Annual Report 2010

Investing for growth and leadership

Contents

CSM at a glance

CSM is the world's leading Bakery Supplies and Lactic Acid business and is organized in two divisions:

Bakery Supplies
CSM Bakery Supplies offers a full line of the finest ingredients and bakery products available, and all the benefits of our extensive global expertise and technology. Our bakery product portfolio ranges from bakery margarines, bread improvers, mixes and fruit fillings, to frozen dough, and part and fully baked products. Our customers include artisan and industrial bakeries, supermarkets, takeaway establishments, coffee chains and caterers.

Purac
Purac is a leading player in the field of food preservation, green chemicals and Bioplastics components produced from lactic acid, lactic acid derivatives and other fermentation-based products. Purac delivers innovative solutions and business concepts which are based on pure, natural ingredients and processes. Purac is active in preservation, mineral fortification and green chemicals for the food, health care, chemical and polymer industries.

Our activities are aimed at building a leading market position. Behind our broad portfolio of products there is one company, one team with a winning mentality, entrepreneurship and a drive to improve everything we do.

Our mission is to make our customers successful by creating unique experiences through the best products, technologies and services. We combine products and services to provide effective solutions based on our intimate knowledge of customer requirements. This means going beyond understanding our customers' needs, by also understanding the consumers' needs. These insights impact everything we do, from product development to collaborating as strategic partner.

CSM operates worldwide and generates annual sales of nearly € 3 billion and has a workforce of around 9,700 employees in 28 countries. CSM is listed on NYSE Euronext Amsterdam.

You can find our products everywhere

Hot dog
The meat industry is under increasing pressure to deliver safe, label friendly, more convenient and lower sodium products while providing a high quality product. Purac's product portfolio helps producers face the challenges of food safety, shelf life, taste and labeling requirements.

Plastic cup
Purac's lactides are used to produce biobased plastics. These can be used in a wide range of applications such as disposable cups or semi durable and durable applications such as textiles, plastic toys, telephones. They are preferable to oil-based plastics because they are made from renewable resources and can help reduce CO_2 emissions.

Sneakers
Purac's biobased building blocks can be used to produce more sustainable thermoplastics. Thermoplastics can be used in sportswear, automotive parts, packaging and consumer electronics. Purac's products can be used to create drop-in replacements for existing petro-based chemicals or to create new, innovative products and chemicals.

Donut
CSM is a major manufacturer of premium finished pastry products, such as decorated cakes, donuts, muffins, European-style viennoiserie and American cookies.

BAKERY SUPPLIES

Bakery products

We are a major manufacturer of premium finished and semi-finished pastry products, such as decorated cakes, donuts, muffins, European style viennoiserie and American cookies. We mainly sell these products as frozen goods to customers in the out-of-home and supermarket channels. Our activities are focused on North America and Europe, where we are a leading supplier, and on fast-growing emerging markets, where we are developing our presence.

BAKERY SUPPLIES

Bakery ingredients

We are market leaders in bakery ingredients such as bread improvers, bread and pastry mixes, bakery margarines and emulsifiers, fruit and (non) dairy-based pastry creams, fillings, icings and glazes. We seek to focus on areas where we can offer the greatest added value. Our customer base typically comprises traditional artisan bakeries, industrial bakers and supermarkets that offer in-store finishing of bakery products.

Croissant
CSM's Invisible GOODNESS™ provides industrial producers with a 30% lower fat alternative to traditional margarines, while maintaining all the taste, pleasure and indulgence of their pastry products.

Cake
CSM supplies an extensive product line for pastries, including ready-to-use icings, frozen cake layers, ready-to-sell cakes, frozen cookie dough, brownie batters, cake batters, muffin batters, icing bases, ready-to-use fillings, donut icings, and glazes.

Bread
CSM is market leader in bakery ingredients such as bread improvers, bread and pastry mixes, bakery margarines and emulsifiers, fruit and (non)dairy-based pastry creams, fillings, icings and glazes.

Glue
Purac's biobased building blocks improve the performance and sustainability of thermosets. Thanks to state of art technology and Purac's innovative strengths, the final products have better properties and quality. Commonly known examples of thermosets are coatings, mattress foams and adhesives.

PURAC

Preservation

We offer natural preservation solutions for safe, healthy and delicious food. Our focus is on products that enhance food safety and prolong shelf life so our customers can reduce waste and minimize quality deterioration. Natural preservation solutions are the perfect response to our market's preference for natural, healthy and clean label products. All our ingredients are produced from renewable agricultural products used in a broad range of processed foods and beverages.

PURAC

Green chemicals and bioplastics

Greener and more sustainable solutions are replacing traditional mineral oil-based chemicals. We are one of the most experienced companies in the production of ingredients and chemicals through the fermentation of carbohydrates. Our technology is based on renewable resources, and we have developed a number of successful products based on lactic acid or lactide monomers, derived from lactic acid.

Our global presence and capabilities

CSM is a global company with leading positions in its markets. This presence allows us to serve international customers worldwide with advice, service and safe and consistent products. It provides insights into new developments from around the world and the ability to apply these in other geographic areas. We also have the scale to invest in capabilities that strengthen our competitive edge such as innovation, marketing, technology and supply chain expertise. This map demonstrates our global reach and showcases some of our most interesting operating highlights of our year.

CSM Company worldwide

- Austria
- Argentina
- Belgium
- Brazil
- Canada
- China
- Denmark
- France
- Germany
- Greece
- Hungary
- Italy
- Japan
- Korea
- Mexico
- Netherlands
- Poland
- Portugal
- Romania
- Russia
- Singapore
- Spain
- Thailand
- Tunisia
- Turkey
- United Kingdom
- United States
- Switzerland

“Our passion for and close partnerships with our customers have made 2010 a successful year for CSM”

Message from
CEO Gerard Hoetmer

Investing for growth and leadership

Dear reader,

I am pleased to report another successful year for CSM. We delivered good progress in our EBITA performance and an encouraging sales trend which accelerated over the course of the year. Our results are achieved in the context of a highly challenging economic environment, demonstrating our competitive strengths resulting from the investments in our capabilities over the last few years. During the crisis we have continued to invest in our business strategy: Investing for growth, to deliver sustained global leadership.

Performance and delivery

We improved our EBITA, excluding one-off costs, significantly by 43% to € 215 million and sales increased by 17% to almost € 3 billion. Bakery Supplies activities continued to face challenging market conditions and fragile consumer confidence. Our ongoing focus on innovation and marketing paid off, with improved organic sales development in the second half of the year.

Our passion for delivering the best products and being a true partner to our customers has allowed us to perform well in the market. In addition to strengthening our continuing businesses, we have made a huge step in securing our leading position with one of the largest acquisitions in our history: Best Brands. The acquisition of Best Brands in the United States has resulted in CSM becoming the market leader in North America. At the same time, we have extended our geographic footprint by expanding into China and Tunisia and further developing our business in Turkey.

Purac sustained its impressive organic growth trend throughout the year. It remains well placed to deliver significant growth over the coming years. The scale of these opportunities will require substantial investments to “make them happen”. The business is strongly positioned to benefit from the ‘clean label’ trend, with its portfolio of products and applications in natural preservation, natural ingredients and green chemicals. Furthermore, Purac made significant progress in its bioplastics strategy. The first production line of a customer producing PLA (poly lactic acid) using our high temperature stable products has become operational, while the construction of our new lactides plant in Thailand is expected to be completed by late 2011.

How we delivered

We have demonstrated resilience and responded effectively to volatile and weak economic conditions thanks to the measures we have taken in previous years. We are disciplined in our cost management and our lean operational structure has allowed us to remain focused on and to invest in what is strategically important.

Our innovation, marketing and service capabilities are major differentiators from competition and are supporting us to secure our leadership positions. Our global procurement capability has been crucial to our ability to navigate through volatile commodity markets and provided us with strong cost competitiveness. Our capabilities have proven to be key business drivers in this uncertain market. We have seen our business grow, at improved margins and delivering solid cash flow. We are well on track to our aim to deliver 12% ROCE on a sustainable basis.

