. The final steps of the restructuring program are on track and will be implemented according to plan.

The market for chocolate confectionary products continues to grow at the high and low end of the consumer market. In response to this general trend, Consumer Products Europe was able to meet higher demand for premium products on the one hand while addressing the dynamic development of the customer label business on the other hand. The unit has a competitive edge in both areas and can offer quality and innovation for high-margin products as well as cost leadership for "value-for-money" products. Recent market research indicates quality is becoming increasingly important to consumers, and this is expected to have an impact on the customer label business, since retailers are likely to introduce additional, high-quality customer label product lines. With its scope and capabilities, Consumer Products Europe is perfectly positioned to provide the required services.

As business developments show, the outsourcing trend in the industry is moving far beyond liquid chocolate and has even reached the final consumer product. When producing specialty products or small volumes, Barry Callebaut's industrial customers want to reduce complexity in order to free up resources for marketing and sales activities. That's why, starting from low levels, Barry Callebaut has achieved significant growth with its co-manufacturing services for consumer products, which have been successfully offered to customers in the U.K., the U.S. and Germany. Additional new co-manufacturing agreements have been signed in France and Spain and will contribute to further growth in this area.

Besides the customer label and co-manufacturing businesses, Barry Callebaut is building on its own consumer brands, which form the third strategic pillar in the consumer business. Picking up on the three main trends of increasing health consciousness, the quest for taste experience and the demand for convenient products, Barry Callebaut is bringing innovation to market. In Germany, *Sarotti* contributed positively to the higher profitability of the European consumer business and achieved sales revenue growth of 3 %. On the basis of its outstanding aided brand awareness of over 90 %, Sarotti has established a more upmarket positioning for its product range by completely overhauling the assortment and the recipes during the last two years. Innovative products, including Sarotti BIO (organic) as well as single origin and premium concepts for the Sarotti No. 1 assortment were introduced at the ISM (International

Consumer Products
Sales revenue by region, 2005/06
in CHF million



Sweet and Biscuits Fair) in Cologne in January 2006 and have been well received by the market. After a major marketing effort, *Jacques* is now Barry Callebaut's only consumer brand in Belgium. The Callebaut brand has been discontinued in the consumer business. Under the Sarotti and the Jacques brands, Barry Callebaut has introduced new recipes for ACTICOA™ dark and milk chocolates containing the highest levels of health-benefiting polyphenols currently available on the market. In Switzerland and export markets, *Alprose* is positioned as a quality brand for Swiss chocolate.

Brach's is Barry Callebaut's subsidiary for the consumer business in the U.S. The company offers sugar and chocolate confections as well as fruit snacks and has an aided brand awareness of 86%. On a like-for-like basis, disregarding curtailment gains, **Consumer Products North America** achieved improved operating results during fiscal year 2005/06 – with sales decreases in the fruit snack and packaged segments as well as higher commodity, fuel, and utilities costs, which could only partly be transferred to customers. Due to the flat sugar candy market in North America, the business environment remained challenging for Brach's.

Brach's has realigned the company with the product strategy of "Fewer, bigger, better" and has focused on cost leadership, core competencies, and the development of new products. Significant cost savings have been achieved in the areas of sales, marketing, general and administrative expenses and through an efficiency review of Brach's Direct Store Delivery system. As pressure on margins has increased, Brach's is focusing on product innovation in core areas where differentiation allows for a greater price premium and where the company is competitively advantaged. Existing products have been optimized and less profitable items discontinued. Improved quality, packaging innovation, and value-added promotions helped to bring the upgraded product portfolio to consumers. As the U.S. chocolate market offers opportunities for growth, Brach's has introduced a dark chocolate version of its "Chocolate Stars" in response to the increasing popularity of dark chocolate in the U.S.

The U.S. confectionery market is still underdeveloped in relation to Western Europe on a dollar per capita basis, and the growing Hispanic population contributes significantly to the market potential. Health and wellness concerns continue to drive demand for products that combine taste with nutritional benefits. Other key consumer trends in the U.S include interest in nostalgic products, focus on ethnic appeal, and desire for more premium products. Demand for value-priced products also remains strong.

From its subsidiaries in Cameroon, Ivory Coast and Senegal, **Consumer Products Africa** manufactures and exports consumer products under three well-known brands to some 200 million potential consumers in 15 sub-Saharan countries: *Tartina* for chocolate paste, *Mambo* for chocolate bars and *Matinal* for breakfast products.

After a difficult business environment a year ago, sales revenue increased again despite fierce competition in all countries and the still unstable political situation in Ivory Coast. Especially Chococam, the consumer chocolate company in Cameroon, showed a strong recovery of market share. This more than compensated for the lower sales in Ivory Coast, resulting from the deliberate discontinuation of an unprofitable product, and in Senegal, where sales of two major products suffered from newly introduced low-price propositions. The core products manufactured in Ivory Coast, however, saw a considerable sales increase compared to the previous year.

Rigorous cost management programs aligning costs and capacities to market activity started to pay off. In Cameroon, a new price-fighter chocolate spread has been a market success. New confectionery products and chocolate spreads have been developed and will be ready for launch shortly.

Consumer Products Africa is exploring new export markets on the continent offering growth opportunities for its pan-African brands. Through adaptations in the packaging and the recipes, the brands will be adjusted on an ongoing basis to respond swiftly to the rapidly changing competitive environment.

Annual report 2005/06

Winning together

Bringing people together, winning together – that was the aim of our first Group-wide initiative to promote health and fitness and a balanced lifestyle among our more than 8,000 employees around the world.

We formed a team of 40 Barry Callebaut employees – 25 beginners and 15 experienced runners from 14 countries – who trained for a year to run the New York City Marathon, one of the most famous marathons in the world. And we got other employees around the world motivated to cheer them on and to participate in local events.

Winning

05:11:06

++ 10:10 AM +++ Start

York Marathon +++

+++ November 5

NEW YORK

together

The aims of the Winning Together program were to demonstrate team building, to cheer on perseverance, to encourage fitness and nutrition, to applaud competitiveness and to stimulate growth – not just in our business and our on-the-job performance, but also in our personal lives.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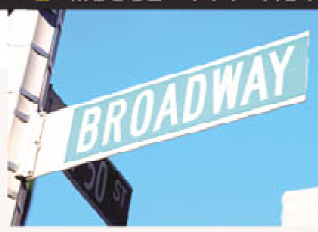
Teaming

PROFESSIONAL SUPPORT

TRAINING

> At the launch of the Winning Together initiative, the 25 beginner runners were invited to a training camp in Germany.



As one of the world's most successful chocolate companies, we are often asked about our recipe for success. We keep this recipe secret, but we are happy to disclose its key ingredient: our employees. During the past few years Barry Callebaut has undergone rapid growth. Today we employ about 8,000 people in 24 countries. Now more than ever we want to promote team spirit and teamwork on a global scale – which is why we launched a Group-wide fitness initiative that culminated in the New York Marathon.

Teaming up to win

Employees from the Group were invited to apply for one of 25 beginner positions on the Winning Together team. Whether athletic or not, runners born or runners made, this group of 25 was coached professionally for a year. An additional 15 starting places were offered to employees who were experienced runners and who trained for the race on their own.

Before the starting gun sounded, we had reached our first goal: inspiring and preparing a team of 40 to take on this renowned race and inspiring employees throughout the Group to take part in local fitness initiatives. Our next goal was to cross the finish line by joining forces. More important than final time or place was the shared experience – by novices and veterans – of strength and determination in mastering a great challenge. Everybody wins.

> Bonding started in November 2005. Our runners spent four days learning about technique, equipment and training.

Camaraderie

Bonding started at a training camp in Damp, on Germany's gray, wet Baltic coast in November 2005. Our 25 beginner runners spent four days learning about running technique, equipment and training. Many hours were spent getting to know each other.

They started each day with a brisk beach workout. It was a full agenda, with lectures on running and training, and medical examinations. Runners were videoed in action, and then given feedback on their style. Teammates also got advice on their selection of athletic shoes – probably the most important equipment choice a runner can make.

Damp is the site of a well-known sports physiology clinic led by orthopedic physician and running expert Dr. Thomas Wessinghage, a former world-class middle-distance runner. He shared his wisdom and experience with our runners and coached them throughout the year.

Applying science

The Winning Together training program prescribed by Thomas Wessinghage is scientifically tailored to each runner's personal physiology, his or her natural heart rate, speed and fatigue thresholds. These are analyzed with the help of blood tests, heart monitors, video cameras as well as personal observation. Then they are factored into a plan by which each runner's personal-best exertion is built up steadily to a maximum, without risking injury or exhaustion.

After the Damp training camp, the 25 beginners returned to their home countries to prepare for an extraordinary challenge – running the New York City Marathon. They were joined by 15 experienced runners from nine countries.

So steady is the Wessinghage method for climbing "Mount Marathon" that some of the beginners were surprised at how easy their training program was – at least for the first three months, when they worked out only three hours per week. Then the training became more challenging, even for the most fit, with weekly running quotas up to eight hours or more.

From December 2005 to November 2006, all 40 runners kept in touch with each other, sharing their experiences, talking about their injuries, and keeping each other motivated. At Barry Callebaut sites around the world, employees organized and took part in local running and sporting events.

Supporting stars

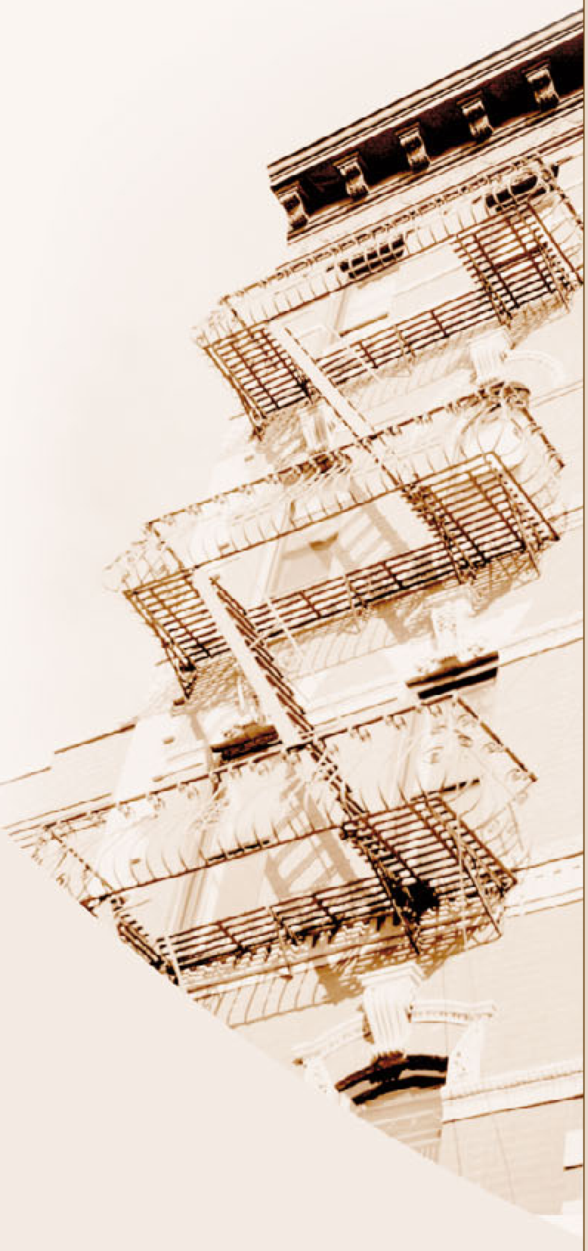
As the runners focused on preparing for the marathon, Barry Callebaut employees in Pennsauken, New Jersey, joined forces and organized a team of volunteers to serve as guides and helpers – and cheering supporters – for our Winning Together team.

And when they crossed the finish line, the euphoria of completing the world's most famous marathon and the cheering of millions of spectators dimmed any bad memories and reinforced good ones – a renewed spirit of Winning Together.

Running with giants

Barry Callebaut teams up with customers on win-win solutions.

We work closely with our customers to find the best solutions to meet their chocolate production objectives. In addition to an extensive range of cocoa and chocolate products, Barry Callebaut also offers a wide range of professional services. Contract manufacturing arrangements make it possible for customers to shift some of their production requirements from their own facilities and take advantage of Barry Callebaut's network of factory operations. Our factory in Wieze, Belgium, for example, is the world's largest chocolate factory and rolls out products based on more than 1,000 recipes a year. In the past 10 months we have worked with Cadbury and Hershey's on new co-manufacturing projects which are now in production. We are pleased to confirm this trend will continue in 2007, with additional projects already in progress.



Teaming up to help others

Eight Barry Callebaut employees received the 2006 Chairman's Award, which honors outstanding commitment, both on the job and in the local community. This annual award was established in 1995 by Klaus Jacobs, founder of Barry Callebaut and its former Chairman. The winners and their partners were invited to Switzerland, for a special program and an awards dinner. Andreas Jacobs, Chairman of the Board, and CEO Patrick De Maeseneire presented the awards and commended the employees for their contributions to helping others.

Winners of the Chairman's Award 2006

Standing, from left to right: Patrick De Maeseneire (CEO), Diane Bentler (HR Benefits Manager, Dallas, USA), Ivo Annerel (Viscosity Controller, Wieze, Belgium), Angelika Baumann (Shift Leader, Saalfeld, Germany), Tino Frenzel (Technician, Wurzen, Germany), Andreas Jacobs (Chairman). Sitting, from left to right: Salome Tony-Dibie (Company Nurse, Tema, Ghana), Pius Ngock (Chocolate Production Assistant, Douala, Cameroon), Christel Van Hamme (Contracting & Pricing Assistant, Wieze, Belgium), Beata Tomczyk (Laboratory Specialist, Lódz, Poland)

Health and

MAGNESIUM

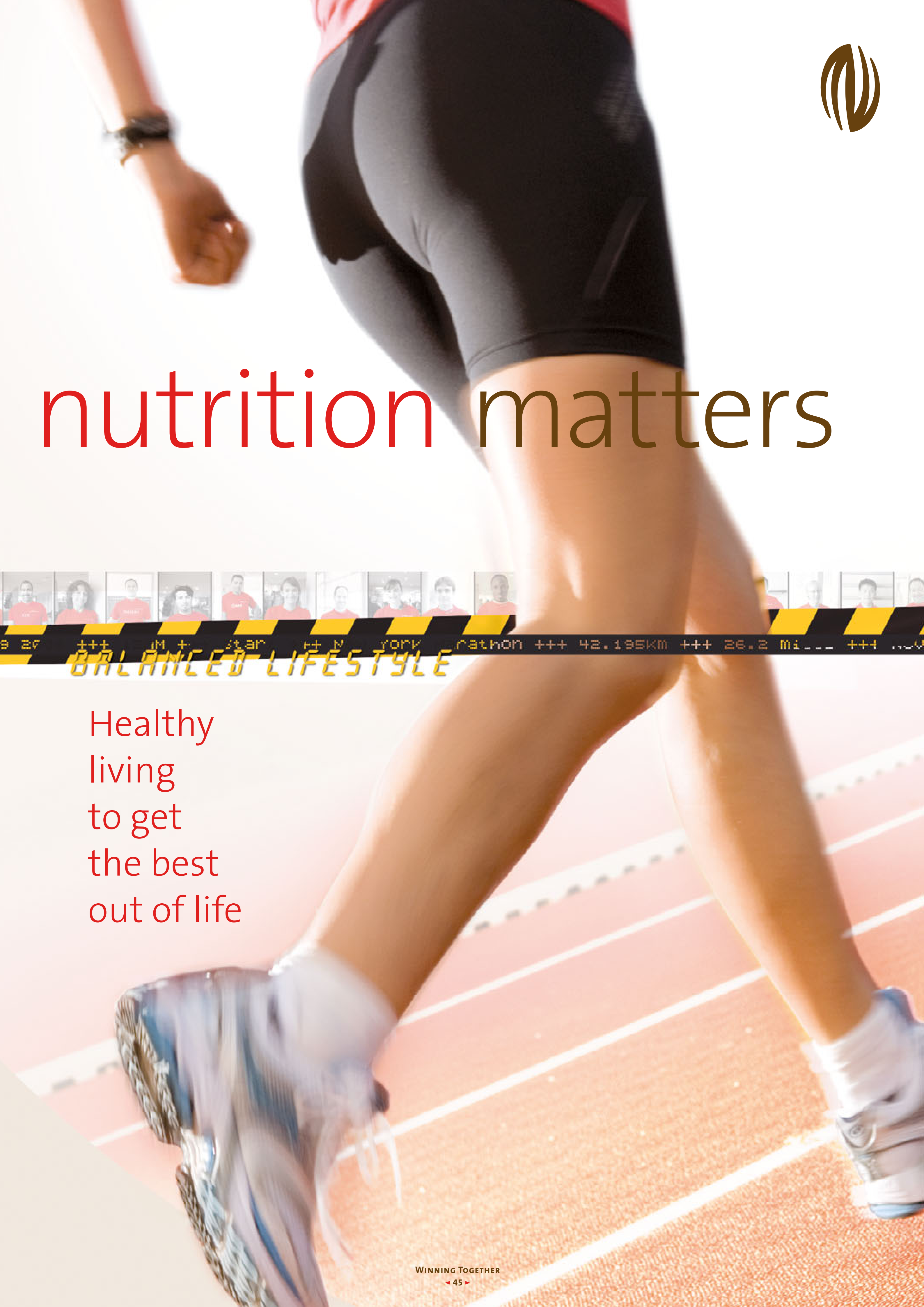
PHOSPHORUS

ENERGY

Many consumers today are mindful of the nutritional value of the foods they eat. They want products that deliver good taste together with good-for-you attributes. A balanced diet and a balanced lifestyle – including regular exercise – are the well-known ingredients for healthy living. As a leading manufacturer in the chocolate industry, we want to provide products that will delight our customers. And, we want to inspire and encourage our employees to enjoy a healthy, active lifestyle.

Running around the world

As our Winning Together team trained for the New York City Marathon, Barry Callebaut employees throughout the world were also lacing up their running shoes. SIC Cacaos and Chococam, our subsidiaries in Cameroon, took the lead and organized a 5-km run through the streets of Douala in December 2005. The aim was to encourage as many employees as possible to participate, and to experience the thrill of crossing the finish line. "We plan to organize runs every year and start a tradition for employees in Cameroon," said Country Coordinator Arouna Coulibaly. "This is an opportunity to promote the sports spirit as well as team spirit within the company."



nutrition matters

Healthy
living
to get
the best
out of life

> Many studies have shown that chocolate can be good for you and, in moderation, can be part of a healthy diet. Runners love chocolate.

Following on the heels of colleagues in Cameroon, other Barry Callebaut entities throughout the world organized local running events, formed company teams to take part in local races and supported employees who took on a fitness challenge. Barry Callebaut employees participated in marathons, half-marathons, 10-km runs, 5-km runs and assorted "fun" runs in Belgium, Cameroon, Canada, France, Germany, Italy, Singapore, Switzerland and the United States. An ambitious group of employees from Barry Callebaut Belgium tackled the 100-km "Dodentocht van Bornem" or "Dead Men's Journey," an annual event in Belgium in which participants set out on foot at night and march until dawn. In Germany, 17 employees from our Stollwerck plant in Berlin took part in the "Berliner Firmenlauf," an annual running event in which company teams compete against each other. The company has participated in the event each year since 2002. In Brazil, factory workers were invited to take part in stretching workshops at our Ilhéus plant, and the local Human Resources team organized a week-long employee event called "Quality of Life" to promote healthy living.

Whether sportive or educational, the local initiatives underscored our Group-wide aim of bringing people together – and winning together.

Love running, love chocolate

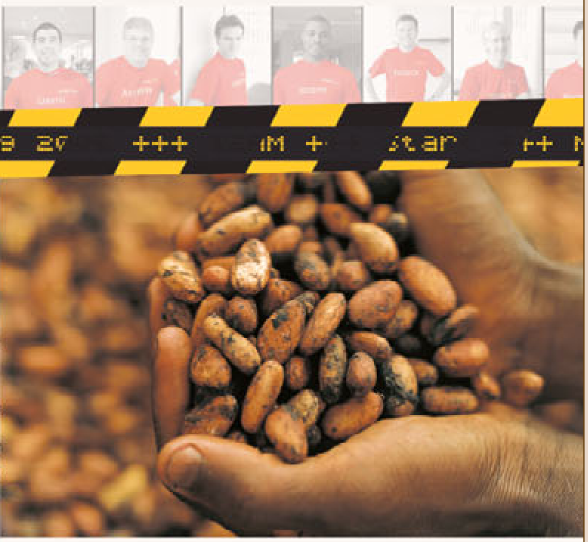
Chocolate serves up concentrated energy in an easy-to-eat, delicious format. It delivers fantastic flavor along with vitamins, minerals and fibers. Many studies have shown that chocolate can indeed be good for you, and, in moderation, can be part of a healthy diet – whether you are training for a marathon or keeping fit with your personal favorite sport or leisure activity.

It's important to maintain sufficient active antioxidants in your body, especially in times of strain and stress. A diet that includes a variety of fruits and vegetables is a good foundation for antioxidant intake. Cocoa could bring a valuable addition, research shows. Some of the most effective antioxidants are the specific polyphenols in cocoa beans. Their potential health benefits include improved cardiovascular health, cancer prevention, regulation of the immune system and improved brain function.

One way to enjoy some of these benefits is to have a chocolate drink. "Hot or cold, a chocolate drink is a great way to rebuild your body and refill stores of proteins and carbohydrates after exercising," says Marianne Dittmann, Marketing Manager Beverages at Barry Callebaut Sweden. Winning Together team trainer Dr. Thomas Wessinghage agrees. "Runners love chocolate," he says. "Chocolate is part of my diet and the diets of many, many other runners."

The cocoa bean and its hidden treasures

For centuries, the cocoa bean has been prized by different cultures for its nutritional and medicinal properties. Of the 600 compounds found in the cocoa bean, about 200 are thought to have positive effects on health and wellbeing. Research shows that, besides being a rich source of energy, cocoa is also a virtual treasure trove of vitamins, minerals and other nutrients that can benefit the body. Magnesium, for example, stimulates memory function, while theobromine and caffeine have positive effects on the central nervous and respiratory systems and



> Of the 600 compounds found in the cocoa bean, about 200 are thought to have positive effects on health and wellbeing.

help to reduce fatigue and enhance concentration.

Every layer of the cocoa bean contains its own special compounds, each with an array of specific health attributes. Barry Callebaut's goal is to enhance and enrich the positive effects of these compounds. The Research & Development teams at Barry Callebaut have created a variety of products with chocolate-loving, health-conscious consumers in mind. These exciting new products – including ACTICOA™ chocolate rich in polyphenols and sugar-reduced chocolate – capture the natural benefits of the cocoa bean while providing consumers more delicious variety and choice.

Sweetening demand for sugar-reduced chocolate

Consumers who love chocolate and who also are concerned about how much sugar they eat can now enjoy their favorite indulgence, guilt-free. Barry Callebaut has created a "leaner" chocolate by reducing the sugar by 30% – without sacrificing taste or quality. The product was launched by our Food Manufacturers business unit in January 2006.

The new sugar-reduced chocolate is the result of extensive research in dietary fibers and chocolate processing. It is made with carefully selected dietary fibers – a mix of long chain, short chain and complex dietary fibers – some derived from the cocoa bean. By increasing the dietary fiber content, combined with increasing the cocoa solids and milk solids in the recipe, we created a sugar-reduced chocolate that has the same taste, consistency and structure of regular chocolate.

Indeed, in blind taste tests, consumers could not distinguish between Barry Callebaut's sugar-reduced chocolate and our chocolate with sugar.

One health of a chocolate: ACTICOA™

A new range of Barry Callebaut products may help to combat aging and stress while strengthening cardiovascular systems. Can a food both delicious and indulgent also deliver a broad range of health benefits? Our new ACTICOA™ range truly does it all: please the palate with premium chocolate, while simultaneously launching a natural defense against a host of human ailments.

That defense involves a group of naturally occurring substances in cocoa known as polyphenols. These health promoters, present in green tea, red wine, some vegetables and some fruits, are especially abundant in cocoa beans. In conventional cocoa processing, however, much of the polyphenol content is destroyed.

Raiders of the lost polyphenols

To get around this, Barry Callebaut developed a special production method. Since 2006 ACTICOA™ chocolate is available for our industrial customers: dark chocolates with at least 6% and milk chocolates with at least 2.4% polyphenols. According to leading food experts, compared to other food and drinks, cocoa "is the richest source of dietary polyphenols."

In nutritional terms, that is a strong statement. Because medical research suggests that polyphenols pack a triple benefit: a high dose of antioxidants, which counteract stress, strain and aging; replenishment of a nervous-system component called dopamine, which aids memory and concentration; and effects that lower the risk of heart disease and high blood pressure.

Perseverance creates

In the space of a few hours, running a marathon packs in a range of feelings and emotions. Pain and exhilaration, despondency and joy, anxiety and hope as well as a central battle of will power define the 42.2 kilometers (26.2 miles) course. Can I push myself enough to make my target time? Even more fundamentally: Can I keep going long enough to finish?

One runner's story

This emotional ride is not just for beginners. It is a permanent part of marathoning. The highs and lows are like a roller coaster ride. Alain Bruneau, a forklift operator at our factory in St. Hyacinthe, Canada, has finished over 50 marathons, including races in famous venues such as London, Montreal, Paris and New York City.

Although some of the elements change with experience, one thing is constant: never give up. Usually, finishing is a test of perseverance.

Starting spirit

When runners gather to begin the race, that test is still miles ahead. Most marathons start in a festival atmosphere, and none offers a more "exhilarating departure" than New York's, says Alain Bruneau.

Helicopters full of race officials and photographers buzz above the 35,000 runners gathered on the spectacular Verrazano Narrows Bridge that connects two of the City's five boroughs, Staten Island and Brooklyn. With the sheer number of people, their anxiousness to begin, the view, the noise and

results

Never
give up

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the excitement "it is hard not to be impressed," says Alain Bruneau, adding that he experiences "an adrenaline boost every time." Consequently, covering the initial 10 kilometers is "a piece of cake," he says. "You can talk, sing and enjoy the scenery. At this point you are fully enjoying yourself."

With plenty of company, too. The New York City Marathon is well-known for occasionally crowding large numbers of participants into narrow spaces. At times, especially near food and drink stations, runners become walkers as they try to move through the heaving mob. Alain Bruneau takes the jostling in stride. He leaves it to the inexperienced enthusiasts to bunch up at the starting line, where they expend extra effort just to maintain position. Then from behind, he steadily moves up through the crowd, using side corridors that open up in the pack. Often he latches on the trail of an "eager beaver," letting that person break the crowd and open up a bit more space to run.

The positive effect of crowded conditions is that they force the over-enthusiastic runners to save strength for later in the race. Many a keen runner has been known to go out too fast and then collapse before the finish. Running can feel easy at the beginning of a long race – and extremely hard in the last stretch.

A growing grind

From kilometer 10 to 20 a marathon's mood settles, and a rhythm begins. "Your body starts working smoothly, and you begin to catch a second breath," says Alain Bruneau. Still, fatigue slowly creeps in, and perseverance is tested for the first time. When he runs a race with friends, as is often the case, they talk a lot among each other during this phase "to keep our mind off the pain."

The stretch between kilometer 20 and 30 starts to challenge a runner's mental and physical balance even more seriously. "This is when I know if I will meet my objective or not," he says. "Between the 28th and 30th kilometer I monitor my speed. If it is stable and I am keeping to my training pace, then I know I can make my target. On the other hand, if within that period my times are too slow, if I feel weaker than usual or if other issues are disturbing my run, I accept that this was simply not my day. My focus changes simply to finishing the race, even if that means walking, not running, over the finish line."

An expert's view

At about three-quarters of the entire distance begins the "real marathon," says Dr. Thomas Wessinghage. This is when runners may hit the notorious "wall" – when discomfort soars and perseverance is tested. A runner's best preparation for this is physical training, which is why under his supervision, the Winning Together team's beginners regularly did single runs of 2½–3 hours and had weekly quotas of eight hours. Over the year of workouts leading to New York, each beginner ran well over 1,000 kilometers.

Dr. Wessinghage advises that a runner should know that although after that point it becomes difficult, this temporary weakness should not ruin the race plan. Runners should train themselves mentally by imagining the difficulties that will occur at this point and how they will master them, thus avoiding the danger of quitting before the end of the race.

For Alain Bruneau, this means letting his body take charge. "From kilometer 30 to 42, I don't focus on anything. My brain tunes out, and it is only my body, like a machine, that keeps running."

Finally, when the homestretch comes into sight, pain yields to euphoria. Thousands of cheering spectators at the finish line of New York's Central Park further the exhilaration. The question "can I finish?" is answered indisputably, and the value of determination is confirmed. Without perseverance, it would not be a marathon.

Back to the bean

Barry Callebaut is the only fully integrated global chocolate company. We are active at every stage of the value chain – from the bean to the shelf.

"Our innovation strategy is built entirely upon our value chain advantage and has one focus: the cocoa bean," explains Hans Vriens, our Chief Innovation Officer. "The cocoa bean has been at the heart of our business for more than 150 years. We have analyzed what is good in the cocoa bean, and we bring this into chocolate through unique technology. I call this the 'back to the bean' approach – the best from cocoa for the best products, all 100% natural, without any additives."

Cocoa beans are a major natural source of nutrients; they contain hundreds of different components with health-enhancing attributes. Already in ancient times this was recognized by two great civilizations, the Mayas and the Aztecs.

Barry Callebaut's Research & Development team has studied how to harness the healthy components of cocoa and how to preserve them in innovative new products. Two premises have been clear from the start. First, while these new healthy products have to offer better nutritional profiles, still they must taste great. Second, new products must be 100% natural.

"Our dedication to the good in cocoa beans has prompted us to develop unique technologies," adds Hans Vriens. "We combine these with compelling concepts that we first test with consumers. Now we are presenting these innovative products to our industrial customers, and together with them, we will further develop these products to meet their requirements as well as the needs of today's consumers. Chocolate branded to highlight health benefits will make up an important part of the worldwide chocolate market. With perseverance and determination we will grab a nice slice of this cake."

PREPARATION IS EVERYTHING

Challenging

Be prepared
Be unpredictable

competition

Barry Callebaut is competing in key markets around the world against talented players in the food industry – all of them hungry for a bigger piece of the global cocoa, chocolate and confectionery business.

As the industry leader, we can take pride in our steady growth over the last 10 years. The goals we have set for ourselves are ambitious: to grow at double the market rate, to excel at innovation, to enter promising new markets and to remain the cost leader.

To reach these goals – to win – we need to stay close to our competitors – and even closer to our customers. We need to know their businesses and understand their preferences, issues and concerns. We need to anticipate problems before they strike – and be ready with solutions around the clock.

Our playing field? The world. Our goal is to be Number One in all attractive customer segments and in all major world markets. If we can compete successfully against the best players in our established markets, we'll be well positioned to score big in new and untried markets.

Preparation is everything

Our Winning Together team member Andry Deseintebein, a Barry Callebaut employee for 17 years, knows a great deal about competition.

In addition to managing some 70 staff and significant production capacity at our factory in Wieze, Belgium, he competes regularly and seriously. He cycles, mountaineers and has run five marathons. From his more than 20 years of intensive sport, here are his reflections on what competition is about.

Andry, how similar is competition in business and in sport?

Pressure is always present in both. In the factory, we're always pushed to make decisions and to do things as fast as possible. People have to learn to adapt to that atmosphere, to think and to act quickly. On a mountain the demands are similar, yet at the same time, one should not go too fast, because that often leads to expensive mistakes. And in this respect, business

> Preparation is everything in a marathon. The distance is too great for somebody to wing it.

and sport can be very different: while a mistake in business can be terribly upsetting, a mistake on a mountain can kill you.

How does competing in sport help one compete in business?

More experience in competition means a more relaxed attitude towards it. Sweating and fretting are not good ways to approach a race, a climb or a business challenge. There is a better way.

And that would be?

To focus on preparedness and teamwork. Preparation is everything in a marathon. If you have not trained properly, it is almost impossible to do well – the distance is too great for somebody to wing it.

My competitiveness rose dramatically after I started working out with an athletic club full of top-class runners. Compared to 2003 when I ran my first marathon in 3 hours 30 minutes, by 2005 I had improved to 2 hours 58 minutes. And the difference was in the quantity and quality of my training.

Teamwork also is critical in mountaineering. Your team is only as strong as its weakest link, which literally can pull you into a crevasse. Every climber has a job to do, and every job is important. In a cycling team, too, there will be some who are better in the mountains, others who are better on the plains and others who excel at time trials. To perform well, the team needs all of them.

This is also the case in a factory. Every team member counts. Everybody, from the person cleaning the floor to the "biggest boss", needs to be part of the team. No one can do it alone. Team leaders need to put the right people in the right places, and then let them get on with their jobs. If the leader tells each teammate how to do his work, performance will never grow. Leaders must allow teammates to find their own ways and to become better than the leader at their specific jobs.

How important is goal setting?

Running without a goal is pointless. The goal may be a speed, a level of fitness or just enjoyment; whatever it is, focus brings results.

How do you deal with losing?

Being a sportsman for so long has taught me that you win some, you lose some. I just accept that. Besides, my main aim always is to do my best, and if that happens, I am satisfied. At the same time, when I lose, afterwards I try to analyze what went wrong and to plan what I can do to avoid that problem next time – at least within my natural limits.

What are your limits, and how do you know them?

I'm still improving at climbing and marathoning, so I'm not exactly sure. I think I have the endurance to climb

Mount Everest, but I don't think my technical skills are up to doing the north face of the Eiger. In marathoning, if I'm uninjured and fit, I think I'm capable of 2 hours 45 minutes.

Probably the best way to know your limits is through practice and by testing them. And you can compensate for changes in them. In climbing, as you grow older the experience you gain can make up for a loss of speed and strength. In running, it is harder to compensate. After a certain age, most runners' performances decline.

What are the characteristics of great competitors?

The best ones – and I've met a lot of them – are really tough, always disciplined and always prepared. They are unpredictable, which keeps their opponents on their toes, and they learn from their defeats. Most of all, they are people who are not saying a lot, but are doing a lot.

Creating good Carma

To convince Swiss buyers that our Carma Swiss chocolate brand gives top quality flavor and mouth feel, we offered them a blind taste test. More than half then chose to become customers.

Could there possibly be a more hard-to-please chocolate buyer than a confectioner in Switzerland? Once they have found what they think is a perfect supply source, they are very reluctant to switch to another. So, persuading them to give serious consideration to our Carma range – which several years ago was not their chocolate of choice – called for original thinking.

"Innovation can apply to sales and marketing, especially in the business-to-business sector," explains Patrick Pastega, who heads the Carma business in Switzerland. When he joined Barry Callebaut in 2002, he invited a team of marketing, sales and research people to develop a novel way to pitch Carma's benefits to confectioners. His proposal: blind taste tests, where potential customers compared chocolate samples from different manufacturers.