Looking ahead

We are proud of our performance in 2010 despite the tough conditions. We do not anticipate 2011 to be anyway easier, but as demonstrated over the last few years, we will continue to strengthen our market position through our successful business strategy. This strategy is based on our unique scale that gives us a competitive edge, and is geared towards growth. We have a clear focus on markets and trends that provide excellent opportunities and we see changes in customer behavior and consumer needs, emerging markets and sustainability as sources for growth. Our strategic strengths, our global capabilities and our operational excellence enable us to turn these opportunities into growth for our business.

I would like to thank all our people, whose passion and partnership have made 2010 a successful year for our company. I look forward to working closely with all our stakeholders in 2011 as we continue to build on our vision of improving the quality and sustainability of life by providing the best products, technologies and services to our customers and a good return to our shareholders.

Gerard Hoetmer, CEO

Sustainability; a source of value

As an increasingly important issue for society, sustainability is also a unique opportunity for CSM to deliver value to its stakeholders. Purac in particular, with its natural preservatives, green chemicals and biobased building blocks, is positioned as an important player in this area. For Bakery Supplies, sustainability is also a value driver, with its focus on health and wellness in its innovation program, and continuous improvements in our processes.

Doing business in a sustainable way is embedded in our long term strategy. For this reason, we have decided to incorporate our 2010 Sustainability Report into our Annual Report, instead of issuing a separate report. You will also be able to find additional detailed information about our performance in this area by visiting our website: www.csmglobal.com > sustainability

“We have continued to demonstrate resilience and remained focused on what is strategically important”