Decide for yourself

Over 18 months the Carma team conducted taste tests for 50 different confectioners. Although most chefs were sure they would pick their current chocolate as their favorite, in fact Carma won most of the challenges. Convinced by their own palates, most of the confectioners switched to Carma.

This has paid off, and not just in Switzerland. In the past four years, while overall consumption of chocolate in Switzerland has fallen by 8%, our sales have climbed by 29.2%. On November 7, 2006, Carma's "Claire" chocolate was awarded the prize for the "World's Best Milk Chocolate" by the *Accademia Maestri Pasticcieri Italiani*.

THE SWISS PARTNER FOR YOUR DESSERTS

Growing our

+++GROWING+++

Marathon runners must grow into the physical and mental condition required to cover the distance of 42.2 kilometers, or they will not finish the race. A key growth promoter for runners and employee is training.

"Training and learning help to drive innovation throughout our business," says CEO Patrick De Maeseneire.

Barry Callebaut's primary venue for staff training is the workplace itself. "Our hope is that every day, employees at every level are growing in their jobs," says Alice Larsen, Head of Global Human Resources. Critical to this is the "domino effect" of supportive managers, who are willing to help employees to learn and to develop. "Good development is not mainly about training programs," she says. "Managers make it happen."

Formal training accelerates on-the-job development. Barry Callebaut offers a range of courses at its training center in Marbach, Germany, and will soon offer courses on a regional level through centers of expertise. "This training pays off in three ways," says Alice Larsen. "Courses offer employees an opportunity to step out of their hectic jobs and to learn and share experiences with colleagues and expert instructors. Participating in a course

performance

Training is all about growth

> Training and learning help to drive innovation throughout our business.

> Courses offer employees an opportunity to step out of their hectic jobs and learn and share experiences with colleagues and expert instructors.

expands peoples' minds, gets them out of their silos, helps them to step back and look at the bigger picture," she says. "If they then take that view back to their jobs, they can work in more structured, focused ways. They escalate their output."

One of the most important benefits of the training courses is the opportunity to meet colleagues from around the world who face similar challenges or offer new perspectives.

The most significant benefit of training courses is the network. New relationships are the biggest takeaway from training, say employees in a legion of post-course evaluation forms. "Again and again after a course," Alice Larsen recalls, "people say to me 'Now I have new friends all over the world who face similar challenges. Next time I have a big problem, I'm going to call some of them for advice.'"

What a web we weave

For the Winning Together team, training is all about growth. Workouts, which started at about three hours per week, rose to a peak of more than eight hours. Our beginner runners logged in well over 1,000 kilometers during their 11 months of preparation for the New York City Marathon.

Reserving the hours to fit this in was a test for many. "Balancing work, home life and training has been my most difficult marathon challenge," observes one runner.

Several runners took a classic approach to time management: they got up earlier. For many of our runners, it meant getting up at 5 a.m. or running to and from work.

Runners report they have more energy, feel more alert at work and are paying much closer attention to their diet and nutrition than ever before. Professional training also reduces stress.

"People who do not want to learn and grow – and we cannot force them to – eventually become obsolete," remarks Alice Larsen. "But if they train and improve their skills, they keep themselves in demand." This is the bottom line of corporate training, she says. "We are responsible for every employee's employability. We want everybody to be and stay valuable in a job."

7-Eleven:

numbers that add up to growth

Barry Callebaut opened its sales office in Japan two years ago. Today we are supplying the country's largest retailer with chocolate for a premium product range. As one of the world's largest convenience store operators with over 30,000 stores, 7-Eleven seems to be everywhere.

7-Eleven opened its first store in Japan in 1974. Since then, it has grown to nearly 12,000 stores that ring up annual sales of over USD 20 billion. This means that throughout Japan, no one is ever far from 7-Eleven staples such as Japanese rice balls and luncheon boxes.

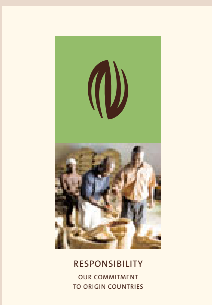
And now products made with Barry Callebaut chocolate are available in 7-Eleven stores, too. Consumers can select from a premium range of cakes, confections, desserts and drinks all bearing the label *Made with Barry Callebaut chocolate*.

Say it with chocolate

"Barry Callebaut could offer 7-Eleven a collection of more than 1,600 recipes from which to choose," explains Paul Halliwell, Sales Manager. "The depth and breadth of our product range and our track record in delivering customer solutions are key strengths we can offer to major retailers like 7-Eleven."

A highlight of our partnership so far was a joint promotion for the 2006 Valentine's Day holiday, the time when Japanese consumers buy the vast majority of their chocolate for the year. At 7-Eleven this time makes up for 40% of chocolate sales. Over three weeks, 7-Eleven rung up Barry Callebaut products in record quantities, and compared to the same period in 2005, total chocolate sales climbed 20%. For Barry Callebaut and 7-Eleven in Japan, a sweet success!

The road forward



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

Customer focus. Passion. Entrepreneurship. Team spirit. Integrity. These are our company values. They reflect how we strive to interact with all our stakeholders. They reflect how we believe business should be done – responsibly.

We view "corporate and 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 concerns. 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.

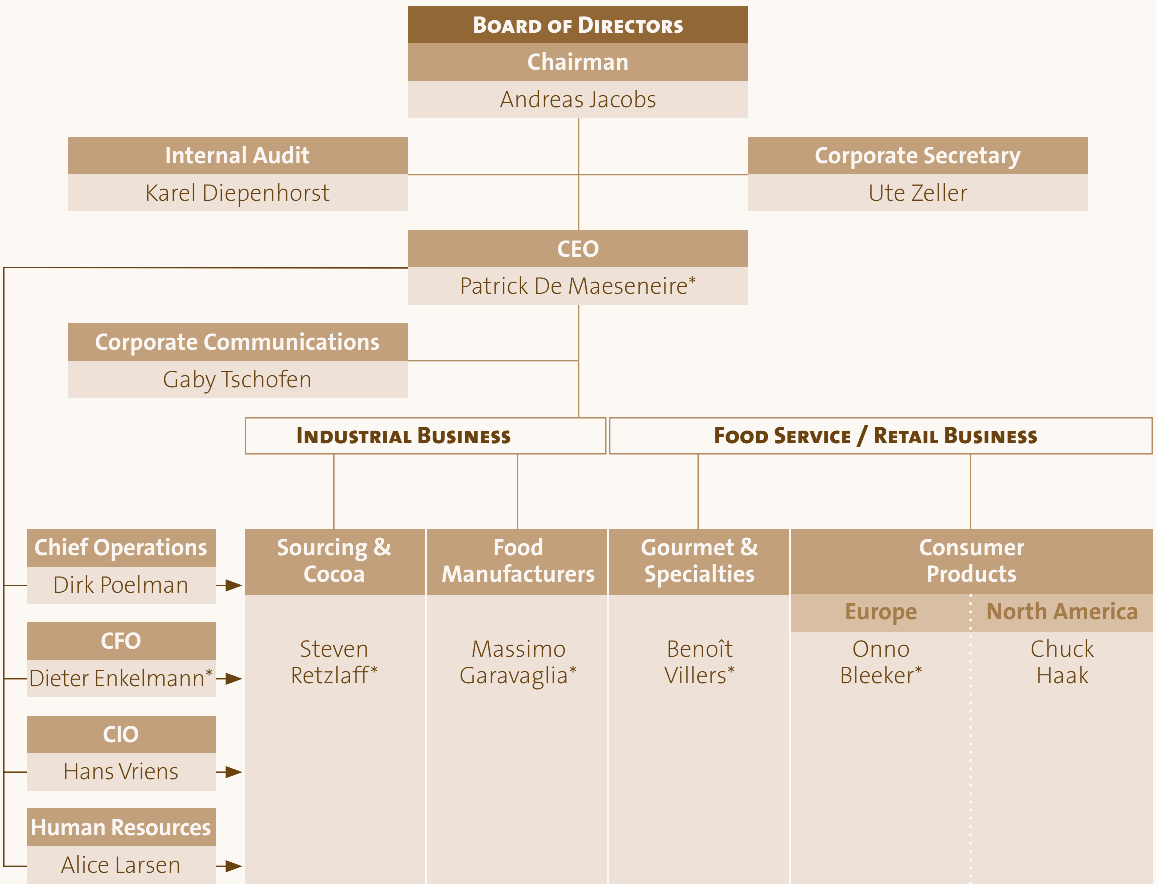
For more information about these activities, please visit our website www.barry-callebaut.com and download the Responsibility report.

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 Barry Callebaut Group is divided into two strategic business segments. The following chart provides an overview of the operational group structure as of August 31, 2006:



* Members of the Senior Management Team

The Barry Callebaut Group reports by business segments and regions. Information about stock listing, principal subsidiaries and significant shareholders of Barry Callebaut is given on pages 79, 87 to 89 and 110 of the Consolidated Financial Statements. There are no cross-holdings equal to or higher than 5% of the issued share capital.

New Group Structure

As of September 1, 2006, the Barry Callebaut Group adopted a new organizational structure, with a clear focus on regions. The following chart provides an overview of the operational group structure as of that date:

Board of Directors
- **Chairman**: Andreas Jacobs
  - **Internal Audit**: Karel Diepenhorst
  - **Corporate Secretary**: Roland Mauerhofer (as of January 1, 2007)
  - **CEO**: Patrick De Maeseneire*
    - **CFO**: Dieter Enkelmann*
    - **OSCO**: Dirk Poelman
    - **Human Resources**: Alice Larsen
    - **Chief Innovation Officer**: Hans Vriens
    - **Corporate Communications**: Gaby Tschofen
    - **Quality Assurance**: Willy Geeraerts
    - **Global Sourcing & Cocoa**: Benoît Villers*
    - **Europe**: Onno Bleeker*
    - **North America**
      - **Food Manufacturers and Gourmet & Specialties**: Massimo Garavaglia*
      - **Brach's**: Chuck Haak
    - **Asia**: Maurizo Decio

* Members of the Senior Management Team

Capital Structure

The information required by the SWX Corporate Governance Directive regarding the capital structure is given in note 15 (share capital), page 78 (movements in the share capital) and in note 22 B (options) of the Consolidated Financial Statements. The company has no convertible bond outstanding. In the past three years our 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, which is responsible for the operational management of Barry Callebaut.

As of August 31, 2006, the Board of Directors consisted of seven non-executive members.

Each Director is elected by the shareholders of Barry Callebaut AG at the General Meeting for a term of office of one year and may be re-elected to successive terms.

Name	Nationality	Function	Member since
Andreas Jacobs	German	Chairman	2003
Andreas Schmid	Swiss	Vice Chairman	1997
Rolando Benedick	Swiss	Director	2001
Markus Fiechter	Swiss	Director	2004
Stefan Pfander	German	Director	2005
Andreas W. Keller	Swiss	Director	1999
Urs Widmer	Swiss	Director	2004

Andreas Jacobs
Chairman since 2005
Director since 2003
German national

Andreas Jacobs (1963) has been an independent entrepreneur since 1992 with a stake in several companies (Minibar AG, Baar; Acentic AG, Cologne; plus minority interests in several other companies). From 1991 to 1993, he worked as a consultant and project manager at The Boston Consulting Group in Munich.

He is Chairman of Jacobs Holding AG, member of the Board of Adecco SA and Vice Chairman of Infront Holding AG.

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. Afterwards he obtained a Master of Business Administration from Insead in Fontainebleau.

Andreas Schmid
Vice Chairman
Joined Barry Callebaut in 1997
Swiss national

Andreas Schmid (1957) was CEO of KJ Jacobs AG (Adecco SA, Barry Callebaut AG, Brach's Confections Inc.) since 1997. In 1999 he became Chairman of the Board and CEO of Barry Callebaut AG. On June 1, 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 responsibility of Chairman to Andreas Jacobs and continues to serve as Vice Chairman of the Board.

He started his career in 1984 at Union Bank of Switzerland. Following a position as assistant to a Swiss industrialist, he was 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 member of the Advisory Board of Credit Suisse AG.

Andreas Schmid holds a Master's degree in law and studied economics.

Rolando Benedick

Director since 2001

Swiss national

Rolando Benedick (1946) was named CEO of the Manor Group in 1989. He became Chairman of the Board of the Manor Group at the end of 2000 and as of May 1, 2006, he has been appointed Executive Chairman of the Manor Group. The group consists of the Manor department stores, FLY Switzerland and Athleticum Sportmarkets – three chains belonging to Maus Frères Holding – as well as the China-based Herma Ltd. Furthermore he holds the position of Chairman of Manor Sud SA (formerly Innovazione), the store chain in Ticino, Switzerland.

Rolando Benedick joined the Manor Group in 1967 after completing his secondary studies and various trainee programs in renowned retail groups in Germany, France and Switzerland. As early as 1970 he was given responsibility for the planning and implementation of the shopping center and store in Monthey. He then became director of the Sion store. He was Chief Executive of the Innovazione chain in Ticino from 1973 to 1989. During this period he planned and implemented many complete renovations and new store openings.

Rolando Benedick is a non-executive Director of Jacobs Holding AG and a Board member of Foundation of Basel Art Museums, Museumsverein Basel, MCH Messe Switzerland AG, 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) was appointed CEO of Jacobs Holding AG as of September 1, 2004. From 1994 to 2004 he was CEO of the Minibar Group. From 1991 to 1994 he worked for the Boston Consulting Group as Consultant, Project Manager and Manager in the Zurich office. From 1984 until 1991 he held different managerial positions at Mettler Toledo AG. He started his career as Assistant Professor in Chemistry at the Technical Institute of Horw/Lucerne, Switzerland.

Markus Fiechter is still a Member of the Board of Minibar AG.

Markus Fiechter holds a Master in Chemical Engineering from the Federal Institute of Technology in Zurich (dipl. Chem.-Ing. ETH) and an MBA from the University of St. Gallen (lic. oec. HSG).

Andreas W. Keller

Director since 1999

Swiss national

Andreas W. Keller (1945) joined the trading firm Edward Keller Group in the mid-seventies. After working in Thailand and the U.S. for a number of years, he joined the Head Office Management Team in 1984. Since 1993 he has been Chairman of the Edward Keller Group and since 1996 Chairman of the Diethelm Group. In June 2000 the two Groups merged to form Diethelm Keller Holding Ltd.

He is a member of the Advisory Board of Credit Suisse Group.

Andreas Keller is a lawyer by education.

Stefan Pfander

Director since 2005

German national

Stefan Pfander (1943) has been Senior Consultant for the Wm. Wrigley Jr. Company since January 2006. Until then 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. Since joining Wrigley GmbH in Germany in 1981 he has held different executive positions in several countries within the Wrigley Group.

Stefan Pfander started his career in 1971 as Product Manager with General Foods GmbH in Elmshorn, Germany, worked as Marketing Manager for Effem GmbH, Verden, Germany, and later as Marketing Director for Kal Kan Foods Inc., Los Angeles, both subsidiaries of Mars Inc.

He is a member of the Board of Directors of Sweet Global Network e.V. (German trade association), a member of the Board of GfK AG (market research institute), Tchibo Holding AG, Beiersdorf AG and is President of the ICGA (International Chewing Gum Association) in Brussels.

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

Urs Widmer

Director since 2004

Swiss national

Urs Widmer (1941) is an attorney at law with a practice in Küsnacht, Zurich. He has served as Chairman of the Board of Directors of Vontobel Holding AG and Bank Vontobel AG since 2005.

Before joining Vontobel Holding AG, Urs Widmer was Chairman of the Board of Directors of ATAG Ernst & Young AG from 1998 to 2002. Previously he held various positions at ATAG Ernst & Young. 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 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. His professional career began as an assistant to the Executive Board of Alusuisse.

Urs Widmer is a member of the Board of Directors of Helvetia Holding AG. He is a trustee of various foundations such as Technopark Foundation and Zoo Zurich.

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

Functioning of the Board

The Board of Directors constitutes itself at its first meeting subsequent to the Ordinary General Meeting. The Board elects its Chairman and its Vice Chairman. It meets as often as business requires, but at least 4 times per fiscal year. The duration of the Board meetings and of the committee meetings depends on the agenda and varies from meeting to meeting.

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 the meeting partially or wholly. 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 case of equal votes 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 8 times.

The Board of Directors has formed the following committees:

Audit, Finance, Risk, Quality & Compliance Committee

Urs Widmer (Chairman),
Andreas Schmid and Andreas W. Keller

The primary task of the Audit, Finance, Risk, Quality & Compliance Committee is to assist the Board in carrying out its responsibilities as they relate to the company's accounting policies, financial reporting, internal control, legal and regulatory compliance functions and quality management. 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 on 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 3 times per fiscal year. In the last fiscal year, the committee met 6 times. External consultants were present at one of the six meetings.

Nomination & Compensation Committee

Rolando Benedick (Chairman),
Markus Fiechter and Stefan Pfander

The responsibilities of the Nomination & Compensation Committee are the selection, nomination, compensation, evaluation, and, when necessary, replacement of key executives as well as corporate succession planning. 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 3 times per fiscal year. In the last fiscal year, the committee met 4 times.

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, certain internal audit tasks were carried out by third parties.

Senior Management Team

The Senior Management Team is headed by the Chief Executive Officer and consists of six 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
Onno J. Bleeker	Dutch	Consumer Products Europe	2002
Dieter A. Enkelmann	Swiss	Chief Financial Officer	2003
Massimo Garavaglia	Italian	Food Manufacturers	2004
Steven Retzlaff	U.S. American and Swiss	Sourcing & Cocoa	2004
Benoît Villers	French	Gourmet & Specialties	1997

As of August 31, 2006

Patrick G. De Maeseneire

Chief Executive Officer

Belgian national

Patrick G. De Maeseneire (1957) has served as CEO of Barry Callebaut AG since June 1, 2002.

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

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/France.

Onno J. Bleeker

Consumer Products Europe

Dutch national

Onno J. Bleeker (1957), member of the Senior Management Team, was appointed President Consumer Products Europe in April 2005.

Onno Bleeker started his career with Verba, a food trading and distributing company that had the agency for Callebaut in the Netherlands. He became partner and General Manager of Verba. Verba was sold to Callebaut in 1988. 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.

Onno Bleeker studied business at the London Business School.

Dieter A. Enkelmann

Chief Financial Officer

Swiss national

Dieter A. Enkelmann (1959) was appointed Chief Financial Officer (CFO) in 2003.

From 1997 until early 2003, Dieter A. Enkelmann was with Swiss Re in Zurich, Switzerland, initially as Head Corporate Financial Management and Investor Relations and then in 2001 as CFO of the business unit Financial Services. From 1985 to 1997 he held various responsible positions in the investment banking area within the Credit Suisse Group in Zurich and in London.

Dieter Enkelmann studied law at the University of Zurich.

Massimo Garavaglia
Food Manufacturers
Italian national

Massimo Garavaglia (1966) has been appointed President Food Manufacturers and member of the Senior Management Team of Barry Callebaut AG in September 2004.

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.

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

Steven Retzlaff
Sourcing & Cocoa
U.S. and Swiss national

Steven Retzlaff (1963) was appointed President Sourcing & Cocoa and member of the Senior Management Team of Barry Callebaut AG in September 2004. Steven Retzlaff started his career in 1987 at KPMG Peat Marwick, San Francisco, as an auditor and was promoted to Supervising Audit Senior in 1990. From 1990 to 1993 Steven Retzlaff worked as a Supervising Audit Senior and Audit Manager for KPMG Fides, Zurich. He then joined JMP Newcor AG, Zug, as Director of European Finance and Operations, where he worked for three years. In May 1996, Steven Retzlaff joined Barry Callebaut as CFO of Barry Callebaut Sourcing AG. From 1999 to 2001, he served as CFO Swiss Operations (BC Sourcing AG and BC Switzerland AG). From 2001 to 2003 he was CFO of the business unit Cocoa, Sourcing & Risk Management. In addition to his CFO function, Steven Retzlaff worked as Cocoa Division Head from 2003 to 2004 before he was appointed President of the Sourcing & Cocoa business unit.

He is a Member of the Board of the European Cocoa Association (ECA).

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

Benoît Villers
Gourmet & Specialties
French national

Benoît Villers (1956) has been President Gourmet & Specialties since mid-2001.

Since 1987 he worked in various positions in Belgium and Italy for Cacao Barry, which merged with Callebaut in 1996. From 1996 to 1997 he was the General Manager for Barry Callebaut France and became member of 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. Benoît Villers started his career in 1981 as a credit analyst for Natexis Bank and after that worked for the French Public Administration as financial analyst between 1985 and 1987.

He has a Master's degree in economics and graduated 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 is based on three elements consisting of directors' fees or salary, cash bonuses tied to performance and the granting of Barry Callebaut AG shares.

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.

Board of Directors

In the fiscal year 2005/06, total fees to the Board of Directors including directors' fees, performance-related cash bonuses relating to the previous fiscal year, fees for committee membership and a lump sum contribution for expenses, amounted to CHF 1.28 million. No shares of Barry Callebaut AG were transferred to the Directors for the performance relating to the previous fiscal year. None of the Board members received any other compensation than set out above.

There were no payments for former members of the Board of Directors in fiscal year 2005/06. On August 31, 2006, members of the Board of Directors including persons closely linked held 12,740 shares in Barry Callebaut AG, not including the participation of Jacobs Holding AG (as disclosed on page 110) and potential holdings in Barry Callebaut AG shares by other 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 as at August 31, 2006.

The compensation paid to the Board member with the highest compensation was CHF 0.55 million.

Senior Management Team

In the fiscal year 2005/06 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 5.65 million. 3,000 shares of Barry Callebaut AG were transferred to members of the Senior Management Team for the performance relating to the previous fiscal year and the year under review. None of the members of the Senior Management Team received any other compensation than set out above.

There has been no compensation for former members of the Senior Management Team who gave up their function during the fiscal year 2005/06 or earlier. Under Barry Callebaut's Stock Ownership Program, no shares of Barry Callebaut AG were transferred to former members of the Senior Management Team. On August 31, 2006, members of the Senior Management Team including persons closely linked held 28,365 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 22 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 as at August 31, 2006.

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 2005/06, 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 for the lifting of 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 for 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 – on 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 be convened 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 running salary and bonuses. Two members of the Senior Management Team have an employment contract for a fixed time period, not exceeding two years.

External Auditors

KPMG, 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 been exercising 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 2.3 million. For tax and other advisory services KPMG received a total of CHF 0.3 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 qualification 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.

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, representants 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 www.barry-callebaut.com, which is updated continuously.

The agenda for the current fiscal year and contacts are given on pages 2 and 128.

Consolidated Financial Statements.

with Group Auditors' Report

Consolidated Financial Statements

Notes to the Consolidated Financial Statements 79

Report of the Group Auditors 113

Consolidated Balance Sheet

Assets

as of August 31,		2006	2005[1]
in thousands of Swiss Francs	Notes		
Current assets			
Cash and cash equivalents		38,229	26,682
Short-term deposits		2,048	476
Trade receivables	3	290,333	322,736
Inventories	4	946,022	852,582
Derivative financial assets	5	106,192	119,801
Other current assets	6	244,114	243,670
Total current assets		**1,626,938**	**1,565,947**
Non-current assets			
Property, plant and equipment	7	719,250	725,909
Financial assets	8	7,000	6,913
Intangible assets	9	396,464	379,937
Deferred tax assets	20	49,485	36,633
Other non-current assets		16,353	18,776
Total non-current assets		**1,188,552**	**1,168,168**
Total assets		**2,815,490**	**2,734,115**

Liabilities and equity

as of August 31,		2006	2005
in thousands of Swiss Francs	Notes		
Current liabilities			
Bank overdrafts	10	44,101	28,070
Short-term debt	10	342,505	205,613
Trade payables		318,572	271,198
Income tax payables		44,103	41,002
Provisions	11	17,077	39,673
Derivative financial liabilities	5	43,138	82,391
Other current liabilities	12	242,914	273,756
Total current liabilities		**1,052,410**	**941,703**
Non-current liabilities			
Long-term debt	13	569,204	758,978
Deferred tax liabilities	20	48,038	40,200
Employee benefit obligations	22	136,102	146,550
Provisions	11	2,384	4,362
Other non-current liabilities		1,176	3,542
Total non-current liabilities		**756,904**	**953,632**
Total liabilities		**1,809,314**	**1,895,335**
Equity			
Share capital	15	435,314	476,674
Retained earnings and reserves		566,625	356,704
Total equity attributable to the shareholders of the parent company[2]		**1,001,939**	**833,378**
Minority interests	15	4,237	5,402
Total equity		**1,006,176**	**838,780**
Total liabilities and equity		**2,815,490**	**2,734,115**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

[2] Shareholders' equity

Consolidated Statement of Income

for the year ended August 31,		2006	2005[1]
in thousands of Swiss Francs	Notes		
Revenue from sales and services		**4,261,889**	**4,061,130**
Cost of goods sold		(3,596,948)	(3,433,328)
Gross profit		**664,941**	**627,802**
Marketing & Sales		(143,880)	(150,963)
General & Administration		(238,962)	(233,998)
Other income	16	38,344	47,874
Other expense	17	(27,332)	(32,377)
Operating profit before restructuring, write-downs and impairments		**293,111**	**258,338**
Restructuring expense, write-downs and impairments of assets	17	–	(94,000)
Operating profit (EBIT)		**293,111**	**164,338**
Financial income	18	12,516	9,208
Financial expense	19	(90,166)	(92,366)
Profit before income taxes		**215,461**	**81,180**
Income taxes	20	(31,887)	(19,880)
Net profit for the year		**183,574**	**61,300**
of which attributable to the shareholders of the parent company (PAT)		183,022	61,885
of which attributable to minority interests	15	552	(585)
Basic earnings per share (CHF/share)	21	35.53	12.04
Diluted earnings per share (CHF/share)	21	35.21	12.04

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

Consolidated Statement of Cash Flows

Cash flows from operating activities

for the year ended August 31,		2006	2005 [1]
in thousands of Swiss Francs	Notes		
Profit before income taxes		215,461	81,180
Adjustments for:			
Depreciation of fixed assets	7	99,875	100,910
Amortization of intangible assets	9, 17	12,852	12,971
Impairment/(reversal of impairment) of fixed assets	7	393	12,991
Write-down on inventories and onerous cocoa contracts in relation to restructuring program		–	30,385
Loss (gain) on sale of property, plant and equipment	16, 17	(3,980)	(302)
Foreign exchange (gain)/loss	18	(4,109)	(4,643)
Fair value (gain)/loss on derivative financial instruments		(5,500)	10,921
Fair value (gain)/loss on hedged firm commitments		(43,340)	–
Fair value (gain)/loss on inventory		(9,600)	(51,130)
Write-down on inventories	17	1,484	638
Change in bad debt provisions	17	1,339	6,671
Change of provisions	11	2,532	53,552
Change in employee benefit obligations		(7,095)	(28,925)
Equity settled share based payments		7,756	6,921
Interest (income)	18	(2,795)	(2,924)
Interest expense	19	82,670	83,353
Operating cash flow before working capital changes		**347,943**	**312,569**
(Increase)/decrease in trade receivables		36,716	67,762
(Increase)/decrease in inventories		(73,447)	97,619
(Increase)/decrease in other current assets		63,417	7,293
Increase/(decrease) in trade payables		39,825	(4,628)
Increase/(decrease) in other current liabilities and use of provisions		(91,934)	(172,292)
Cash generated from operations		**322,520**	**308,323**
Interest paid		(66,956)	(78,669)
Income taxes paid		(43,022)	(27,379)
Net cash flow from operating activities		**212,542**	**202,275**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

Consolidated Statement of Cash Flows

Cash flows from investing activities

for the year ended August 31,		**2006**	2005[1]
in thousands of Swiss Francs	Notes		
Purchase of property, plant and equipment	7	(87,876)	(95,081)
Proceeds from sale of property, plant and equipment		9,301	10,666
Expenditure for development costs (software)	9	(26,804)	(7,078)
Acquisition of subsidiaries, net of cash acquired	2	–	(67,580)
(Increase)/decrease of deposits		2,107	(7,913)
(Increase)/decrease in other non-current assets		752	1,895
Interest received		1,851	822
Net cash (outflow) inflow from investing activities		**(100,669)**	**(164,269)**

Cash flows from financing activities

Proceeds from/(repayment of) short-term debt		134,633	(82,680)
Proceeds from the issue of long-term debt		1,984	508,125
Repayment of long-term debt		(203,970)	(412,625)
Capital reduction		(41,360)	(40,326)
Purchase of treasury shares		(8,211)	(17,646)
Sale of treasury shares		44	7,291
Dividends paid to minority shareholders	15	(238)	–
Effect of change in minority interests	15	929	532
Net cash (outflow)/inflow financing activities		**(116,189)**	**(37,329)**
Effect of exchange rate changes on cash and cash equivalents		(168)	(290)
Net increase/(decrease) in cash and cash equivalents		**(4,484)**	**387**
Cash and cash equivalents at the beginning of year		(1,388)	(1,775)
Cash and cash equivalents at the end of year		**(5,872)**	**(1,388)**
Net increase/(decrease) in cash and cash equivalents		**(4,484)**	**387**
Cash and cash equivalents		38,229	26,682
Bank overdrafts	10	(44,101)	(28,070)
Cash and cash equivalents as defined for the cash flow statement		**(5,872)**	**(1,388)**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

Consolidated Statement of Changes in Equity

	Share capital	Treasury shares	Legal reserves	Retained earnings	Hedging reserves	Cumulative translation adjustments	Total equity attributable to the share-holders of the parent company	Minority interests	Total equity[1]
in thousands of Swiss Francs									
Balance as of August 31, 2004	517,000	(9,774)	240,507	88,970	(469)	(35,308)	800,926	6,891	807,817
Restatement of defined									
benefit obligations, net of tax				(3,356)			(3,356)		(3,356)
Restatement of negative goodwill Brach's				17,535			17,535		17,535
Balance as of September 1, 2004	517,000	(9,774)	240,507	103,149	(469)	(35,308)	815,105	6,891	821,996
Currency translation adjustments					(8)	5,696	5,688	60	5,748
Effect of cash flow hedges (note 5)					(4,998)		(4,998)		(4,998)
Total gains and losses recognized									
directly in equity					**(5,006)**	**5,696**	**690**	**60**	**750**
Net profit for the year				61,885			61,885	(585)	61,300
Total recognized income and expense				**61,885**	**(5,006)**	**5,696**	**62,575**	**(525)**	**62,050**
Capital reduction and repayment	(40,326)						(40,326)		(40,326)
Movement of minority interests (note 15)							0	(964)	(964)
Acquisition of treasury shares		(17,646)					(17,646)		(17,646)
Sale of treasury shares		7,200		91			7,291		7,291
Equity settled share based payments		17,683		(11,304)[2]			6,379		6,379
Balance as of August 31, 2005	**476,674**	**(2,537)**	**240,507**	**153,821**	**(5,475)**	**(29,612)**	**833,378**	**5,402**	**838,780**
Currency translation adjustments					127	7,372	7,499	(550)	6,949
Effect of cash flow hedges (note 5)					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)
Movement of minority interests (note 15)							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[2]			7,280		7,280
Balance as of August 31, 2006	**435,314**	**(9,385)**	**240,507**	**342,804**	**14,939**	**(22,240)**	**1,001,939**	**4,237**	**1,006,176**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

[2] Net of deferred tax effect of CHF 0.5 million in fiscal year 2005/06 (2004/05: CHF 0.4 million)

Summary of Accounting Policies

Barry Callebaut AG is a company domiciled in Switzerland. The consolidated financial statements of the Company for the year ended August 31, 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities. The consolidated financial statements were authorized for issue by the Board of Directors on October 31, 2006 and are subject to approval by the General Meeting of shareholders on December 7, 2006.

Basis of presentation

The consolidated financial statements of Barry Callebaut AG and its subsidiaries have been prepared in accordance with International Financial Reporting Standards. For consolidation purposes, Barry Callebaut AG and its subsidiaries (the Group) prepare financial statements using the historical cost convention, except for the measurement at fair value of derivative financial instruments and hedged open commitments and inventories as disclosed in the accounting policies below.

Basis of consolidation

Subsidiaries

The consolidated financial statements of the Group include all the assets, liabilities, income and expenses of Barry Callebaut AG and the companies, which it controls. Control is 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 operations. 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.

Companies acquired during the year are consolidated from the date control is transferred to the Group and subsidiaries disposed of are included up to the effective date of disposal.

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 translation

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 foreign currency financial statements using the above method are recorded as cumulative translation adjustment in equity.

Foreign currency transactions

Transactions during the year in foreign currencies are translated into the respective local currencies at the exchange rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into respective local currencies at the exchange rates prevailing at the year-end date. Exchange gains and losses are included in the statement of income. If related to commercial transactions or to the measurement of financial instruments in coverage of commercial transactions, such foreign currency gains and losses are classified as cost of goods sold. Otherwise, foreign currency gains and losses are classified as financial income and financial expense.

Foreign exchange rates

	2005/06		2004/05	
	Closing rate	Average rate	Closing rate	Average rate
EUR	1.5763	1.5583	1.5462	1.5439
GBP	2.3439	2.2791	2.2590	2.2449
USD	1.2309	1.2708	1.2527	1.2158

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances and unrestricted bank deposit balances with an original maturity of 90 days or less. 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 entered into a securitization program with an asset-purchasing company for trade receivables. Under this program the Group has transferred 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 6) or other current liabilities (see note 12) 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 committee 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 client 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 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, is trading 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 is also trading with third parties. Consequently, the unit applies the broker-trader norm per IAS 2.5. 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 local 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 verified at regular intervals, at least on a quarterly basis.

Barry Callebaut Services, being the in-house bank of the Group, is fair valuing 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 income statement 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 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 income statement. When an unrecognized firm commitment is designated as a hedged item, the subsequent cumulative change in the fair value of the firm commitment attributable to the hedged risk is recognized as an asset or liability with a corresponding gain or loss in the income statement. The changes in the fair value of the hedging instrument are also recognized in the income statement.

For *the 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 hedging relationships. The first hedging relationship is between the physical sales contract (hedged item) and the foreign currency forward sales contract (hedging instrument). The second hedging relationship is between the physical purchase contract (hedged item) and the foreign currency forward purchasing contract (hedging instrument). All contracts pertaining to these hedging 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 the fair valuation of the 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 income statement in the same period or periods during which the asset acquired or liability assumed affects profits and loss. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same period in which the hedged exposure affects the income statement. The ineffective part of any gain or loss is recognized immediately in the income statement at the time hedge effectiveness is tested.

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

No hedge accounting designation

The sourcing business unit and the in-house bank of the group are fair valuing 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 pricelist 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 income statement 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) 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 norm per IAS 2.5.

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 labor and production overheads and is determined using the average cost or first-in-first-out method. Net realizable value is defined as the estimated selling price less costs of completion and direct selling and distribution expenses.

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, expire, or are surrendered.

Intangible assets

Goodwill

Goodwill on acquisition 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 income statement. At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination's synergies. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of the cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

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, because 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 benefits. The amortization periods adopted do not exceed five years.