Board of Management
CEO Gerard Hoetmer
CFO Koos Kramer

Financial highlights

Sales

Organic sales growth 1.0%

€ 2,990.1 mln

EBITA

EBITA excluding one offs increased by 42.9%

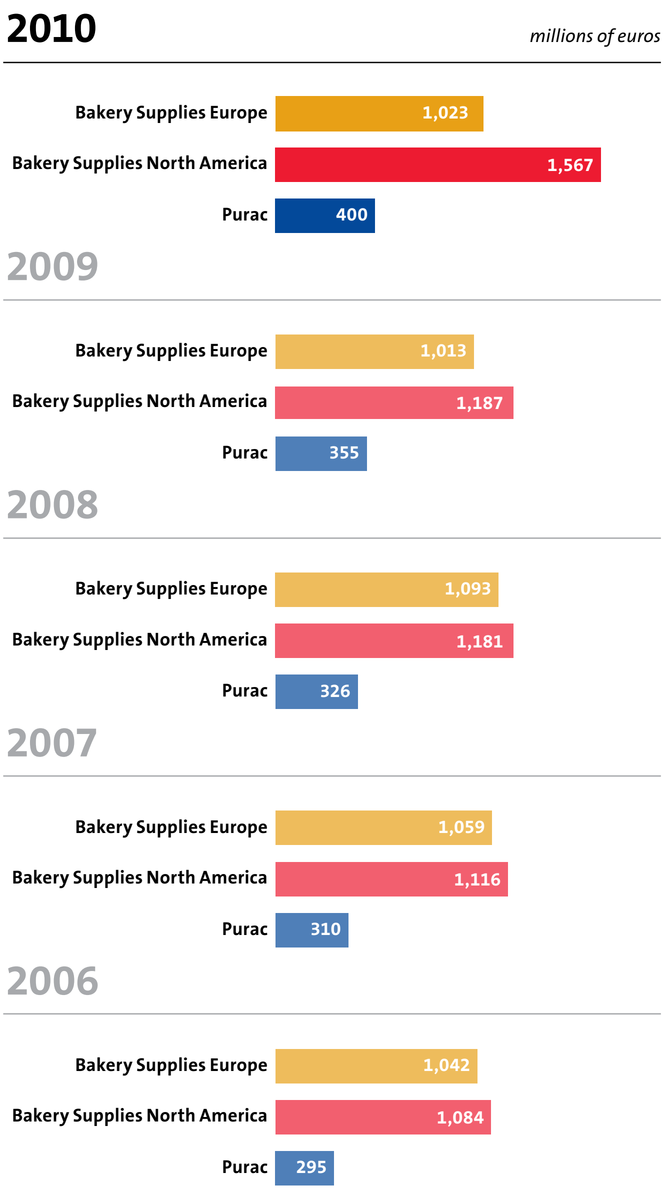
€ 215.2 mln

Cash Flow

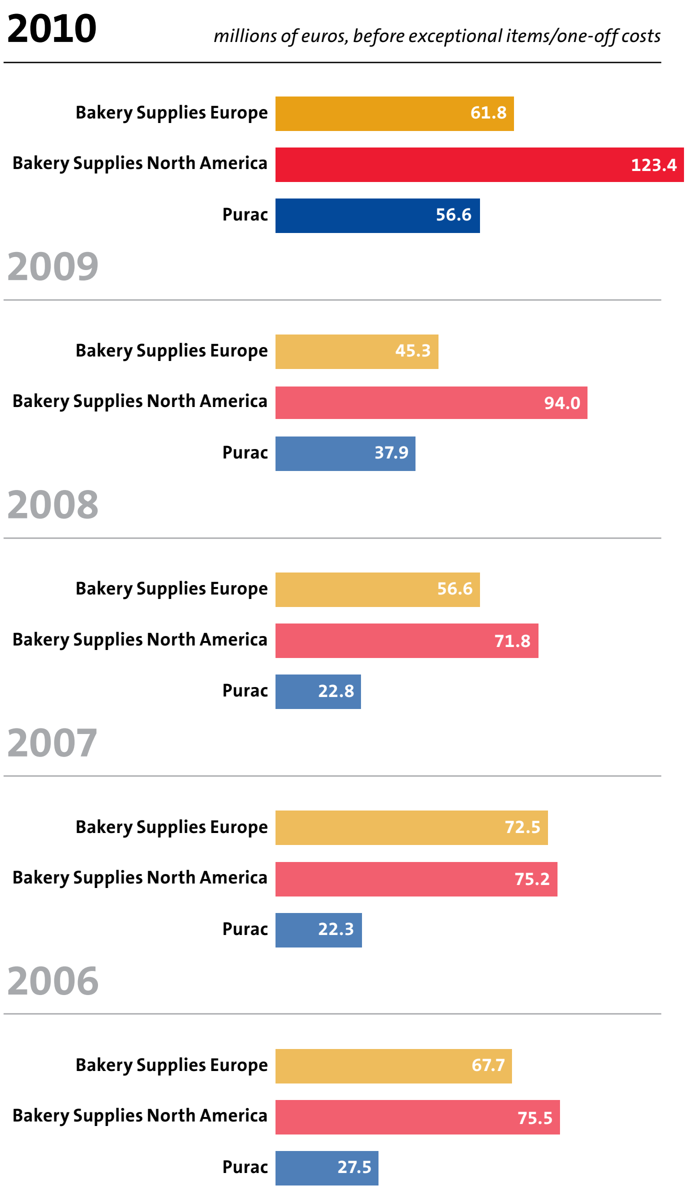
Decreased by € 88 million

€ 188.6 mln

Net sales 2006-2010, bakery and lactic acid activities



EBITA 2006-2010, bakery and lactic acid activities



Healthy balance sheet ratios

2.1x EBITDA

Earnings per share

€ 1.44

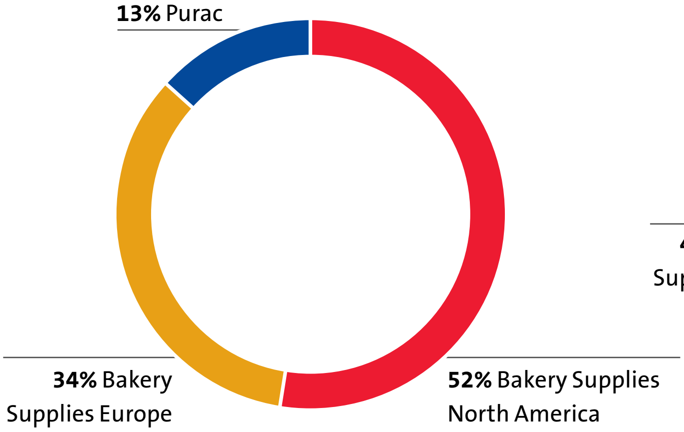
ROCE

Excluding one-offs, well on track to strategic target of 12%

10.10%

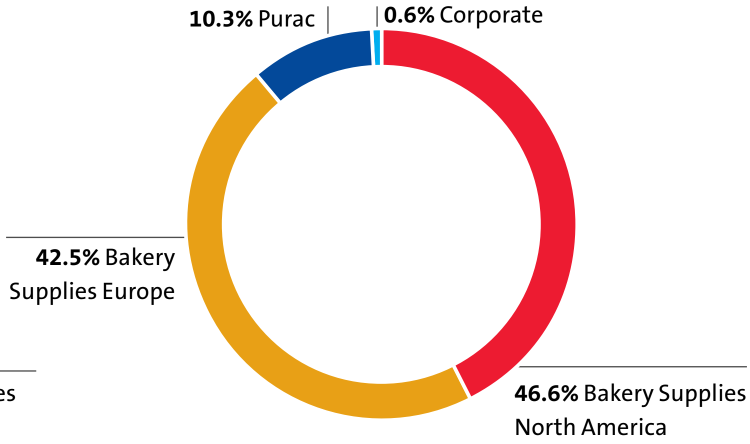
Net sales by division

2010

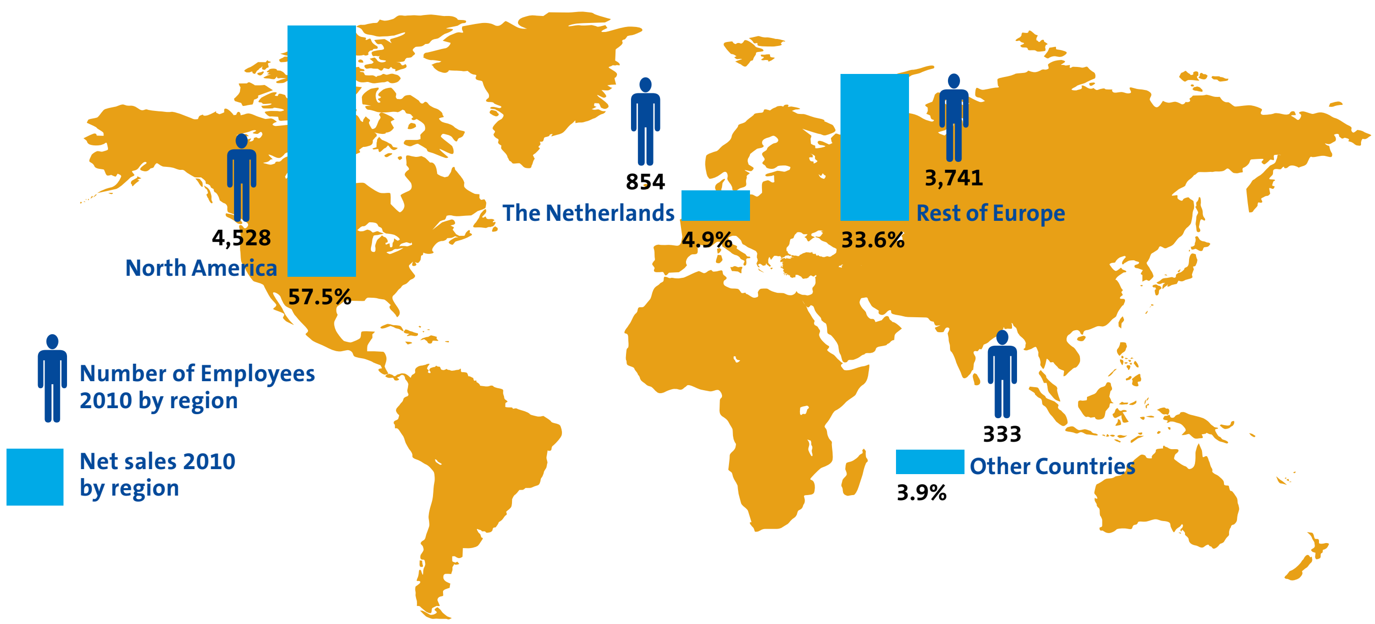


Number of employees by division

2010



Net sales by region and Number of Employees by region



Key Figures

	2010	2009
Income Statement		
Net sales	2,990.1	2,555.9
EBITA before exceptional items/one-off costs	215.2	150.6
EBITA	193.8	150.6
Operating result	158.1	142.8
EBITDA	265.4	211.5
Result after taxes	99.3	86.8
Balance sheet		
Fixed assets	1,791.1	1,329.5
Current assets	717.5	553.8
Non-interest-bearing current liabilities	483.1	386.1
Net debt position [1]	631.0	328.3
Provisions	277.3	171.1
Equity	1,117.2	997.8
Key data per common share		
Number of issued common shares	65,998,134	64,977,416
Number of common shares with dividend rights	65,873,803	64,828,082
Weighted average number of outstanding common shares*	65,855,352	65,837,382
Price as at 31 December	26.19	18.38
Highest price in calendar year	26.27	18.68
Lowest price in calendar year	18.55	7.97
Market capitalization as at 31 December	1,725	1,192
Earnings in euros [2] *	1.44	1.25
Diluted earnings in euros [2] *	1.44	1.25
Cash flow from operating activities per common share, in euros [2]	2.80	4.15
Other key data		
Cash flow from operating activities	188.6	277.2
Depreciation/amortization fixed assets	107.3	68.7
Capital expenditure on fixed assets	83.2	46.9
Number of employees at closing date	9,664	8,430
Number of issued cumulative preference shares	2,983,794	2,983,794
Equity per share in euros [3]	16.22	14.71
Ratios		
EBITA margin % [4]	6.5	5.9
Result after taxes / net sales %	3.3	3.4
ROCE % [5]	9.1	8.2
Net debt position/EBITDA [6]	2.1	1.6
Interest cover [7]	9.7	8.0
Balance sheet total : equity	1:0.4	1:0.5
Net debt position : equity	1:1.8	1:3.0
Current assets : current liabilities	1:0.6	1:0.6

*previous year is restated for stock dividend
1 Net debt position comprises interest-bearing debts less cash and cash equivalents.
2 Per common share in euros after deduction of dividend on cumulative preference shares.
3 Equity per share is equity divided by the number of shares with dividend rights.
4 EBITA margin % is EBITA divided by net sales x 100.
5 ROCE % is EBITA for the year divided by the average capital employed x 100. The goodwill included in capital employed relates to management goodwill, being the goodwill capitalized and the goodwill charged directly to equity since 1978, the year when CSM started the diversification process.
6 EBITDA is 'Earnings Before Interest, Taxes, Depreciation and Amortization' here including Best Brands and PGLA-1 (100%) results for the whole year 2010 and excluding one-off costs.
7 Interest cover is EBITDA as defined in note 6 divided by net interest income and charges.

Report of the Board of Management

Our vision and strategy

CSM is a leading global organization with a strong local presence that is underpinned by its people through the shared values of passion, partnership and performance. We have leadership positions in two large business-to-business markets. Bakery Supplies is a leading global supplier of bakery products and ingredients. Purac is a leading player in the field of food preservation, green chemicals and bioplastics components produced from lactic acid, lactic acid derivatives and other fermentation-based materials. As a preferred partner, we are supporting the development of some of the world's leading brands. We have achieved this through the vision and strategy that guide our day-to-day business decisions.

Our vision

We aspire to improve the quality and sustainability of life. We support this vision by contributing to a society where people can make a conscious choice for safe, healthy, nutritious and delicious food. We are passionate about providing the very best products, technologies and services to our customers to help them to succeed.

Our mission

We aim to make our customers successful by creating unique experiences through the best products, technologies and services. We combine products and services to provide effective solutions based on our intimate knowledge of customer requirements. This means going beyond understanding our customers' needs, by also understanding the consumer's needs. These insights impact everything we do, from product development to collaborating as strategic partner.

Our strategy

Our strategy is geared towards further building our leadership position for both Bakery Supplies and Purac to ensure sustainable and profitable growth, while delivering returns which are above market average. Our ambition is to deliver the best products to serve the needs of the market and to be the preferred partner for our customers to make them successful in their markets.

The following strategic initiatives target sustainable and profitable growth:

Delighting consumers with health & wellness, indulgent and anywhere, anytime consumer products:
We see an increasing influence of health and wellness considerations. Consumers across the world are pursuing a healthier lifestyle and looking for healthier options in the food they eat. We also see an increasing trend for more sophisticated tastes, as many consumers begin to experiment with new products and new flavors. Furthermore, consumers are looking for the highest quality products in places other than the traditional outlets and channels, resulting in a demand for access to 'anytime, any place' bakery products.