Summary of Accounting Policies

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 fixed assets 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 income statement over the term of the relevant lease so as to produce a constant periodic interest charge on the remaining balance of the obligations for each accounting period. Leases, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Rentals payable under an operating lease are charged to the income statement on a straight-line basis over the term of the lease.

Financial liabilities

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

Provisions

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

Employee benefit obligations

Post-employment benefits

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

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

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

Some benefits are also provided by defined contribution plans; contributions to such plans are charged to the income statement as incurred.

Post-retirement benefits other than pensions

Certain subsidiaries provide healthcare and insurance benefits for a portion of their retired employees and their eligible dependent. 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

Under the existing stock option plan, no new options have been granted during fiscal year 2005/06 and thus no compensation cost is recognized in these financial statements. The plan is discontinued and the last outstanding options will expire in fiscal year 2006/07.

Summary of Accounting Policies

Employee stock ownership program

For the employee stock ownership program, treasury shares are used. In accordance with IFRS 2, the compensation costs in relation with shares granted under the employee stock ownership program are recognized in the income statement. Social expenses associated with the granting of the shares are recognized in personnel expenses at the time when the shares are granted.

Other long-term employee benefits

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

Share capital

Repurchase of share capital

Where the Company or its subsidiaries repurchase the Company's shares, the consideration paid including any attributable transaction costs is deducted from shareholders' equity as treasury shares. Where such shares are subsequently sold or reissued, any consideration received is included in shareholders' 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. 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 the fixed assets, and thus recognized in the income statement on a straight-line basis over the useful life of the asset.

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

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 information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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.

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.

Summary of Accounting Policies

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 clients.

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.

Geographical Segments

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.

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

Asia-Pacific/Africa consists of all other countries.

Changes in accounting policies

At January 1, 2005 a number of new and amended International Financial Reporting Standards (IFRS) became effective. Outlined below are those that had a significant effect on the consolidated financial statements.

IFRS 2: Share-based payments

IFRS 2 requires that the fair value of an equity instrument granted (such as shares granted to employees under the employee stock ownership program) be measured at grant date and recognized as an expense over the vesting period. Up to August 31, 2005 under the previous program, no expense was recorded for equity-settled compensation plans. The transitional provisions require the Group to apply the new standard with retrospective effect to all awards made after November 7, 2002 which had not yet vested at January 1, 2005. The effect of the first time application on the income statement for this financial year amounts to CHF 7.8 million recorded under the position "General & Administration". As requested by IFRS 2, the prior year has been restated with the effect of CHF 6.9 million.

IAS 1 (revised): Presentation of Financial Statements

Amongst other matters, the revised standard requires that minority interests be included as part of the Group's equity and not as a separate category on the balance sheet and it is no longer deducted in arriving at the Group's net income.

IAS 2 (revised): Inventories

The Group actively trades cocoa beans, any semi-finished products resulting from cocoa beans (such as cocoa liquor, butter, cake or powder) and industrial chocolate to ensure the right quality or to seize market 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 with the broker-trader norm per IAS 2.5. As such inventories were previously marked to market, the effect on the comparative figures was insignificant and therefore, no restatement was required.

IAS 32 and 39 (revised): Financial Instruments

The Group's philosophy with respect to its inventories and open positions is to be fully hedged with respect to cocoa and non-cocoa prices. On day 1, forward sales contracts are fully matched by offsetting forward purchase contracts or future contracts, both considered derivatives, with the same or very similar maturities. Subsequently, the Group will take physical delivery of some forward purchase contracts whereby some flexibility is provided to customers as to when and to what extent delivery is taken under their forward sales contracts. This can lead to a situation where beans delivered under a forward sales contract are not those obtained under the matched forward purchase contracts. This leads to a mismatch between the cocoa and non-cocoa price, based upon which the forward sale contract of the product is executed, and the actual cost of the cocoa and non-cocoa component used to produce such a product. To avoid such mismatch, the Group applies a fair value hedge accounting model. Thereby portfolios of open forward purchase contracts, purchased and sold future contracts, semi-finished goods and industrial chocolate inventories (hedging instruments) are designated as fair value hedges of portfolios of open forward sales contracts (hedged items) by maturity "time buckets". The fair value hedge accounting model was applied prospectively starting September 1, 2005. Derivative financial assets and liabilities are presented separately on the face of the balance sheet, the fair value of the hedged firm sales commitments is included in other current assets and liabilities, and the comparative figures were reclassified to conform with the current year's presentation.

Summary of Accounting Policies

Other restatements

Negative goodwill in the amount of CHF 17.5 million relating to the acquisition of Brach's was credited to equity as of September 1, 2004 in accordance with IFRS 3.

Swiss pension plans formerly reported as defined contribution plans were assessed to qualify as defined benefit plans. The prior-year figures have been restated to reflect an employee benefit obligation of CHF 3.4 million, net of tax.

Standards that have been approved but not yet applied

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.

Standard/Interpretation		Effective date	Planned application by Barry Callebaut
Amendment to IAS 19 – Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures	**	January 1, 2006	Reporting year 2006/07
Amendments to IAS 39 – Financial Instruments: Recognition and Measurement:			
Cash Flow Hedge Accounting of Forecast Intragroup Transactions	*	January 1, 2006	Reporting year 2006/07
The Fair Value Option	*	January 1, 2006	Reporting year 2006/07
Financial Guarantee Contracts (also applies to IFRS 4)	*	January 1, 2006	Reporting year 2006/07
Amendment to IAS 21 – The Effects of Changes in Foreign Exchange Rates	***	January 1, 2006	Reporting year 2006/07
IFRS 6 – Exploration for and Evaluation of Mineral Resources	*	January 1, 2006	Reporting year 2006/07
IFRIC 4 – Determining whether an Arrangement Contains a Lease	*	January 1, 2006	Reporting year 2006/07
IFRIC 5 – Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	*	January 1, 2006	Reporting year 2006/07
IFRIC 6 – Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment	*	December 1, 2005	Reporting year 2006/07
IFRIC 7 – Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies	*	March 1, 2006	Reporting year 2006/07
IFRIC 8 – Scope of IFRS 2	*	May 1, 2006	Reporting year 2006/07
IFRIC 9 – Reassessment of Embedded Derivatives	*	June 1, 2006	Reporting year 2006/07
IFRIC 10 – Interim Financial Reporting and Impairment	*	November 1, 2007	Reporting year 2007/08
IFRS 7 – Financial Instruments: Disclosures	**	January 1, 2007	Reporting year 2007/08
Amendment to IAS 1 – Presentation of Financial Statements: Capital Disclosures	**	January 1, 2007	Reporting year 2007/08

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

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

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

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/in the following notes:

Note 5	Derivative financial instruments and hedging activities
Note 9	Goodwill – measurement of the recoverable amounts of cash-generating units
Note 20	Utilization of tax losses
Note 22	Measurement of defined benefit obligation

Notes

1. 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, 2006, Barry Callebaut's market capitalization based on outstanding shares was CHF 2,833 million. 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 and has 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, Van Leer, Carma 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, Sprengel, Jacques, Alprose and Brach's for consumer products.
The principal countries in which the Group operates include Belgium, Brazil, Cameroon, Canada, France, Germany, Ghana, Italy, Ivory Coast, Netherlands, Poland, Senegal, Singapore, Sweden, Switzerland, the United Kingdom and the U.S.

2. Group companies

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 fiscal year 2004/05 a new sales company was founded in Turkey. Additionally a number of smaller companies were merged or liquidated to simplify the legal structures.

In fiscal year 2005/06 a new sourcing company was founded in Nigeria.

Cash flow from acquisition of subsidiaries

in thousands of Swiss Francs	**2005/06**	2004/05
Current assets	–	(11,358)
Non-current assets	–	(11,045)
Negative goodwill/(goodwill) from acquisitions	–	(46,001)
Short-term liabilities	–	1,356
Minorities	–	(532)
Total purchase price	**–**	**67,580**
Less: Cash and bank overdrafts acquired	–	–
Cash flow for acquisition of subsidiaries, net of cash and bank overdrafts acquired	**–**	**67,580**

Cash flow from acquisitions in the prior year amounted to CHF 67.6 million and consisted of the acquisition of the Vending Mix business of AM Foods as of September 2, 2004, the Stollwerck squeeze-out of the previous minority shareholders with resolution dated from April 6, 2005 and the purchase of intangible assets in order to build up a sales office in Turkey on January 1, 2005.

Notes

The principal subsidiaries of Barry Callebaut as per August 31, 2006 are the following:

Country	Subsidiary	Percentage of ownership	Currency	Capital
Switzerland	Barry Callebaut Sourcing AG	100.00	CHF	2,000,000
	Barry Callebaut Schweiz AG	100.00	CHF	4,600,000
	Van Houten Service AG	100.00	CHF	100,000
	Chocolat Alprose SA	100.00	CHF	7,000,000
Belgium	Barry Callebaut Services N.V.	100.00	EUR	359,210,000
	Barry Callebaut Belgium N.V.	100.00	EUR	62,700,000
Brazil	Barry Callebaut Brasil SA	100.00	BRL	26,114,993
Cameroon	Société Industrielle Camerounaise des Cacaos SA	99.95	CFA	5,010,000,000
	Chocolaterie Confiserie Camerounaise/Chococam SA	74.39	CFA	4,000,000,000
	SEC Cacaos SA	100.00	CFA	10,000,000
Canada	Barry Callebaut Canada Inc.	100.00	CAD	2,000,000
Denmark	Barry Callebaut Danmark APS	100.00	DKK	125,000
France	Barry Callebaut Manufacturing France SA	100.00	EUR	6,637,540
	Barry Callebaut France SA	100.00	EUR	50,000,000
	Omnigest SA	100.00	EUR	4,419,600
Gabon	Chocogab SA	74.17	CFA	63,000,000
Germany	Barry Callebaut Deutschland GmbH	100.00	EUR	52,000
	Van Houten GmbH & Co KG	100.00	EUR	15,338,756
	C.J. van Houten & Zoon Holding GmbH	100.00	EUR	72,092,155
	Van Houten Beteiligungs AG & Co KG	100.00	EUR	100,000,000
	Stollwerck GmbH	100.00	EUR	20,500,000
	Stollwerck Schokoladenvertriebs GmbH	100.00	EUR	7,184,000
	Wurzener Dauerbackwaren GmbH	100.00	EUR	5,625,000
	Schloss Marbach GmbH	100.00	EUR	1,600,000
Ghana	Barry Callebaut Ghana Ltd.	100.00	USD	9,204,219
Great Britain	Barry Callebaut Holding (UK) Ltd.	100.00	GBP	23,300,000
	Barry Callebaut Manufacturing (UK) Ltd.	100.00	GBP	15,467,852
	Barry Callebaut UK Ltd.	100.00	GBP	3,200,000
Hong Kong	Van Houten (Asia Pacific) Ltd.	100.00	HKD	2
Italy	Barry Callebaut Italia S.p.A.	100.00	EUR	104,000
	Barry Callebaut Manufacturing Italy Srl.	100.00	EUR	2,646,841
	Stollwerck Italia S.p.A.	100.00	EUR	260,000
Ivory Coast	Société Africaine de Cacao SACO SA	100.00	CFA	4,007,500,000
	Barry Callebaut Négoce SA	100.00	CFA	3,700,000,000
	SN Chocodi SA	100.00	CFA	500,000,000
	Alliance Cacao SA	51.50	CFA	340,000,000
Japan	Barry Callebaut Japan Ltd.	100.00	JPY	10,000,000
Mexico	Vernell Holding SA de CV	100.00	USD	25,000,000
Netherlands	Barry Callebaut Nederland B.V.	100.00	EUR	21,435,000
	Graverboom B.V.	100.00	EUR	18,242
	Dings Décor B.V.	70.00	EUR	22,689
Nigeria	Barry Callebaut Nigeria Ltd.	100.00	NGN	10,000,000
Panama	Adis Holdings Inc.	100.00	CHF	41,624,342
Poland	Barry Callebaut Manufacturing Polska Sp.z o.o.	100.00	PLN	10,000,000
	Barry Callebaut Polska Sp.z o.o.	100.00	PLN	50,000
Russia	Barry Callebaut Russia LLC	100.00	RUB	1,000,000
Senegal	Chocosen SA	100.00	CFA	500,000,000

Country	Subsidiary	Percentage of ownership	Currency	Capital
Singapore	Barry Callebaut Asia Pacific (Singapore) Pte. Ltd.	100.00	SGD	33,000,000
	Van Houten (Asia Pacific) Pte. Ltd.	100.00	SGD	500,000
Spain	Barry Callebaut Ibérica SL	100.00	EUR	25,000
Sweden	Barry Callebaut Sweden AB	100.00	SEK	100,000
Turkey	Barry Callebaut Eurasia	100.00	TRL	40,000
USA	Barry Callebaut USA Holding, Inc.	100.00	USD	8,312,000
	Barry Callebaut Cocoa USA Inc.	100.00	USD	0
	Brach's Confections Holding, Inc.	100.00	USD	1,000
	Brach's Confections, Inc.	100.00	USD	50
	Shuler Chocolates, Inc.	100.00	USD	50
	Barry Callebaut USA LLC	100.00	USD	190,211

The Group had 8,236 and 8,542 employees as of August 31, 2006 and 2005, respectively.

Personnel expenses amount to CHF 506.1 million in fiscal year 2005/06 (2004/05: CHF 497.4 million).

3. Trade receivables

as of August 31,	**2006**	2005
in thousands of Swiss Francs		
Trade receivables	311,821	347,051
Allowance for doubtful debts	(21,488)	(24,315)
Total trade receivables	**290,333**	**322,736**

The Group maintains a securitization program with an asset-purchasing company for trade receivables, in which Barry Callebaut Belgium and Barry Callebaut France are participants. During fiscal year 2005/06, Stollwerck GmbH joined the European Supply Company, which manages the invoicing and receivables collection centrally. As a consequence thereof, Stollwerck GmbH is no longer a participant in the securitization program.

Under this securitization program third-party 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 353.5 million as of August 31, 2006 (2005: CHF 260.5 million) and has been 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 income statement amounted to CHF 1.3 million (2005: CHF 6.7 million); also see note 17.

Notes

4. Inventories

as of August 31,	2006	2005[1]
in thousands of Swiss Francs		
Cocoa bean stocks	280,780	285,376
Semi-finished and finished products	527,706	417,539
Other raw materials and packaging materials	137,536	149,667
Total inventories	**946,022**	**852,582**
Thereof stocks carried at fair value less costs to sell		
Cocoa bean stocks	267,072	271,444
Semi-finished and finished products	364,401	288,327
Other raw materials and packaging materials	85,687	93,245
	717,160	**653,016**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

Inventories amounting to CHF 0.3 million (2005: CHF 0.3 million) are pledged as security for financial liabilities (see note 26).

In financial year 2005/06, inventory write-downs of CHF 1.5 million were recognized as expenses (note 17).

5. Derivative financial instruments and hedging activities

as of August 31,	2006		2005	
	Derivative financial assets	Derivative financial liabilities	Derivative financial assets	Derivative financial liabilities
in thousands of Swiss Francs				
Cash flow hedges				
Interest rate risk				
Swaps	17,150			9,722
Fair value hedges				
Sales price risk (cocoa and other ingredients)				
Forward and futures contracts	3,766	25,652	12,548	31,326
Foreign exchange risk				
Forward and futures contracts	12,420	7,985	30,675	27,201
Others – no hedge accounting				
Raw materials				
Forward and futures contracts	64,601	2,579	73,176	13,516
Foreign exchange risk				
Forward and futures contracts	8,255	6,911	3,402	626
Interest rate risk				
Swaps		11		
Total derivative financial assets	**106,192**		**119,801**	
Total derivative financial liabilities		**43,138**		**82,391**

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.

Notes

Effect of cash flow hedges on equity

	Interest rate risk	Total hedging reserve
Balance as of September 1, 2004	**(469)**	**(469)**
in thousands of Swiss Francs		
Movements in the period:		
Gains/(losses) taken into equity, net of tax	(3,357)	(3,357)
Transfer to the Statement of Income for the period	(1,641)	(1,641)
Cumulative translation adjustment	(8)	(8)
Balance as of August 31, 2005	**(5,475)**	**(5,475)**
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
Balance as of August 31, 2006	**14,939**	**14,939**

Cash flow hedges

Being a condition precedent in the Syndicated Facility, the Group entered into a bullet interest rate swap to hedge the projected floor level drawing on its Syndicated Revolving Credit Facility A (EUR 200 million). The interest rate swap has a remaining contract term of four years, in which the Group pays fixed interest rates in exchange for floating interest rates. The interest rate derivative qualifies for cash flow hedging and the effective part of the fair value is recognized in equity as hedging reserve. In this respect, the Group concluded early in the current fiscal year an overhedged situation and consequently dedesignated an equivalent portion of the derivative out of the hedging relationship. Similarly, an old interest rate swap earlier concluded in view of hedging the former club deal (replaced with the Syndicated Facility in August 2005) was dedesignated, as the underlying transaction disappeared. The total effect of these dedesignations in the income statement was CHF 5.6 million (2005: CHF 1.6 million), recorded under financial income (note 18).

Moreover, the Group entered into a forward bullet interest rate swap commencing in March 2007 and terminating in August 2010. This interest rate hedge is designated to a forecasted transaction being triggered by a potential redemption of the Senior Subordinated notes (EUR 165 million) with subsequent drawing on the Syndicated Revolving Credit Facility C. The fair value of the interest rate derivative qualifies for cash flow hedging and is recognized in equity as hedging reserve.

In August 2006, the Group entered as well into a zero collar transaction terminating in August 2008, in which the Group caps maximum interest expenses for another EUR 30 million. Any intrinsic value of the interest rate derivative qualifies for cash flow hedging, where the securitization program of receivables serves as underlying instrument, and consequently the effective part is recognized in equity as hedging reserve.

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 hedging 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 reported as inventories. The amount of fair value adjustments to inventories was CHF –30 million (2005: CHF –39 million).

Other – no hedge accounting

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

Hedged firm commitments

as of August 31,	**2006**		2005	
in thousands of Swiss Francs	Assets	Liabilities	Assets	Liabilities
Commodities price risk (cocoa and other ingredients) – sales contracts	52,459	2,982	57,130	10,826
Foreign exchange price risk – sales and purchase contracts	7,889	13,231	12,728	13,059
Total fair value of hedged firm commitments	**60,348**	**16,213**	**69,858**	**23,885**

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 (for positive fair values, see note 6) and other current liabilities (see note 12).

The fair value measurement of some items requires assumptions and management's assessment of certain market parameters.

6. Other current assets

as of August 31,	**2006**	2005[1]
in thousands of Swiss Francs		
Prepaid expenses	57,721	21,166
Current income tax assets	7,117	3,411
Accrued income	4,173	3,374
Prepaid taxes (value added tax)	36,431	28,945
Receivables from governments	37,194	35,072
Margin calls paid	12,394	2,542
Current account Jacobs Holding AG	–	112
Advances to cocoa suppliers	4,674	4,980
Receivables from asset-purchasing company	970	47,697
Hedged firm commitments (note 5)	60,348	69,858[1]
Prepaid contribution to pension funds/insurance	2,377	4,202
Other	20,715	22,311
Total other current assets	**244,114**	**243,670**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

Notes

7. Property, plant and equipment

2005/06

in thousands of Swiss Francs	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	Total 2005/06
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[1]	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
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[1]	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**

2004/05

in thousands of Swiss Francs	Land and buildings	Plant and machinery	Furniture, equipment and motor vehicles	Under construction	Total 2004/05
Cost					
As of September 1, 2004	574,625	1,249,884	218,278	28,968	2,071,755
Change in Group structure	3,389	2,771	167	–	6,327
Additions	4,684	46,339	17,551	26,507	95,081
Disposals	(4,121)	(45,670)	(13,285)	(632)	(63,708)
Currency translation adjustments	1,058	5,267	1,296	224	7,845
Reclassifications[1]	17,509	29,827	75	(18,815)	28,596
as of August 31, 2005	**597,144**	**1,288,418**	**224,082**	**36,252**	**2,145,896**
Accumulated depreciation and impairment losses					
As of September 1, 2004	268,812	880,125	176,723	–	1,325,660
Depreciation charge	15,625	66,920	18,365	–	100,910
Impairment losses	12,106	10	875	–	12,991
Disposals	(2,667)	(38,359)	(12,318)	–	(53,344)
Currency translation adjustments	833	3,143	1,207	–	5,183
Reclassifications[1]	16,211	14,396	(2,020)	–	28,587
as of August 31, 2005	**310,920**	**926,235**	**182,832**	**–**	**1,419,987**
Net as of August 31, 2005	**286,224**	**362,183**	**41,250**	**36,252**	**725,909**

[1] Reclassification of at cost and accumulated depreciation are partly due to the first-time application of a fixed asset register at one of the subsidiaries and reclassifications due to mergers between several group companies

Impairment losses of CHF 0.4 million charged to the income statement 2005/06 are related to the Industrial business segment (see also note 17 and 23)

Repair and maintenance expenses for the business year 2005/06 amounted to CHF 52.1 million (2004/05: CHF 49.9 million).

The fire insurance value of property, plant and equipment amounted to CHF 2,814.1 million and CHF 2,809.7 million as of August 31, 2006 and 2005, respectively.

As of August 31, 2006 plant and equipment held under financial leases amount to CHF 5.9 million (2005: CHF 6.8 million). The related liabilities are reported under short-term and long-term debt (see notes 10, 13 and 14).

Financial liabilities are secured by mortgages on properties for a value of CHF 0.1 million (2005: CHF 11.6 million), see note 26.

8. Financial assets

as of August 31,	2006	2005
in thousands of Swiss Francs		
Financial assets	**7,000**	**6,913**

The investment in Jacquot SA (25%) 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.

9. Intangible assets

2005/06

	Goodwill	Brand names	Development costs (software)	Other	Total
in thousands of Swiss Francs					2005/06
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
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					
As of September 1, 2005	–	14,366	26,625	10,002	50,993
Additions	–	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**

2004/05

in thousands of Swiss Francs	Goodwill	Brand names	Development costs (software)	Other	Total 2004/05
Cost					
As of September 1, 2004	402,730	26,001	36,244	13,641	478,616
Change in Group structure	–	–	–	–	–
Additions	46,001	3,987	7,078	2,938	60,004
Disposals	(581)	–	–	–	(581)
Currency translation adjustments	(900)	60	126	325	(389)
Reclassifications	50,276[1]	–	–	–	50,276
Elimination of accumulated goodwill amortization	(156,996)	–	–	–	(156,996)
as of August 31, 2005	**340,530**	**30,048**	**43,448**	**16,904**	**430,930**
Accumulated amortization and impairment					
As of September 1, 2004	124,255	11,551	17,992	8,015	161,813
Additions	–	2,816	8,563	1,592	12,971
Disposals	–	–	–	–	–
Impairment losses	–	–	–	–	–
Currency translation adjustments	–	(1)	70	395	464
Reclassifications	32,741[1]	–	–	–	32,741
Elimination of accumulated goodwill amortization	(156,996)	–	–	–	(156,996)
as of August 31, 2005	**0**	**14,366**	**26,625**	**10,002**	**50,993**
Net as of August 31, 2005	**340,530**	**15,682**	**16,823**	**6,902**	**379,937**

[1] Relates mainly to the acquisition of Brach's Confections Holding, Inc. The remaining negative goodwill of the Brach's acquisition has been recorded into equity as of September 1, 2004 in line with the new requirements of IFRS 3

Additions to development costs amounting to CHF 26.8 million mainly include costs relating to the Thalys project and internally generated capitalized software development costs. 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.

Research and development costs in the amount of CHF 12.1 million (2004/05: CHF 12.8 million) are related to product development. These costs are directly charged to the income statement and are included in the position Marketing & Sales.

The remaining amortization period of intangible assets varies between 0 and 15 years. The amortization expense is included in the position other expense, see Note 17.

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 amounts to 341.6 million, of which 178,4 million is allocated to the Industrial segment and 163,2 million to the Food Service/Retail Business segment. For the purpose of impairment testing the goodwill is assigned to the business units which 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 8%.

The Group performs its impairment test during the fourth quarter of the financial 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 organisation. The residual value is calculated from an estimated continuing value, which is primarily based on the third year of the Mid Term Plan, generally using a steady growth rate of 1%. Based on the impairment tests, there was no need for the recognition of any impairment losses in fiscal year 2005/06.

10. Bank overdrafts and short-term debt

	Carrying amounts		*Fair values*	
as of August 31,	**2006**	2005	***2006***	*2005*
in thousands of Swiss Francs				
Bank overdrafts	**44,101**	**28,070**	**44,101**	***28,070***
Commercial paper	255,320	108,357	*255,320*	*108,158*
Amounts due to banks	84,876	81,551	*84,876*	*81,551*
Current portion of long-term bank borrowings (note 13)	174	13,948	*174*	*13,948*
Interest-bearing loans from employees	52	–	*52*	–
Finance lease obligations (note 14)	2,083	1,757	*2,083*	*1,757*
Short-term debt	***342,505***	***205,613***	***342,505***	***205,414***
Bank overdrafts and short-term debt	**386,606**	**233,683**	**386,606**	***233,484***

Short-term financial liabilities are mainly denominated in EUR, in USD and in CFA (Communauté Financière Africaine), as shown in the table below:

as of August 31,	**2006**			2005		
Split per currency	**Amount**	**Interest range**		Amount	Interest range	
		from	**to**		from	to
EUR	284,693	3.00%	6.00%	182,759	2.15%	6.00%
GBP	6,386	3.00%	5.00%	1,906	3.00%	5.26%
USD	42,851	3.00%	6.19%	30,857	2.00%	4.50%
CAD	1,655	3.80%	3.80%	–	3.00%	4.00%
CFA	37,061	5.70%	12.00%	17,607	9.00%	12.00%
Other	13,960	1.57%	5.52%	554	1.80%	6.50%
	386,606	**1.57%**	**12.00%**	**233,683**	**1.80%**	**12.00%**

as of August 31,	**2006**	2005
in thousands of Swiss Francs		
Split fixed/floating interest rate:		
Fixed	6,350	41,007
Floating	380,256	192,676
	386,606	**233,683**

11. Provisions

in thousands of Swiss Francs	Provision for restructuring costs	Provision for repurchase obligations	Provision for litigation & claims	Other provisions	Total
Balance as of September 1, 2005	33,361	1,237	3,024	6,413	44,035
Additional provisions	242	–	644	5,049	5,935
Usage	(23,382)	–	(1,930)	(2,047)	(27,359)
Reversal	(222)	(1,247)	(550)	(1,384)	(3,403)
Currency translation adjustments	15	10	48	180	253
as of August 31, 2006	**10,014**	**0**	**1,236**	**8,211**	**19,461**
of which:					
Current	10,014	–	152	6,911	17,077
Non-current	–	–	1,084	1,300	2,384

Restructuring

During the fiscal year 2005/06, restructuring provisions in the amount of CHF 23.4 million have been used mainly related to redundancy payments. The remaining restructuring provision in the amount of CHF 10.0 million will cover severance payments and other cash relevant items not yet effected as of August 31, 2006.

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, 2006.

Other provisions

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

12. Other current liabilities

as of August 31,	**2006**	2005[1]
in thousands of Swiss Francs		
Accrued wages and social charges	70,404	74,060
Advertising and promotion	6,308	8,999
Pension liabilities	1,718	1,735
Interests accrued	15,228	12,073
Year-end rebates and commissions	29,747	24,346
Other taxes	5,892	7,091
Margin calls received	14,554	15,999
Payable to asset-purchasing company	15,997	28,645
Hedged firm commitments (note 5)	16,213	23,885[1]
Payables to governments	19,101	10,520
Silent partners – Thüringer Schokoladenwerke GmbH	–	13,185
Other	47,752	53,218
Total other current liabilities	**242,914**	**273,756**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

The net amount reported as "Payable to asset-purchasing company" is the result of a discount amounting to CHF 25.2 million as of August 31, 2006 and receivables collected before the next roll-over date, amounting to CHF 41.2 million as of August 31, 2006.

13. Long-term debt

	Carrying amounts		*Fair values*	
as of August 31,	**2006**	2005	***2006***	*2005*
in thousands of Swiss Francs				
Subordinated notes	255,053	248,909	*278,294*	*291,784*
Bank borrowings	311,203	519,225	*296,264*	*513,681*
Less current portion (note 10)	(174)	(13,948)	*(174)*	*(13,948)*
Interest-bearing loans from employees	788	663	*788*	*663*
Long-term other loans	63	60	*63*	*60*
Finance lease obligation (see note 14)	2,271	4,069	*2,271*	*4,069*
	569,204	**758,978**	***577,506***	***796,309***

As ofAugust 31, 2006, the Group still carries a capital market financing of EUR 165 million, being the 9¼% Senior Subordinated Notes, maturing in March 2010. Prior to March 15, 2007, early redemption of the Notes is subject to an applicable surcharge premium, whilst at any time on or after this date, the embedded call options can be exercised at a fixed redemption price of 104,625% for 2007, 102,313% for 2008 and 100% for 2009/2010. The subordinated notes had a carrying amount of CHF 255.1 million (CHF 248.9 million as of August 2005) and a fair value of CHF 278.3 million as of August 31, 2006 (CHF 291.8 million as of August 31, 2005). The fair values of these items were based on the present value of expected cash flows discounted using the market interest rate or available market prices.

At the end of fiscal year 2004/05 (notably on August 29, 2005), the Group restructured the portfolio of the long-term debt bank borrowings by stepping into a syndicated EUR 850 million Revolving Credit Facility agreement, substantially improving its liquidity profile and extending the consolidated average duration of the Group debt portfolio. This facility has been structured as follows:

Tranche A: EUR 435 million Revolving Credit Facility with a minimal tenor of 5 and a maximal tenor of 7 years
Tranche B: EUR 250 million Revolving Credit Facility with a minimal tenor of 3 and a maximal tenor of 5 years, backing-up for the Group's Commercial Paper program also amounting to EUR 250 million
Tranche C: EUR 165 million Revolving Credit Facility with a minimal tenor of 5 and a maximal tenor of 7 years, structured for the sole purpose to redeem the Senior Subordinated Notes on or after March 2007.

The Revolving Credit Facility, being issued and borrowed by Barry Callebaut Services N.V., is supported by the parent company Barry Callebaut AG, as well as a number of other significant subsidiaries within the Group, acting as co-obligors.
The successful exercising of the first extension option extended the maturity of the Revolving Credit Facility by one additional year, currently being fixed as of August 29, 2011 for an amount of EUR 800 million. The exercising of the second option in the course of 2007 could lead to a further extension to August 2012.

In this respect, the maturity thereof has been shown in book-year 2009/10 (EUR 50 million) and 2010/2011 (EUR 800 million) leading to the following maturity table.

as of August 31,	**2006**	2005
in thousands of Swiss Francs		
2006/07	–	3,481
2007/08	2,652	1,953
2008/09	687	1,149
2009/10	21,992	750,717
2010/11 (and thereafter for 2004/05)	542,390	1,678
2011/12 (and thereafter for 2005/06)	1,483	–
	569,204	**758,978**

The weighted average maturity of the total debt decreased from 4 to 3.2 years. This decrease is mainly the consequence of the revolving character of the syndicated facility, allowing the Group to manage the drawings in a flexible way according to the seasonality and the mix of the available sources of funds. Regarding the Group's liquidity profile no material changes occured, other than the exercise of the first extension option for an amount of EUR 800 million out of EUR 850 million by the banks of the syndicated facility.

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

as of August 31,	2006			2005		
in thousands of Swiss Francs	**Amount**	**Interest range**		Amount	Interest range	
Split per currency		**from**	**to**		from	to
EUR	568,956	2.69%	9.25%	702,824	2.51%	9.25%
GBP	–	n/a	n/a	54,779	5.25%	6.25%
USD	83	4.82%	6.19%	1,152	5.59%	7.75%
Other	165	4.00%	10.00%	223	4.71%	6.00%
	569,204	**2.69%**	**10.00%**	**758,978**	**2.51%**	**9.25%**

as of August 31,	2006	2005
in thousands of Swiss Francs		
Split fixed/floating interest rate:		
Fixed rate	568,510	757,299
Floating rate	694	1,679
	569,204	**758,978**

14. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
as of August 31,	**2006**	2005	**2006**	2005
in thousands of Swiss Francs				
Amounts payable under finance leases				
within one year	2,229	1,970	2,083	1,757
in the second to the fifth year inclusive	2,348	4,273	2,271	4,069
more than five years	–	–	–	–
Total amount payable under finance leases	**4,577**	**6,243**	**4,354**	**5,826**
less future finance charges	(223)	(417)	n/a	n/a
Present value of lease obligations	**4,354**	**5,826**	**4,354**	**5,826**
Amount due for settlement next 12 months (note 10)			2,083	1,757
Amount due for settlement after 12 months (note 13)			2,271	4,069

	Net carrying amount of fixed assets under finance lease	
as of August 31,	**2006**	2005
Land and buildings	–	214
Plant and machinery	5,629	6,367
Furniture, equipment and motor vehicles	307	248
Total assets under financial lease	**5,936**	**6,829**

The Group entered into finance leasing arrangements for machinery. The weighted average term of finance leases entered into is 5 years. The average effective interest rate was 4.8% (2004/05: 4.9%). 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.

15. Equity

Share capital

as of August 31,	2006	2005	2004
in thousands of Swiss Francs			
Share capital is represented by 5,170,000 authorized and issued shares of each CHF 84.20 fully paid in (in 2005: 92.20; in 2004: 100.00)	**435,314**	**476,674**	**517,000**

The issued share capital amounts to CHF 435.3 million (previous year CHF 476.7 million), divided into 5,170,000 registered shares with a nominal value of CHF 84.20 each (CHF 92.20 as of August 31, 2005). 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 8, 2005 decided on a share capital reduction and repayment of CHF 8.00 per share (total share capital reduction of CHF 41.4 million). After this transaction, the share capital is represented by 5,170,000 authorized and issued shares of CHF 84.20 nominal value each, fully paid in.

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

As of August 31, 2006 legal reserves of CHF 96.4 million (2005: CHF 97.9 million) are not distributable to the shareholders pursuant to Swiss law.

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, 2006 amounted to CHF 13.0 million (2005: CHF 3.0 million).

As of August 31, 2006 the number of outstanding shares amounted to 5,146,282 (2005: 5,161,777) and the number of treasury shares to 23,718 (2005: 8,223). During this financial year 100 treasury shares have been sold, 19,395 purchased and 3,800 transferred to employees under the employee stock ownership program.

Movements in minority interests

in thousands of Swiss Francs	2005/06	2004/05
Opening balance as of September 1,	5,402	6,891
Minority share of profits/(losses)	552	(585)
Purchase of minority shares	63	(964)
Sale of minority shares [1]	(992)	–
Dividends paid to minority shareholders	(238)	–
Currency translation adjustment	(550)	60
as of August 31,	**4,237**	**5,402**

[1] The minority interests in Barbara Luijckx Sp. z o.o. has been sold during fiscal year 2005/06

On April 6, 2005 a squeeze-out resolution of the shareholders' assembly of Stollwerck AG of 2003 has been entered into the commercial register and has thereby become effective, leaving Van Houten Beteiligungs AG & Co. KG, a group company of Barry Callebaut AG, as the sole shareholder of Stollwerck AG. The listing of the Stollwerck shares on the Frankfurt and Düsseldorf stock exchanges has been terminated and the company subsequently has been renamed to Stollwerck GmbH.