Building partnerships through the best customer service:
Customers in all of our markets are looking to suppliers to form a new kind of relationship. Partnerships are increasingly more important, including support in key capabilities like product development, logistics solutions and promotional activities, which require multi-functional business solutions.

Expanding into new markets across the globe:
High-growth emerging economies like China, Brazil, the Near East and Asia-Pacific represent exciting opportunities for both Bakery Supplies and Purac.

Driving value through global sustainability leadership:
Our businesses are facing sustainability requirements across the value chain, from consumers to regulators to our own

business partners. This trend greatly benefits Purac, with its natural preservatives and bioplastics, while Bakery Supplies is positioning itself as a supplier to customers looking to work with partners that have a sustainable approach to the environment.

Our competitive strength

In the competitive environment we are operating in, we have some unique competitive strength that supports the successful execution of our strategy:

Scale of operations

Both our Bakery Supplies and Purac activities are leaders in their respective markets. We have, in contrast to many of our competitors the scale to substantially invest in capabilities that strengthen our competitive edge to further drive growth and profitability. Examples of this are:

- Innovation centers around the world staffed with the best practitioners in their field;
- Marketing, market data and customer intimacy, which provide insights into not only our customers, but also their customers, often the end consumer. This is part of our service offering to our customers and simultaneously drives our innovation efforts to make sure they deliver on market needs;
- Technology and supply chain expertise. A global procurement department, staffed with experts on specific raw materials who understand the market dynamics. Our production sites benefit from our insights into the latest and safest technologies;
- Our capability of attracting and investing in the right people for the right job.

Global presence

Purac is truly a worldwide operating organization, present on all continents. Bakery Supplies is focused on the North American and European markets but is expanding into other continents. This global presence offers the following benefits:

- The opportunity to serve international customers worldwide with advice, service and safe and consistent products;
- The ability to generate insights into new developments from around the world and apply these in other geographic areas;
- Exciting careers for our employees with opportunities to work in many different markets and experience different cultures.

Financial strength

Being one of the few public companies active in our markets we have significant opportunities to attract additional financing when attractive opportunities arise. This gives us the opportunity to:

- Support the growth of our business with the acquisition of companies in our markets that enhance our market position, increase sales, consolidate the market and reduce costs. This is particularly the case in the bakery markets where it is an attractive way of creating value;
- Support future organic growth through large capital expenditures especially focusing on the bioplastics developments at Purac.

Performance goals

We have set ambitious goals within the framework of our strategy to realize above average returns and to meet our leading financial KPI's, including Organic Sales growth, ROCE, EBITA margin and net debt/EBITDA.

To monitor and manage the execution of our strategy we also have introduced underlying company-specific KPI's, such as sales of new products, working capital days on hand and service levels.

Swift growth for Bakery Supplies in Turkey

Part of CSM's strategy is to expand into emerging economies with high growth rates. One such area is Turkey, where we have significantly developed our business over the last two years, by leveraging existing customer relationships through our vast global reach.

With a dynamic economy, fiscal stability and an expanding middle class, it is little wonder that a growing number of European companies are looking to Turkey for new market opportunities. Recent years have seen a steady increase in local living standards and new consumer habits embraced by the nation's affluent young urban generation.

For CSM, opportunities have emerged with the shift in local eating and drinking habits. Alongside the nation's long standing tea-drinking culture, western-style coffee shops offering out-of-home frozen pastries have become increasingly popular, while new types of outlets, such as hypermarkets and local convenience stores, stocking ever more product varieties.

In 2009, in direct response from demand from one of it most important global coffee shop customers, CSM Bakery Supplies seized the opportunity to gain a foothold in the market in 2009 by acquiring an available production facility located in Istanbul. The plant was fitted with excellent facilities for frozen goods and can also manage more artisanal production types. It is also BRC-certified, a prerequisite for food production in Europe that is not widely applied by local manufacturers, giving international outlets the guarantee that products are being made in the strictest possible conditions.

With these production capabilities in place, CSM can generate high value products and a unique position in the market to service its multinational clients, with the possibility of creating mass items tailored to local tastes. Operations have further benefited through the implementation of a unique customer-focused structure that fosters entrepreneurialism through short reporting lines, committed support from the top management and minimum bureaucracy.
"Turkey is an extremely exciting market and it is genuinely surprising to see how quickly it is transforming, with more people buying frozen pastry products than before and moving away from traditional varieties," explains Omer Baturalp, Vice President CSM CISNEA. "This move demonstrates our ability to meet our customers' needs around the world and is a blueprint for global expansion and how we can leverage our capabilities and resources."
CSM's operations in Turkey saw organic sales triple in 2010 compared to their starting point in 2009, and are looking forward to building on this growth in 2011.

Financial Commentary 2010, Dividend Proposal

Results

Net sales

Net sales in 2010 were significantly higher than in 2009, an increase of 17.0% to € 2,990.1 million (2009: € 2,555.9 million). The effect of the Best Brands acquisition on 19 March 2010 contributed with € 310.6 million (12.2%). Exchange rate differences, especially the US dollar, positively impacted the sales figures by € 98.8 million. Organic growth was € 24.8 million (1.0%), adjusted for acquisition and currency effects.

Breakdown of organic growth:

Bakery Supplies North America	0.1%
Bakery Supplies Europe	-0.1%
Purac	7.0%

Organic growth for the Bakery Supplies North America remained flat as the result of a 1.3% drop in volumes, a consequence of the continued weak economic climate, but was compensated by higher selling prices. In Europe both volume and price development were flat on an annual basis, with the organic growth trend turning positive in the second half of the year.

Growth at Purac was strongly driven by a positive volume effect of 9.6%. The volume increase is coming from both Food and Chemicals & Pharma market units. Price and mix changes reduced growth by 2.6%, as prices were adjusted to reflect the lower raw materials costs in late 2009 and early 2010. In addition, we have seen substantial growth in the animal feed channel, which has lower average selling prices.

EBITA

EBITA excluding one-off acquisition and integration costs increased by € 64.6 million, or 42.9%, to € 215.2 million (2009: € 150.6 million). EBITA including the one-off costs of Best Brands amounted to € 193.8 million. The net EBITA effect from the acquisition amounted to € 9.3 million (6.2%). Our EBITA has been positively impacted by € 7.5 million due to the translation of our income in foreign currencies to the euro.

The breakdown of the EBITA per division, excluding one-off acquisition and integration costs:

millions of euros	2010	2009	
BSNA	123.4	94.0	31.3%
BSEU	61.8	45.3	36.4%
Purac	56.6	37.9	49.3%
Corporate	-26.6	-26.6	0.0%

Financial income and charges

Net financial charges decreased by € 1.3 million to € 27.6 million. Higher interest expenses mainly due to the financing of the Best Brands acquisition and the costs of a private placement of US$ 300 million were more than compensated by positive effects from the fair value valuation of our derivatives.

Taxes

Net tax expenses amounted to € 31.2 million or 23.9% (in 2009: 23.8%) of income. Compared to last year, this increase of € 4.1 million is mainly due to the improved result before tax from € 113.9 million in 2009 to € 130.5 million in 2010.

Balance sheet

Capital employed including goodwill increased by € 437.7 million to € 2,167.6 million. The main movements were:

millions of euros	
Acquisition effects	391.1
Net capital expenditure on (in)tangible fixed assets	83.2
Depreciation / amortization of (in)tangible fixed assets	-107.3
Working capital increase	13.3
Exchange rate differences	80.7

The acquisition effects relate to Best Brands and to the remaining 50% of our lactic acid production joint venture with Cargill in North America. The major capital expenditures in Bakery Supplies in addition to regular replacement and maintenance of fixed assets comprise frozen and ingredients manufacturing capacity. Furthermore, Bakery Supplies made investments to realize production efficiencies and there were investments in IT. The majority of capital expenditure at Purac consisted of the investment in the new PLA factory in Thailand.

Working capital increased by € 59.9 million to € 251.2 million. The acquisition and currency effect contributed € 36.4 million and € 10.2 million respectively. Our increased position in inventory and debtors has been largely compensated by higher payables resulting in a net effect of increased working capital of € 13.3 million.