Notes

16. Other income

in thousands of Swiss Francs	**2005/06**	2004/05
Release of unused restructuring provisions	222	685
Release of unused other provisions	3,181	328
Reversal of impairment losses	–	1,773
Gain on disposal of property, plant and equipment	4,200	2,509
Commission	3,179	965
Contract cancellations	1,541	–
Sale of shells of cocoa beans	936	804
Tax credits for material purchases	5,577	–
Gain on employee benefit curtailment (note 22)	5,123	24,140
Other	14,385	16,670
Total other income	**38,344**	**47,874**

17. Other expense

in thousands of Swiss Francs	**2005/06**	2004/05
Loss on sale of fixed assets	(220)	(2,207)
Write-down on inventories	(1,484)	(638)
Bad debt provision	(1,339)	(6,671)
Customer credit insurance	(1,222)	(606)
Prior-period related items	(427)	(4,493)
Amortization of intangibles	(12,852)	(12,971)
Impairment on fixed assets	(393)	(180)
Litigation & severance payments	(2,974)	(1,039)
Restructuring costs	(1,096)	–
Other	(5,325)	(3,572)
Total other expense	**(27,332)**	**(32,377)**

Restructuring expense, write-downs and impairments of assets

In fiscal year 2004/05, restructuring expenses and impairment charges of CHF 94 million in connection with the restructuring program announced on July 8, 2005 were recorded. The position contained CHF 45 million for non-cash items and CHF 49 million cash items. The non-cash items mainly related to impairment losses on fixed assets, write-down of inventories and onerous contracts, whereas the cash relevant items mainly included severance costs for employee contract termination and costs for contract cancellations.

18. Financial income

in thousands of Swiss Francs	**2005/06**	2004/05
Interest income	2,795	2,924
Exchange gains, net	4,109	4,643
Fair value gains on derivative financial instruments	5,612	1,641
Total financial income	**12,516**	**9,208**

19. Financial expense

in thousands of Swiss Francs	**2005/06**	2004/05
Interest expense	(82,670)	(83,353)
Bank charges	(7,496)	(9,013)
Total financial expense	**(90,166)**	**(92,366)**

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 2005/06 also includes interest paid under the securitization program of trade receivables for an amount of CHF 10.4 million (2004/05: CHF 6.6 million).

Bank charges include commitment fees, being paid on the undrawn portion of committed credit facilities, for an amount of CHF 2.4 million (2004/05: CHF 2.2 million).

20. Income taxes

Tax losses carried forward utilized during the year 2005/06 were CHF 49.5 million (2004/05: CHF 105.1 million). The tax relief thereof amounted to CHF 8.9 million, of which CHF 3.2 million was already recognized as deferred tax asset in prior year (2004/05: CHF 5.2 million, of which CHF 4.0 million already recognized as deferred tax asset).

As of August 31, 2006 the Group had unutilized tax losses carried forward of approximately CHF 738.6 million (August 31, 2005: CHF 738.2 million) that are available for offset against future taxable income. Of the total losses carried forward, an amount of CHF 110.7 million has been recognized for deferred taxation purposes, resulting in a deferred tax asset of CHF 39.9 million.

Tax losses carried forward

Year of expiration	in million CHF
2007	16,478
2008	8,611
2009	5
2010–2016	17,230
After 2016	249,753
Unlimited	446,498
Tax losses carried forward	**738,575**

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 the expiration period is probable.

Notes

Income Taxes

in thousands of Swiss Francs	**2005/06**	2004/05[1]
Current taxes	37,094	39,099
Deferred taxes	(5,207)	(19,219)
Total income taxes	**31,887**	**19,880**

Reconciliation of income taxes

in thousands of Swiss Francs	**2005/06**	2004/05[1]
Income before income taxes and minority interest	215,461	81,180
Expected taxes at the domestic rates applicable to profit/loss in the countries concerned	39,216	4,431
Weighted average applicable tax rate	18.20%	5.46 %
Tax relief on losses carried forward previously not yet recognized	(9,149)	(9,883)
Tax effect of non-deductible expenses	5,019	9,900
Tax effect of non-effective tax losses	10,680	28,581
Tax effect of income recognised for tax purposes only	4,194	5,105
Tax effect of expenses recognised for tax purposes only	(3,881)	(388)
Tax effect of income not subject to tax	(7,827)	(10,250)
Adjustments related to prior years	(6,365)	(7,616)
Total income taxes	**31,887**	**19,880**

[1] Certain comparatives have been restated or reclassified to conform with the current period's presentation

The applicable tax rate per company is the domestic income tax applicable to the profits of the company concerned for the fiscal year 2005/06.

The weighted average applicable tax rate is based on the applicable tax rate per company and the company mix of the profit or loss before taxes. The weighted average applicable tax rate in fiscal year 2005/06 is 18.2%. Compared to last year the applicable tax rate has increased due to the company mix impact.

The principal reconciling items towards the corporate tax rate are tax relief on losses carried forward previously not yet recognized (CHF –9.1 million), the effect of non-tax effective losses (CHF 10.7 million), tax effect of income not subject to tax (CHF –7.8 million) and adjustments related to previous years (CHF –6.4 million). The level of non-tax effective losses is significantly lower than last year (tax effect CHF 10.7 million versus CHF 28.6 million previous year).

The tax rate change in Ivory Coast resulted in additional deferred tax expense of CHF 0.5 million.

Deferred tax assets and liabilities

	Balance as of September 1, 2004	Restatement of employment benefit obligations	Deferred tax (income)/ expense	Currency translation adjustments	Balance as of August 31, 2005	Deferred tax (income)/ expense	Currency translation adjustments	Balance as of August 31, 2006
in thousands of Swiss Francs			2004/05			**2005/2006**		
Deferred tax assets								
Deferred tax depreciation fixed assets	(16,596)	–	7,348	(52)	(9,300)	7,570	(162)	(1,892)
Deferred tax inventories	(1)	–	1,471	(7)	1,463	(2,043)	(1)	(581)
Deferred tax provisions	3,187	–	1,862	68	5,117	1,461	131	6,709
Deferred tax other assets	12,489	–	(7,947)	(158)	4,384	1,470	(90)	5,764
Deferred tax other liabilities	1,795	–	1,883	17	3,695	(2,878)	45	862
Capitalization of tax loss carry forwards	18,057	–	12,976	241	31,274	6,722	627	38,623
Total deferred tax assets	**18,931**	**–**	**17,593**	**109**	**36,633**	**12,302**	**550**	**49,485**
Deferred tax liabilities								
Deferred tax depreciation fixed assets	(25,608)	–	3,467	(64)	(22,205)	(2,975)	(379)	(25,559)
Deferred tax inventories	(7,695)	–	1,558	(21)	(6,158)	194	(12)	(5,976)
Deferred tax provisions	(8,891)	475	2,852	44	(5,520)	(692)	(161)	(6,373)
Deferred tax other assets	(14,602)	–	3,066	(122)	(11,658)	(938)	(322)	(12,918)
Deferred tax other liabilities	4,629	–	475	39	5,143	(3,735)	131	1,539
Capitalization of tax loss carry forwards	10,283	–	(9,792)	(293)	198	1,051	–	1,249
Total deferred tax liabilities	**(41,884)**	**475**	**1,626**	**(417)**	**(40,200)**	**(7,095)**	**(743)**	**(48,038)**
Net deferred tax (liabilities)/assets	**(22,953)**	**475**	**19,219**	**(308)**	**(3,567)**	**5,207**	**(193)**	**1,447**

A deferred tax asset of CHF 0.5 million has been recognized directly in retained earnings in fiscal year 2004/05 relating to the first time recognition of employment benefit obligations for the Swiss pension plans.

21. Earnings per share

	2005/06	2004/05
Basic earnings per share (CHF/share)	35.53	12.04
Diluted earnings per share (CHF/share)	35.21	12.04

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

in thousands of Swiss Francs	**2005/06**	2004/05
Net result attributable to ordinary shareholders, used as numerator for basic earnings per share	183,022	61,885
After-tax effect of income and expense on dilutive potential ordinary shares	–	–
Adjusted net result used as numerator for diluted earnings per share	183,022	61,885

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

in thousands of Swiss Francs	**2005/06**	2004/05
Weighted average number of shares issued	5,170,000	5,170,000
Weighted average number of treasury shares outstanding	18,438	30,299
Weighted average number of ordinary shares outstanding, used as denominator for basic earnings per share	5,151,562	5,139,701
Equity settled share based payments and exercisable options	46,147	2,000
Adjusted weighted average number of ordinary shares, used as denominator for diluted earnings per share	5,197,709	5,141,701

Notes

22. 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,	**2006**	2005[1]
in thousands of Swiss Francs		
Pension funds		
defined benefit plans	119,197	121,447
defined contribution plans	–	981
Other post-retirement benefit plans	6,947	13,263
Other long-term employee benefits	9,958	10,859
Total employee benefit obligations recognized in the balance sheet	**136,102**	**146,550**

[1] Swiss pension plans formerly reported as defined benefit contribution plans were assessed to qualify as defined benefit plans. The prior year figures have been restated accordingly.

Assets recognized in the balance sheet

as of August 31,	**2006**	2005
in thousands of Swiss Francs		
Pension funds		
defined benefit plans	3,660	3,182
Total assets recognized in the balance sheet	**3,660**	**3,182**

Total assets recognized in the balance sheet in the amount of CHF 3.7 million (2005: CHF 3.2 million) are reported under other non-current assets.

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

	Defined benefit retirement plans	**Other non-current employee benefits**	**Total**	Total
as of August 31,			**2006**	2005
in thousands of Swiss Francs				
Present value of funded obligations	248,183	–	248,183	247,923
Fair value of plan assets	(204,386)	–	(204,386)	(194,189)
Excess of liabilities/(assets) of funded obligations	43,797	–	43,797	53,734
Present value of unfunded obligations	82,201	21,840	104,041	111,895
Unrecognized past services cost of non-vested benefits	–	–	–	–
Net unrecognized actuarial gains/(losses)	(10,461)	(4,935)	(15,396)	(22,261)
Unrecognized assets	–	–	–	–
Net employee benefit obligations recognized in the balance sheet	**115,537**	**16,905**	**132,442**	**143,368**

The plan assets do not include ordinary shares issued by the Company or any property occupied by the Company or one of its affiliates.

Notes

Expenses recognized in the income statement

in thousands of Swiss Francs	Defined benefit retirement plans	Other non-current employee benefits	Total 2005/06	Total 2004/05
Current service cost	7,278	1,305	8,583	10,461
Interest cost	14,409	734	15,143	16,165
Expected return on plan assets	(12,699)	(89)	(12,788)	(10,613)
Net actuarial (gain)/loss recognized in the year	165	263	428	(159)
Loss/(gain) in early retirement, curtailments, settlements	–	(5,123)	(5,123)	(24,140)
Past service cost	(1,849)	–	(1,849)	(81)
Employees' contributions	(1,033)	(53)	(1,086)	(2,247)
Total defined benefit expenses	**6,271**	**(2,963)**	**3,308**	**(10,614)**
Total defined contribution expenses			**1,535**	**3,190**

The actual return on plan assets in 2005/06 was positive for an amount of CHF 11.7 million (2004/05: positive return of CHF 19.9 million).

Movement of defined benefit obligations, net

in thousands of Swiss Francs	Defined benefit retirement plans	Other non-current employee benefits	Total 2005/06	Total 2004/05
as of September 1,	118,265	25,103	143,368	168,802
Restatement of employment benefit obligations				3,831
Reclassifications	1,551	(2,110)	(559)	1,601
Currency translation adjustments	2,183	375	2,558	(1,403)
Total defined benefit expenses	6,271	(2,963)	3,308	(10,614)
Employer's contributions	(5,837)	(3,094)	(8,931)	(10,075)
Benefits paid	(6,896)	(406)	(7,302)	(8,774)
as of August 31,	**115,537**	**16,905**	**132,442**	**143,368**

Principal actuarial assumptions used (weighted averages)

	2005/06	2004/05
Discount rate	4.9%	4.8%
Expected rate of salary increase	2.4%	1.7%
Expected return on plan assets	6.2%	7.2%
Medical cost trend rates	5.0%	9.0%

The relevant assumptions as outlined in the above table reflect the situation of the individual plans, 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.

Notes

B. Equity compensation benefits
Stock option plan

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

The number of options granted depends on the performance of the individuals. No expenses related to the stock option plan were recorded in the income statement. The plan will be discontinued after the last portion is exercised or expired in fiscal year 2006/07.

Stock option plan

	Number of options	**Weighted average exercise price (CHF/share)**	Number of options	Weighted average exercise price (CHF/share)
	2005/06		2004/05	
Outstanding as of September 1,	2,000	235	8,600	–
Granted during the year	–		–	
Exercised during the year	(1,000)	235	(4,600)	235
Forfeited during the year	–	–	(2,000)	–
Expired during the year	–	–	–	–
Outstanding as of August 31,	**1,000**	**235**	**2,000**	**–**
Exercisable as of August 31,	**1,000**	**235**	**2,000**	**235**

The rights are 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 (2005: CHF 234.5).

	Number of options	Number of options
	2006	2005
Expiry date – August		
2006	–	1,000
2007	1,000	1,000
	1,000	**2,000**

Employee stock ownership program

The previously existing Employee stock ownership program has been discontinued as of August 31, 2005. The granting of shares to employees and board members is based on individual contracts. The board determines the number and price of shares granted at its discretion. In the past, the price for the granted shares has been zero.

Total shares to be granted to a respective participant are granted according to the individual contract, normally in equal portions over the years. In case of resignation or dismissal, the initially granted but not yet issued shares become forfeited.

Principally, shares granted are subject to a lock-up period of between 2 and 5 years. The participant can announce his preference with respect to the lock-up period within this time frame. The shares granted are entitled to full shareholders' rights. 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. 5,750 shares were granted in 2005/06 (2004/05: 54,550 shares). The fair value of the shares at grant date is recognized over the vesting period as a personnel expense. For 2005/06 the amount recognized (before taxes) was CHF 7.8 million (2004/05: CHF 6.9 million) with a corresponding increase in equity.

23. Information by segment and geographical area

I – Primary segment information: business segments

in thousands of Swiss Francs	Industrial Business 2005/06	Industrial Business 2004/05	Food Service & Retail Business 2005/06	Food Service & Retail Business 2004/05	Corporate/ Unallocated 2005/06	Corporate/ Unallocated 2004/05	Eliminations 2005/06	Eliminations 2004/05	Consolidated 2005/06	Consolidated 2004/05
Revenue from sales and services										
External sales	2,423,784	2,251,057	1,838,105	1,810,073	–	–	–	–	4,261,889	4,061,130
Inter-segment sales	549,470	583,373	32,021	4,345	–	–	(581,491)	(587,718)	–	–
Income from sales and services	**2,973,254**	**2,834,430**	**1,870,126**	**1,814,418**	**–**	**–**	**(581,491)**	**(587,718)**	**4,261,889**	**4,061,130**
Segment result before restructuring and impairments	222,095	209,146	134,193	105,451	(63,177)	(56,259)	–	–	293,111	258,338
Restructuring expenses and impairment charges		(1,204)		(92,796)				–		(94,000)
Segment result	222,095	207,942	134,193	12,655	(63,177)	(56,259)	–	–	293,111	164,338
Operating profit	**222,095**	**207,942**	**134,193**	**12,655**	**(63,177)**	**(56,259)**	**–**	**–**	**293,111**	**164,338**
Financial cost, net									**(77,650)**	**(83,158)**
Total taxes									**(31,887)**	**(19,880)**
Net profit for the year									**183,574**	**61,300**
of which attributable to the shareholders of the parent company (PAT)									183,022	61,885
of which attributable to minority interests									552	(585)

I – Primary segment information: business segments – continued

in thousands of Swiss Francs	Industrial Business 2005/06	Industrial Business 2004/05	Food Service & Retail Business 2005/06	Food Service & Retail Business 2004/05	Corporate/ Unallocated 2005/06	Corporate/ Unallocated 2004/05	Eliminations 2005/06	Eliminations 2004/05	Consolidated 2005/06	Consolidated 2004/05
Other information										
Segment assets	1,756,925	1,650,940	1,015,146	1,012,505			–	–	2,772,071	2,663,445
Corporate/unallocated assets					43,419	70,670	–	–	43,419	70,670
Consolidated total assets	**1,756,925**	**1,650,940**	**1,015,146**	**1,012,505**	**43,419**	**70,670**			**2,815,490**	**2,734,115**
Segment liabilities	371,398	363,508	248,545	286,357			–	–	619,943	649,865
Corporate/unallocated liabilities					1,193,608	1,250,872	–	–	1,193,608	1,250,872
Consolidated total liabilities	**371,398**	**363,508**	**248,545**	**286,357**	**1,193,608**	**1,250,872**	**–**	**–**	**1,813,551**	**1,900,737**
Capital expenditure	56,198	61,551	54,772	44,560	2,096	8,321	–	–	113,066	114,432
Depreciation and amortization	(53,350)	(56,551)	(55,607)	(53,533)	(3,770)	(3,797)	–	–	(112,727)	(113,881)
Non-cash expenses other than depreciation, amortization and impairment	–	–	–	(30,370)	(7,765)	(6,922)	–	–	(7,765)	(37,292)
Impairment losses	(393)	–	–	(14,584)	–	(180)	–	–	(393)	(14,764)
Reversal of impairment losses	–	–	–	1 773	–	–	–	–	–	1,773

II – Secondary segment information: by geographical area

in thousands of Swiss Francs	Europe 2005/06	Europe 2004/05	Americas 2005/06	Americas 2004/05	Asia-Pacific/Africa 2005/06	Asia-Pacific/Africa 2004/05	Eliminations 2005/06	Eliminations 2004/05	Consolidated 2005/06	Consolidated 2004/05
External sales revenue	2,895,253	2,789,682	1,067,480	1,015,160	299,156	256,288	–	–	4,261,889	4,061,130
Carrying amount of segment assets	1,928,407 [1]	1,877,634[1]	583,233	614,073	303,850	242,408	–	–	2,815,490	2,734,115
Capital expenditure	67,421	72,435	29,768	29,256	15,877	12,741	–	–	113,066	114,432

[1] Including corporate assets of CHF 43.4 million for fiscal year 2005/06 (2004/05: CHF 70.7 million)

24. 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.

Barry Callebaut has a risk management committee that continually 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".

Foreign currency risk

The Group operates across the world and its activities exposes it to foreign currency risk arising from various currency exposures, primarily with respect to EUR, GBP and USD. The Group actively monitors its currency exposure, and when appropriate 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 risk exposures of currency denominated 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. It is the Group's policy to be fully hedged.

Interest rate risk

The Group is exposed to market risk for 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 1,058.1 million as of August 31, 2006 (2005: CHF 862.5 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.

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.

Notes

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 subordinated notes, which had a fair value of CHF 278.3 million as of August 31, 2006 (CHF 291.8 million as of August 31, 2005, see notes 10 and 13). 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.

25. 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	8.48%

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

in thousands of Swiss Francs	Nature of cost/revenue	**2005/06**	2004/05
Sales to related parties		**31,868**	**33,135**
Jacquot SA	Revenue from sales and services	31,868	33,135
Operating expenses charged by related parties		**7,358**	**5,123**
Jacobs Holding AG	Management services	1,811	1,553
Adecco Group	Human resources services	5,276	3,561
Other		271	9
Operating income received from related parties		–	**337**
Other	Revenue from sales and services	–	337
Accounts receivable related parties		**6,459**	**6,425**
Jacquot SA		6,458	6,313
Jacobs Holding AG		–	112
Other		1	–
Accounts payable related parties		**1,527**	**1,267**
Jacobs Holding AG		175	140
Adecco Group		982	558
Other		370	569

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 2005/06 consists of the following:

Short-term employee benefits	CHF 6.9 million
Post employment benefits	CHF 0.3 million
Share based payments	CHF 7.8 million

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

as of August 31,	**2006**	2005
in thousands of Swiss Francs		
Contingent liabilities and pledges		
Guarantees to third parties	–	–
Assets pledged as security for liabilities		
Mortgages	72	11,582
Inventories pledged	287	277
Commitments		
Future capital expenditures	1,926	4,560

Guarantees to third parties have been reviewed and restated as well for 2004/05. Considering that all outstanding letter of guarantees are issued to cover short term credit facilities granted by banks to Group companies, these liabilities are already reflected on the balance sheet and reported in note 10.

As of August 31, 2006 the Group did not have any issued guarantee covering liabilities or commitments on behalf of third parties, which could come on the balance sheet in the future.

Assets pledged as security for liabilities amount in total to CHF 0.4 million (2005: CHF 11.9 million) and relate to mortgages on land and property and pledged inventories.

Notes

Operating lease arrangements

in thousands of Swiss Francs	**2005/06**	2004/05
Lease paid under operating leases	9,923	5,705
Future operating lease commitments	39,157	40,966

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

in thousands of Swiss Francs	**2005/06**	2004/05
Within one year	9,008	7,982
In the second to the fifth year inclusive	22,806	22,595
After five years	7,343	10,389

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 liablilities

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.

27. Subsequent events

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

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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 (balance sheet, income statement, statement of changes in equity, cash flow statement and notes on pages 74 to 112) of Barry Callebaut AG for the year ended August 31, 2006. The prior-year corresponding figures were audited by other group auditors.

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 Fides Peat

Roger Neininger
Swiss Certified Accountant
Auditor in Charge

Marc Ziegler
Swiss Certified Accountant

Zurich, October 31, 2006

Financial Statements of Barry Callebaut AG.

Balance Sheet

Assets

as of August 31,	2006	2005
in Swiss Francs		
Current assets		
Cash and cash equivalents	18,428	55,897
Treasury shares	13,035,197	2,919,752
Accounts receivable from Group companies	19,549,929	24,429,898
Short-term loans granted to Group companies	127,706,313	136,134,580
Other current assets	3,769,590	5,156,100
Total current assets	**164,079,457**	**168,696,227**
Non-current assets		
Fixed assets	1,537,372	1,209,184
Financial assets		
Investments	872,509,883	713,119,524
Intangible assets		
Trademarks	61,387,300	81,843,849
Patents	1,222,733	1,305,338
Other	1,282,980	1,557,798
Total non-current assets	**937,940,268**	**799,035,693**
Total assets	**1,102,019,725**	**967,731,920**

Liabilities and shareholders' equity

as of August 31,	2006	2005
in Swiss Francs		
Current liabilities		
Accounts payable to third parties	1,442,489	1,511,634
Accounts payable to Group companies	3,404,740	4,178,571
Accounts payable to shareholders	349,698	233,632
Short-term loans from Group companies	140,398,671	109,017,713
Accrued liabilities	14,429,952	10,399,200
Accrued taxes	903,047	517,171
Total liabilities	**160,928,597**	**125,857,921**
Shareholders' equity		
Share capital [1]	435,314,000	476,674,000
Legal reserve	157,019,393	157,019,393
Reserve for treasury shares	9,384,864	2,537,560
Retained earnings	339,372,871	205,643,046
Total shareholders' equity	**941,091,128**	**841,873,999**
Total liabilities and shareholders' equity	**1,102,019,725**	**967,731,920**

[1] The share capital as of August 31, 2006 consists of 5,170,000 fully paid in shares at a nominal value of CHF 84.20 (August 31, 2005: CHF 92.20)

Statement of Income and Retained Earnings

for the year ended August 31,	2006	2005
in Swiss Francs		
Income		
Dividend income	112,000,000	104,352,284
Other income from investments	38,090,306	0
Financial income	9,110,406	4,116,291
License income	35,365,681	29,846,705
Management fees	15,403,768	14,020,011
Realized and unrealized profit on treasury shares	3,601,743	3,122,750
Other income	342,637	931,033
Total income	**213,914,541**	**156,389,074**
Expenses		
Personnel	25,281,716	23,887,836
Financial expenses	8,447,972	2,195,161
Amortization of fixed assets	281,329	383,134
Amortization of intangible assets	21,203,034	21,010,709
License expenses	1,665,204	2,506,770
Realized loss on treasury shares	0	3,886,178
Other expenses	14,920,988	13,098,268
Total expenses	**71,800,243**	**66,968,056**
Profit before taxes	**142,114,298**	**89,421,018**
Taxes	(1,698,113)	(289,884)
Net profit	**140,416,185**	**89,131,134**
Retained earnings		
Balance, beginning of financial year	205,643,046	109,142,845
Dividend	0	0
(Increase)/decrease of reserve for treasury shares	(6,847,304)	7,236,833
Capital reduction on treasury shares	160,944	132,234
Net profit	140,416,185	89,131,134
Balance, end of financial year	**339,372,871**	**205,643,046**

Notes to the Financial Statements

as of August 31,	**2006**	2005
in Swiss Francs		
1. Liens, guarantees and pledges in favor of third parties: The Company is a co-debtor for bank loans of max. EUR 685 million (CHF 1,079.8 million; 2004/05: EUR 685 million or CHF 1,059.1 million) obtained by Barry Callebaut Services N.V., Belgium, whereof the maximal liability is limited to the freely distributable retained earnings (CHF 339.4 million less 35% withholding tax) furthermore also to the subordinated bond of EUR 165 million (CHF 260.1 million; 2004/05: EUR 165 million or CHF 255.1 million) issued by Barry Callebaut Services N.V., Belgium. The Company has further issued guarantees of USD 50 million (CHF 61.5 million) in favor of FIMAT International Banque SA (UK Branch) London, CAD 10 million (CHF 11.2 million) in favor of Canadian Imperial Bank of Commerce, Montreal, Canada, and USD 76 million (CHF 93.5 million) + SGD 0.2 million (CHF 0.2 million) + GBP 10 million (CHF 23.4 million) + EUR 37.5 million (CHF 59.1 million) in favor of ABN Amro Bank N.V. and its subsidiaries and affiliates.		
As of September 1, 2003 joint liability in VAT Subgroup for the Swiss Barry Callebaut entities.		
2. Fire insurance value of tangible fixed assets	CHF 3,270,000	CHF 2,410,000

3. Investments

Name and domicile		**Share capital**	**Purpose**	**Percentage of investment**	
as of August 31,				**2006**	2005
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%	0%
Barry Callebaut Schweiz AG, Switzerland	CHF	4,600,000	Sales & Production	100%	100%
Barry Callebaut Services N.V., Belgium	EUR	359,210,000	Treasury center	100%	0%
Barry Callebaut Sourcing AG, Switzerland	CHF	2,000,000	Sourcing	100%	100%
Chocosen SA, Senegal	CFA	500,000,000	Sales & Production	100%	100%
Chocolat Alprose SA, Switzerland	CHF	7,000,000	Sales & Production	100%	100%
C.J. van Houten & Zoon Holding GmbH, Germany	CHF	72,092,155	Holding	100%	100%
Van Houten Service AG, Switzerland	CHF	100,000	Dormant	100%	100%

Investments are stated at cost less necessary amortization.

4. Treasury shares

The Company holds 23,718 treasury shares as of August 31, 2006 (2005: 8,223). In 2005/06 the Company bought 19,395 shares at an average price of CHF 423.34 per share (2004/05: 59,281 shares at an average price of CHF 297.67) and sold/transferred 3,900 shares at an average price of CHF 349.60 per share (2004/05: 88,819 shares at an average price of CHF 280.15). As of August 31, 2006 the treasury shares have been revalued to the average closing price of August 2006 of CHF 549.59 per share (2005: to the average closing price of August 2005 of CHF 308.59 per share).

5. Significant shareholders	2006	2005
Jacobs Holding AG, Zurich, Switzerland	50.50%	50.50%
Renata Jacobs	8.48%	8.48%

Appropriation of Available Earnings

The Board of Directors proposes to carry forward the balance of retained earnings of CHF 339,372,871.

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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, income statement and notes on pages 116 to 118) of Barry Callebaut AG for the year ended August 31, 2006. The prior-year corresponding figures were audited by other auditors.

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 Fides Peat

Roger Neininger
Swiss Certified Accountant
Auditor in Charge

Marc Ziegler
Swiss Certified Accountant

Zurich, October 31, 2006

8-year overview

Key Figures Barry Callebaut		CAGR (%)[1]	2005/06	2004/05[14,15]	2003/04	2002/03	2001/02[2]	2000/01	1999/00	1998/99
Income Statement										
Sales revenue	CHF m	9.5%	4,261.9	4,061.1	4,048.9	3,571.3	2,621.8	2,548.6	2,410.4	2,262.3
EBITDA[3]	CHF m	10.1%	405.8	372.2	364.8	333.1	187.8	266.2	240.3	207.2
Operating profit before amortization (EBITA)	CHF m	11.0%	306.0	271.3	261.5	245.5	123.1	194.1	170.2	147.2
Operating profit (EBIT)	CHF m	12.3%	293.1	258.3	228.3	208.7	93.2	168.0	148.7	130.2
Net profit (PAT)	CHF m	9.0%	183.0	155.9	115.6	103.2	21.1	97.1	90.0	100.2
Cash flow[4]	CHF m	10.1%	347.9	312.6	252.2	227.7	115.7	195.3	181.6	177.2
EBIT per tonne	CHF/tonne	4.7%	279.2	245.5	225.7	234.2	122.5	213.4	197.8	202.4
Balance Sheet										
Balance sheet total	CHF m	8.2%	2,815.5	2,734.1	2,760.5	2,712.7	2,651.6	2,049.2	2,218.9	1,620.0
Net working capital	CHF m	6.7%	920.9	830.8	914.1	955.1	828.7	765.9	894.3	585.9
Non-current assets	CHF m	7.1%	1,188.6	1,168.2	1,099.9	1,049.9	1,070.6	823.1	894.0	734.2
Net debt[5]	CHF m	4.7%	906.9	953.5	943.0	1,030.1	960.1	786.2	1029.2	656.8
Shareholders' equity[17]	CHF m	7.1%	1,001.9	833.4	800.9	759.2	693.5	697.4	648.8	619.7
Capital expenditure[6]	CHF m	8.8%	114.7	102.2	90.0	69.1	73.8	80.1	80.5	63.5
Ratios										
Return on capital employed (ROCE)[7]	%	1.7%	17.9%	16.4%	15.4%	15.0%	15.3%[13]	14.0%	13.5%	15.9%
Return on invested capital (ROIC)[8]	%	2.1%	12.2%	9.5%	10.4%	9.6%	9.9%[13]	8.9%	8.7%	10.6%
Return on equity (ROE)	%	1.7%	18.3%	18.7%	14.4%	13.6%	13.8%[13]	13.9%	13.9%	16.2%
Debt-to-equity ratio	%	–2.2%	90.5%	114.4%	117.7%	135.7%	138.4%	112.7%	158.6%	106.0%
Solvency ratio[9]	%	–1.0%	35.6%	30.5%	29.0%	28.0%	26.2%	34.0%	29.2%	38.3%
Interest cover ratio[10]		–3.2%	5.2	4.5	3.9	4.2	3.5	4.3	4.5	6.6
Net debt/EBITDA		–4.9%	2.2	2.6	2.6	3.1	5.1	3.0	4.3	3.2
EBIT/Sales revenue	%	2.6%	6.9%	6.4%	5.6%	5.8%	3.6%	6.6%	6.2%	5.8%
CAPEX/Sales revenue	%	–0.6%	2.7%	2.5%	2.2%	1.9%	2.8%	3.1%	3.3%	2.8%
Shares										
Share price at year end	CHF	11.2%	548	370	235	188	155	220	264	260
EBIT per share (issued)	CHF	12.3%	56.7	50.0	44.2	40.4	18.0	32.5	28.8	25.2
Basic earnings per share	CHF	9.0%	35.5	30.3	22.4	20.0	4.1	18.8	17.4	19.4
Cash earnings per share[11]	CHF	8.0%	66.9	60.8	66.3	60.1	37.7	52.1	48.0	39.0
Pay out per share[12]	CHF	7.1%	10.5	8.0	7.8	7.0	6.9	6.7	6.5	6.5
Pay out ratio[12]	%	–1.9%	30%	27%	35%	35%	169%	36%	37%	34%
Price-earnings ratio at year end[16]		2.0%	15.4	12.2	10.5	9.4	37.9	11.7	15.2	13.4
Market capitalization at year end	CHF m	11.2%	2,833.2	1,912.9	1,215.0	972.0	801.4	1,137.4	1,364.9	1,344.2
Number of shares issued		0.0%	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000	5,170,000
Total capital repayment/dividend paid[18]	CHF m	4.3%	41.4	40.3	36.1	35.6	33.0	31.9	32.8	30.9
Other										
Sales volumes	Tonnes	7.2%	1,049,788	1,052,467	1,011,358	891,048	760,680	787,302	752,040	643,376
Employees		14.4%	8,236	8,542	8,933	7,837	7,583	4,911	5,158	3,219
Beans processed	Tonnes	9.3%	435,825	416,659	393,500	378,714	378,986	396,916	405,286	233,145
Chocolate & compound production	Tonnes	7.9%	838,940	788,582	669,930	633,564	606,864	581,560	555,657	491,427

1 Compound annual growth rate
2 Key figures for 2001/02 are affected by restructuring provisions amounting to CHF 80 million in connection with the Stollwerck acquisition
3 EBIT + depreciation of property, plant and equipment + amortization of intangible assets
4 For 2005/06 and 2004/05 operating cash flow before working capital changes. In prior years net profit + depreciation of tangible assets + amortization of goodwill and other intangibles
5 Includes subordinated debt
6 Capital expenditure for property, plant & equipment and development costs (excl. acquisitions)
7 EBITA/average (capital employed – goodwill)
8 In 2005/06 EBITA x (1 – effective tax rate)/average capital employed. In prior years EBITA x (1 – effective tax rate)/average (capital employed + amortized goodwill)
9 Shareholders' equity/total assets
10 EBITDA/total financial items
11 Operating cash flow before working capital changes/diluted shares outstanding
12 In 2005/06 based on proposed par value reduction; in 2004/05 and 2003/04 based on par value reduction; in prior years based on dividends
13 Ratio is calculated on a pro forma basis excluding the impact of the Stollwerck acquisition
14 Key figures for 2004/05 have been calculated on a pro forma basis excluding the impact of restructuring charges amounting to CHF 94 million
15 Certain comparatives have been restated or reclassified to conform with the current period's presentation
16 Share price at year end/weighted average number of outstanding shares
17 Total equity attributable to the shareholders of the parent company
18 Capital reduction and repayment for 2005/06 and 2004/05. In prior years dividend payment, net of dividends on treasury shares. Amount shown in fiscal year when payment occurs

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Forward-looking statements

Certain statements in this Annual Report 2005/06 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 2, 2006. Barry Callebaut does not undertake to publish any update or revision of any forward-looking statements.