Equity before profit appropriation increased by € 119.4 million to € 1,117.2 million. The main movements were:

- The addition of € 99.3 million in profit for 2010;
- A decrease of € 36.2 million in connection with the dividend for financial year 2009;
- Positive exchange rate differences of € 52.9 million due to the translation of equity denominated in currencies other than the euro;
- Positive movements of € 2.4 million in the hedge reserve.

At the end of 2010 the ratio between balance sheet total and equity was 1:0.4 (2009: 1:0.5).

Cash flow

Cash flow from operating activities decreased by € 88.6 million compared to 2009 amounting to € 188.6 million. Although we recorded higher results in 2010, cash flow generated was lower due to the major working capital reduction in 2009 that contributed € 103.5 million cash flow in 2009. In addition to the working capital difference, in 2010 the tax burden in the Profit & Loss account was more or less equal with taxes paid, whereas in 2009 our taxes paid were negligible.
The cash flow required for investment activities increased in 2010 by € 407.2 million to € 454.3 million. The acquisition of Best Brands and of the 50% interest of the Lactic Acid production joint venture with Cargill required a total cash flow of € 384.7 million. The higher capital expenditures of € 22.5 million relates for the largest part to the construction of the new lactide factory for Purac in Thailand.
Cash flow from financing activities amounted € 256.6 million. This includes financing via a new placement of a private placement of US$ 300 million.

Financing

Our balance sheet ratios have been influenced by the financing of the acquisitions in 2010, particularly that of Best Brands. Next to this, the higher operational result positively impacted our debt level and the higher US dollar rate contributed negatively to the year end position.
At the end of 2010, the net debt position was 2.1x EBITDA (2009 1.6x) while the interest cover for 2010 was 9.7x (2009 8.0x). We continue to stay very well positioned within the limits of our financing covenants despite the major Best Brands acquisition.

The net debt position amounted to € 631.0 million at the end of 2010, an increase of € 302.7 million compared to the end of 2009. This is the net balance of the following major movements:

- a positive cash flow from operating activities before working capital and provisions of € 262.6 million;
- the acquisitions of Best Brands and of the 50% interest of the Cargill joint venture of € 384.7 million;
- a net investment in fixed assets of € 69.6 million;
- dividend payments of € 36.2 million;
- net interest paid of € 32.4 million;
- tax paid of € 34.1 million;
- an increase of € 13.3 million in working capital;
- an increase of € 0.8 million due to a mix of exchange differences and fair value adjustments.

On 31 December 2010 the interest-bearing non-current liabilities amounted to € 745.7 million (31 December 2009: € 444.6 million). The average effective interest rate of the non-current liabilities outstanding on 31 December 2010 was 3.7% and the average remaining term 4.5 years (31 December 2009: average interest rate 3.9% and average term 3.4 years).

Reservation and dividend policy

The reservation policy is aimed at creating and retaining sufficient financial scope to realize the growth objectives while maintaining healthy balance sheet ratios. CSM intends to add or charge the profit or loss to the company reserves after payment of the statutory dividend on financing preference shares and after deduction of the proposed dividend on common shares. Issues such as financing requirements, acquisitions, divestments, reorganizations or other strategic considerations can lead to adjustments in the reserves and the reservation policy. The amount of dividend on common shares and the type of dividend that the company will offer to its shareholders depend on the financial results of the company, the business climate and other relevant factors. In principle, CSM aims at an even and, if possible, upward trend in the dividend.

Dividend Proposal

Upon adoption of the financial statements holders of cumulative financing preference shares will receive the statutory dividend. The dividend proposal on common shares will be presented to the General Shareholders Meeting to be held on 3 May 2011.
The dividend proposed on common shares increases to € 0.90 per share (2009: € 0.88). Shareholders will be offered the choice between a cash and stock dividend charged to the reserves. The dividend in common shares is exempt from Dutch dividend taxes.

CASE STUDY KATE'S CAKES

Teamwork delivers Cup Cake growth in Europe

Widely featured in popular television shows and celebrity cookbooks, Cup Cakes are one of the most exciting trends to emerge in the premium finished product segment in recent years. Following a surge of popularity in the Unites States, today they are in demand across Europe.
CSM planned its entry into the European market for frozen Cup Cakes under the Kate's Cakes brand in late 2009, following extensive market research into consumer and customer insights. A few months later, it presented a range of five innovative Cup Cake flavors to different types of customers in various European markets at the INTERNORGA trade fair in Hamburg in March 2010.

Thanks to our advanced insights and thorough research, we managed to develop a product type that appeals to a wide group of European consumers. Consumer research indicated that subtle adaptations were required to tailor the product to local taste preferences in the different European markets.

The end product has excited a broad range of customers and channels, from coffee chains and pan-European supermarkets as well as to artisan bakers. Some key customers have already asked us to supply their outlets nationwide or across Europe.

The Cup Cakes are manufactured at CSM's plant in Santo Tiso, Portugal, which was heavily focused on baked products and had to be fitted with a specialized frozen Cup Cake production line. A multinational and cross functional team worked around the clock to prepare the plant with the right equipment, processes and high-care handling systems. This meant working nights and weekends to ensure production capacity was ready for the anticipated growth in demand, and fulfilling our commitment to delivering the very best product.

Thanks to the enormous effort from all the teams involved, including innovation, marketing, sales and manufacturing, our cup cakes are on the way to becoming a major success, among others in Germany, France, Belgium, The Netherlands, Portugal and Spain.

"The passion and forward power of our teams was amazing once they saw the opportunity to deliver this product," says Wolfgang Bakker, Business Unit Director Out of Home & In Store for CSM Germany. "We were able to bring people together behind this target from all over Europe. For us this is just the beginning of a market as well as a partnership success story in Bakery Supply Europe!"

At CSM, we are passionate about delivering the best products. We continuously develop new and innovative products that meet the needs of our customer and end-consumers. As consumers become more experimental and open to trying new products and flavors, we use our global capabilities to exchange products between markets in different parts of the world. Our capabilities in marketing and innovation are the key to converting these trends and developments into our product portfolio. At the same time, our strong local and regional presence provides us with an in-depth understanding of the markets, which we use to tailor our offering.

Cup Cakes scoop Benelux industry prize

In January 2011, Kate's Cakes Cup Cakes won the Horecava Innovation Award 2011 in the Food & Beverage category. The award recognizes the most innovative concepts in hotel and catering industry in the Benelux. The winning cup cakes were one of the 4 nominees out of a total of 150 entries. The jury lauded their texture and taste, and presentation, describing the cakes as 'a unique and attractive concept'.

"We've proven these Cup Cakes can be successful in the United States and United Kingdom, but we now see how well-received they've been in the Benelux after developing the product to local tastes," says Edwin Wentink, Business Unit Director Out of Home & In Store for CSM Benelux. "This award proves the effectiveness of our consumer-driven strategy."

Prospects for 2011

Outlook 2011

As we continuously strengthen our organization, we look forward to 2011 with confidence, despite the fact that we see a persisting volatile year ahead of us. We anticipate that consumer confidence in our main markets in North America and Europe will remain weak and raw material markets seem to trend to new peaks. Nevertheless, our sales efforts will benefit from the investments we have made over the past years in both innovation and customer intimacy and from the acquisitions made.

In 2011 we will continue to drive consolidation in our markets through seeking opportunities to make value enhancing acquisitions, particularly in our bakery supplies division, such as the recently announced acquisition of Classic Cakes. Furthermore, strengthening our presence in emerging markets is an important focus for 2011. In addition to our desire to grow our sales volumes, a great effort from our organization will be demanded to increase selling prices and to reformulate products to compensate for the dramatic increases in raw material costs. These costs are expected to increase by at least € 200 million in 2011. The increases unavoidably will have a lagging effect in adjusting selling prices in the earlier period of the year.

We will continue to invest in further strengthening our organization to prepare for the anticipated growth, most notably in Purac, given its expected growth in bioplastic lactide sales in the years after 2011.

Interest expenses will trend slightly higher as a result of our decision in 2010 to fix for a longer term our interest rates with a Private Placement of US$ 300 million with an average term of 7 years. We expect our tax burden to be around 25%, in line with previous years.

As a result of the increased raw material cost levels, we expect some growth in our working capital levels. Capital expenditures in 2011 will be approx. € 130 million mainly due to the necessity to invest substantially in capacity and new growth initiatives at Purac.

In 2011, we expect to achieve US$ 12 million incremental synergies (cumulative US$ 18 million) of the targeted synergies regarding the integration of Best Brands, incurring about US$ 15 million of related costs. As the acquisition of Best Brands was made in March 2010, the acquisition will add 10 weeks of additional sales and EBITA to 2011 in comparison with 2010.

CSM Bakery Supplies

CSM Bakery Supplies produces and distributes an extensive range of premium quality bakery products and ingredients for artisan and industrial bakeries, and for in-store and out-of-home markets, mainly in Europe and North America. We supply customers with finished or semi-finished products as well as ingredients.

The Bakery Supplies market

Grain-based breads and pastries are an important part of consumers' daily diets in large parts of the world. For some they are the cornerstone of their daily food intake, while for others they represent a new and exciting choice. The wide variety of products has developed over centuries, based on the availability of local grain types and tastes, offering unprecedented levels of choice for today's consumer.

More recently, the bakery industry has contributed to the growing array of available products through innovation and development. In addition to the traditional dark breads of Northern Europe, the patisseries of Southern Europe and the soft breads of North America, bakery outlets in Western markets increasingly offer bread and pastry types from all over the world.

In non-traditional markets such as Asia, bakery outlets select the most popular of these to attract consumers to grain-based bakery products.

Main market trends

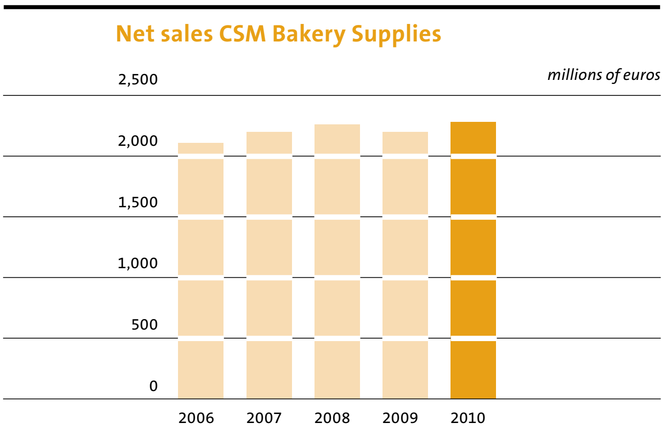
We recognize a number of key market trends, for which CSM Bakery Supplies is very well positioned to drive future growth:

New types of outlets

The artisan bakery is the traditional outlet for daily bread and pastries. However, in Anglo-Saxon countries, supermarkets already account for the lion's share of sales. In other Western countries, supermarkets are rapidly making inroads into the bakery markets. In addition, consumers are increasingly demanding bakery products wherever they might be; shopping or on the go. They no longer expect these products only in the traditional outlets and channels, resulting in that other types of outlets are gradually selling more bakery products. The largest sales growth is through 'out-of-home' channels such as coffee houses, convenience stores at train stations and petrol stations, and restaurants, which can offer fresh bakery products anywhere and anytime.

Improved production technology

Sales growth in new types of outlets has been partly driven by modern technology that allows freezing of partly or fully baked products. Consumer demand has also responded to the




increased quality and perceived freshness of bakery products that modern bake-off equipment can deliver. At the same time, more efficient ways to grow wheat have also helped increase the share of grain-based bakery products in the daily diet.

Demand for healthier products

In North America and Europe, healthier eating is becoming an important issue for consumers. The trend in calorie reduction and consumers' increasing awareness of healthy ingredients, in particular regarding fats and fibers, are an opportunity for the bakery industry to drive further growth. Coupled with improved production technology, innovation is key in addressing these market trends.

New indulgence

Many consumers have become more experimental with new products, new flavors and new moments to enjoy our products. This allows exchanging products from around the world into other markets. Furthermore, because of the trend towards healthier food, consumers have become more conscious when allowing themselves to consume indulgent products, and demanding that these should have the highest premium quality.

Expanding into new markets

The growth of bakery markets in developed countries, where there is limited population growth, is relatively low and aligned to overall GDP. Growth rates are considerably higher in emerging markets where populations are steadily expanding. In addition, in these regions bread is becoming increasingly important in people's daily consumption patterns.

Customer support & services

Our Bakery Supplies customers are increasingly looking for suppliers who can support them in various ways, including product development, logistics solutions and marketing activities. We identify an increasing demand for what we call customer intimacy-based solutions.

CSM's position in Bakery Supplies

Our leading position in the bakery market is based on the high quality of our products and the value-adding services, for which we are renowned. We supply our customers with ingredients, as well as finished or semi-finished products.

Finished and Semi-Finished Products

We play a growing role in the manufacturing and selling of premium finished and semi-finished pastry products, such as fully decorated cakes, donuts, muffins, European style viennoiserie and American cookies. We mainly sell these products as frozen goods to customers in the out-of-home and supermarket channels. Our activities within this segment have been focused on North America and Europe, where we are a leading supplier. Although limited, we have an increasing presence in fast-growing emerging markets, such as in Asia and the Middle East.




Ingredients

CSM is market leader in ingredients such as bread improvers, bread and pastry mixes, bakery margarines and emulsifiers, fruit and (non) dairy-based pastry creams, fillings, icings and glazes. It is not our ambition to offer basic bakery product ingredients such as flour and sugar.
We focus on areas where we can offer added value. Within this segment, our customer base comprises traditional artisan bakeries, industrial bakers and supermarkets that offer in-store finishing of bakery products.

CSM's Bakery Supplies strategy

CSM's strategy is geared towards further building our leadership position in our markets and ensuring sustainable and profitable growth with returns above market average (see strategy section on page 18).

Our long-term strategy for Bakery Supplies is based on our passion for delivering the best products and being a true partner to our customers.

Passion for our products

We continuously develop new and innovative products that meet the needs of our customer and end-consumers. Our global capabilities in the field of marketing and innovation are the key to convert global trends and developments into our product portfolio. On the other hand we also have a strong local and regional presence and an in-depth understanding of the local markets, to which we tailor our offering.

Partnership

We aim to partner with our customers to achieve mutual growth and prosperity. This means not only supplying the right product to each customer, but also providing a range of customer support services. We provide the technical expertise they need in order to improve the quality of their products and the efficiency of their operations.
We also invest in market data and product development, which enables us to work with customers to define new ways of attracting consumers and increasing sales. Our partnership approach nurtures long lasting relationships and often makes CSM a preferred supplier.

Developments and Results in 2010

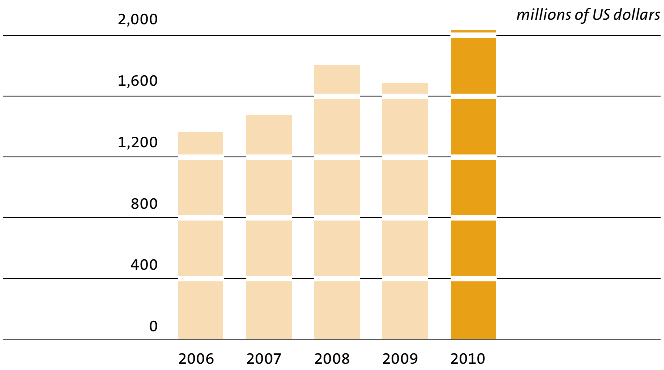
Our core markets did not experience a real recovery from the economic downturn, most markets were stable at best. Volatility has been a feature for our key raw materials markets in the past years and this proved to be the case again in 2010, with in many cases substantial increases in input costs. Although our raw material purchases were partially covered by longer-term hedges, increasing prices to our customers was and is a necessity.

Market Situation

Raw Material Price Volatility

The global markets for raw material have remained very volatile since the sharp cost increases seen in 2007 and 2008.

Net sales CSM Bakery Supplies North America






CASE CSM BAKERY SUPPLIES

Best Brands

Acquiring Best Brands has significantly strengthened our position in the United States and made us the market leader for frozen pastry products. Best Brands reinforced our robust portfolio of muffins, cakes and puffed pastry products. The majority of the company has been integrated within HC Brill, our platform for sweet ingredients and products. Together, HC Brill and Best Brands have a rich 125-year history of manufacturing the finest baking ingredients and products; a legacy that will provide a solid foundation for the success of the resulting merged company, CSM Bakery Products. The acquisition has also provided us with increased manufacturing capacity in the western part of the United States, making our operations in the country more balanced overall.

Despite softer pricing in 2009, 2010 saw a constant increase in most of the world's commodities. We expect this volatility to remain for the foreseeable future as prices are not just being influenced by supply and demand, but also by financial speculation. The amount of money currently flowing in and out of the raw material commodity markets is unprecedented, driving fast and strong movements in the market place. Therefore knowledge and insight are crucial to respond effectively to market developments. Our global procurement team is well-placed to work in such a volatile climate, capitalizing on combined volumes and joint expertise, aiming to stabilize prices at competitive levels.

Due to all our efforts in 2010 we were capable to minimize the impact of the increased raw material costs to our customers and on our results. The raw material markets however continue to rise and as a consequence we have to pass this cost on in a relatively weak market, which is a challenge to any business in any industry.

Uncertain economic climate

In the aftermath of the subprime crisis in the United States and the financial crisis that followed, consumers in our core markets have remained cautious. We experienced lower consumer spending. In a number of Southern European countries that were confronted with uncertainty caused by high public debts, higher interest rates and large budget cuts in government-spending. As we are a food product supplier, providing daily consumer needs, the impact on volumes was relatively limited, although trading down to cheaper alternatives and price promotions impacted sales. Despite a weak economic climate, we saw an improvement in volumes sold during the year, mainly as a result of the investments we have made over the last few years to improve our competitiveness by building differentiating capabilities. In the second half of the year, even with the price increases we have had to implement, our bakery

volume increased by 0.5%, a promising positive trend compared to the first half.

Best Brands acquisition and integration

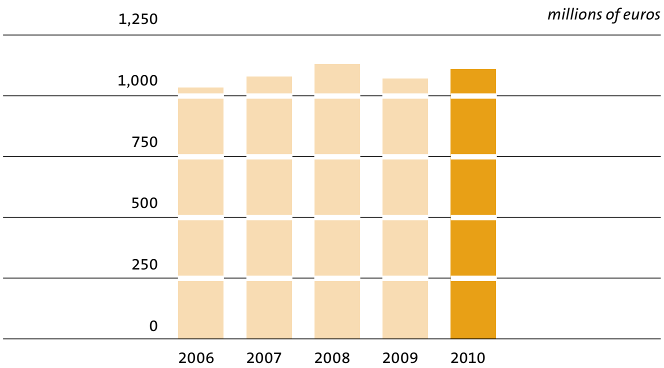
On 19 March 2010 we completed one of the largest acquisitions in the history of CSM. The addition of US$ 538 million in sales of Best Brands, considerably strengthened our position in the United States. Our competitiveness in frozen pastry products changed significantly; we became the market leader, reinforcing our portfolio of muffins, cakes and puffed pastry products. Our presence in the United States has become more balanced with significant manufacturing capacity being acquired in the Western region of the United States. During 2010 Best Brands has been fully integrated in our strategic platforms, with the predominant share of the Best Brands organization being integrated within Brill, our platform for sweet ingredients and products. The merged company has been renamed CSM Bakery Products.

The fast and thorough integration has taken a lot of energy from our organization and we are very proud that the underlying business has kept its strength despite this massive undertaking. In 2011 further streamlining of the organization will take place. In our efforts to optimize the business and to deliver on targeted synergies, CSM has reviewed the manufacturing base of the combined companies in order to improve utilization, to reduce complexity in the supply chain and to maintain an adequate geographic footprint. This will result in the closure of two manufacturing facilities, as announced in February 2011.

Results 2010: Bakery Supplies North America

The most important milestone in 2010 was the acquisition of Best Brands, which added US$ 412.0 million in sales and US$ 40.6 million in EBITA, thereby the main driver for growing to a total sales level of US$ 2,077.3 million while EBITA came to US$ 163.6 million. Offsetting a part of the earnings were acquisition and integration costs of US$ 28.3 million. It has been satisfying to see how our North American businesses have managed such a sizeable integration in a fast and efficient way.

Net sales CSM Bakery Supplies Europe



We have strengthened our market position despite a limited volume decline of 1.3%, which in our view compares favorably, with a higher decline in the overall market.

In 2010, margins were negatively impacted by a rise in raw material costs. Although we increased selling prices accordingly, a small lagging effect was unavoidable. Our EBITA as a percentage of sales before the integration and acquisition costs ended at 7.9% (2009: 7.9%).

Capital employed at year end increased by US$ 439.1 million, of which (US$ 396.4 million) was due to the acquisition of Best Brands. Our average cash conversion cycle ended at 29.8 days, from 30.4 days in 2009, indicating continued cash discipline within our organization. Capital expenditures amounted to US$ 22.8 million, US$ 10.6 million lower than depreciation. Major capital expenditures included investments related to the Best Brands integration and to IT projects. ROCE came in at 12.7% compared to 13.8% in 2009.

Results 2010: Bakery Supplies Europe

In 2010 our European Bakery organization continued to strengthen, as reflected in our financial performance. For the first time in many years there was positive volume growth in the third and fourth quarter. Although the economic climate is still fragile, limiting market growth, our return to growth is clearly an indication that our investments in innovation and marketing are paying off. We delivered an EBITA level of € 61.8 million, a substantial increase from € 45.3 million in 2009 driven by effective cost and raw materials management. Volumes notably increased in our frozen categories which are mostly sold in our Western European markets. The Southern European countries faced more difficult conditions due to the ongoing effects of the financial crisis in the region. Organic sales growth for the year ended nearly flat, as a result of a volumes decreases of 0.6%, compensated by price increases and product mix changes of 0.5%. For our sales to the in-store supermarket channel, promotional activities continued at a relatively high level, lowering average prices. Our margins increased, although declining somewhat in the second half of the year due to the increased raw material costs. Selling prices have been and are being increased but this cannot prevent a slight margin decline. The stronger British Pound positively affected EBITA by approx. € 0.5 million.

Our year-end capital employed decreased due to additional long term provisions. Working capital increased by € 14.5 million. Our average cash conversion cycle ended at 24.7 days, from 31.7 days in 2009, driven by a continued cash discipline in the organization. Net capital expenditure on fixed assets amounted to € 14.5 million, which was below the depreciation level of € 22.3 million. Larger capital expenditures included, among others, expansion of frozen capacity in the UK and various IT projects. Our ROCE increased by 2.2% to 7.4 % in 2010.




CSM Bakery Supplies

Calendar Year	2010 Full year	2009 Full year
millions of euros		
Net Sales	2,589.7	2,200.6
EBITA excl. one-off Best Brands	185.2	139.3
EBITA	163.8	139.3
EBITA-margin (excl. one-off Best Brands)	7.2%	6.3%
ROCE in % (excl. one-off Best Brands)	10.2%	9.1%

CSM Bakery Supplies North America

millions of US dollars		
Net Sales	2,077.3	1,655.4
EBITA excl. one-off Best Brands	163.6	131.1
EBITA	135.2	131.1
EBITA-margin (excl. one-off Best Brands)	7.9%	7.9%
ROCE in % (excl. one-off Best Brands)	12.7%	13.8%

millions of euros		
Net Sales	1,567.1	1,187.3
EBITA excl. one-off Best Brands	123.4	94.0
EBITA	102.0	94.0
EBITA-margin (excl. one-off Best Brands)	7.9%	7.9%
ROCE in % (excl. one-off Best Brands)	12.7%	14.2%

CSM Bakery Supplies Europe

millions of euros		
Net Sales	1,022.6	1,013.3
EBITA	61.8	45.3
EBITA-margin	6.0%	4.5%
ROCE (in %)	7.4%	5.2%

CASE STUDY KRAFT FOODS

Managing key accounts: KRAFT FOODS

We aim to partner our clients and build a long-term relationship that will both support them and make them successful in their markets. This partnership is essential in driving our strategy. CSM provides support in key areas requiring multi-functional business solutions.

With its centrally managed innovation systems and processes, Purac has a long history of close cooperation with many of its key customers to develop new products and applications that meet specific market needs. By sharing knowledge with its customers on a large scale, it significantly increases the effectiveness of its overall innovation chain.

One such example is US-headquartered Kraft Foods, the world's second largest food company. The company is a long-standing customer with an interest in Purac's wide range of natural food preservation solutions. In recent years, the cooperation has intensified after Purac became involved in Kraft Foods' own Open Innovation program. The program guides and encourages collaboration between the company and its suppliers and has resulted in several joint research and development projects that benefit both companies.

One of the development areas has been in so-called 'label friendly' preservation and safety systems that meet Kraft Foods' flavor, cost, sodium and efficacy targets. Multifunctional teams were established for each project, which included representatives from Innovation, Supply Chain, Engineering, Regulatory, Marketing and Sales.

"Our partnership with Kraft Foods is exemplary of our customer intimacy approach which makes the most of our innovation capabilities," says Bert de Vegt, Vice President Food of Purac. "We are extremely pleased with the results and look forward to more successes ahead."

Purac




Purac is a leading player in the field of food preservation, green chemicals and bioplastics components produced from lactic acid, lactic acid derivatives and other fermentation-based materials. It creates niche positions by offering solutions based on natural fermentation capabilities. One of the key solutions that Purac has developed is the offering of biobased building blocks, which can replace mineral oil-based materials.

Our markets

Purac operates in markets with significant growth opportunities. Its core competence is fermentation technology that uses micro-organisms to transform carbohydrates into acids. The main acid produced is lactic acid, a versatile building block for various applications. The most important markets for Purac are preservation, fortification, green chemicals and bioplastics.

Preservation

Food safety and shelf life are at the heart of our preservation activities as producers and consumers seek to reduce waste and the risk of deteriorating food quality. Natural preservation solutions are the perfect response to consumers' preference for natural, healthy and clean label products.

Fortification

Many consumers are concerned about deficiencies in daily intakes of vitamins and minerals in their diet. Purac offers solutions for this growing consumer segment by fortifying products with vitamins and minerals. We have a leading position in the fortification of drinks with soluble calcium and other minerals.

Green chemicals and bioplastics

Our largest market is the chemicals market, where greener and more sustainable solutions are replacing traditional mineral oil-based chemicals. With our technology based on renewable resources, we are well positioned to benefit from this trend.

We have developed a number of successful products based on lactic acid or lactide monomers, derived from lactic acid. Using these materials we launched bioplastics components to provide heat resistance to at least 180°C, thereby opening up a wide range of potential applications. Biobased plastics are already being used in a variety of applications, such as in packaging material.

In addition to lactic acid, a new biobased building block is fermentation based succinic acid, which is a green chemical component we are co-developing with global chemicals company BASF. This extensive collaboration underpins our leading position in fermentation.

Main market trends

We recognize a number of key market trends, for which Purac is well positioned to drive future growth:

Sustainability

Sustainability is one of the key opportunities in the chemicals and polymers markets. There is a huge trend in the global industries towards biobased chemicals made from renewable resources aimed at reducing CO_2 emissions and decreasing the dependency on fossil fuels. Purac is well positioned to contribute with a series of so-called biobased building blocks in which lactic acid, lactides and succinic acid can become important platforms for the production of more complex chemicals.

Safe, healthy and natural food

In the food industry, food safety and shelf life (extension) are key. Furthermore, healthy and balanced nutritional profiles have become important value drivers in the food industry. Simultaneously, we see a clear trend to reduce the number of ingredients on product labels towards "clean labels".
Lactic acid, lactic acid derivatives and ferments provide a broad range of solutions to these trends.

Purac's position

Purac plays a leading role in providing healthy, natural and eco-friendly products within its markets. Its continued investments in research and development and close cooperation with customers have given it a strong and preferential market position.
While focused on developing new and innovative products, Purac has not lost sight of its competitive cost position. It has further strengthened this advantage with a far-reaching efficiency program that concentrated the production of lactic acid into three large-scale factories on three continents at locations where its main raw materials are abundantly available. Highly specialized lactic acid-based derivatives are also manufactured close to its research & development facilities.

Innovation is at the heart of Purac's strategy. Being the market leader, most market growth has been initiated by new innovative products developed by Purac. Due to the nature of the products Purac develops, a new innovation is likely to take a number of years before starting to deliver substantial sales.

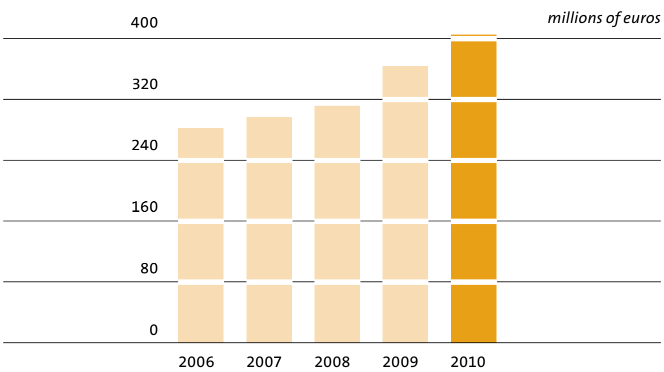
Intimate cooperation with our main customers is vital to increasing the success rate of our innovations and the speed with which these are absorbed by the market. Application research is often done in close cooperation with customers. We also team up with universities and other institutions around the world.

Purac's strategy

CSM's strategy is geared towards retaining or attaining leadership in our markets and ensuring sustainable and profitable growth with returns above market average (see strategy section on page 18).

In Purac our long-term strategy is to drive growth by continued investment in the creation of new products and related production capacity. Purac aims to increase its investment in fermentation technology and application development in the coming years. In 2010 we began building a new factory in Thailand to produce lactide for the bioplastics industry. This € 45 million investment increases our capacity and enables us to meet growing demand in 2011 and beyond.

Net sales Purac



As a result of the large opportunities to grow our business in our traditional business of Food and Chemicals & Pharma, but especially in lactides as a feedstock for bioplastics, we are investing substantially in our organization. Mid 2010 we started to recruit many highly skilled and educated personnel to support the realization of the opportunities ahead.

Major developments and results 2010

Organic growth remained strong at 7.0 % in 2010, up from 6.2% in 2009. This was driven by volumes which increased by 9.6%. Volumes grew both in the Food and the Chemicals & Pharma markets. In 2010 we also acquired the remaining 50% of our US production facility from our joint venture partner Cargill. Although the transaction itself does not increase our sales levels, as all lactic acid coming from this joint venture with Cargill was already sold through our sales network, the acquisition of the remaining share gives us more flexibility in developing our US activities.

Raw material price volatility

The global markets for raw materials have remained very volatile ever since the sharp increases in raw material costs in 2007 and 2008. Despite softer pricing in 2009, 2010 saw a constant increase in most of the world's commodities including the carbohydrates Purac is dependent upon: sugar, corn and tapioca. We expect this volatility to remain for the foreseeable future, as prices are not just being influenced by pure supply and demand factors, but also by financial speculation. The amount of money flowing in and out of the raw material commodity markets is unprecedented, driving fast and strong movements in market prices. Knowledge and insight to react timely on opportunities in the market are crucial to managing pricing as good as possible.

Our global procurement function is well-equipped to manage such a volatile climate, aiming to buy materials at competitive levels. Our sales force is closely connected to procurement and fully aware of the impact of changes in raw material prices. This enables our organization to react knowledgeably and rapidly to our customers.

Our raw material costs, as a percentage of sales, increased in 2010 to 53.2% from 52.9% in 2009. This was a consequence of increased raw material costs. On average our selling prices came slightly down due to the downward adjustments we had to make as a result of raw material cost decreases in 2009. We are now increasing our prices to compensate for the increased input costs. The impact of the higher cost of raw materials was more than compensated by the growth in volume and the better utilization of our manufacturing plants.

Progress bioplastics strategy

The construction of our new lactide factory in Thailand has been a major activity for our Purac organization in 2010. The factory

Purac

Calendar Year	2010 Full year	2009 Full year
millions of euros		
Net Sales	400.4	355.3
EBITA	56.6	37.9
EBITA-margin	14.1%	10.7%
ROCE (in %)	18.8%	12.7%

is expected to be commissioned at the end of 2011, in line with earlier planning. Our sales and R&D organizations are actively engaging with many potential customers, in order to fill the capacity of this factory. Tests and pilots are being run with many potential partners as a step in the process to evolve from a development agreement to firm commitments in the course of 2011. We are very confident that lactides will play a major role in the move from mineral oil based plastics to plastics from renewable resources. As such, we are committing substantial resources to the next generation of plastics from lactides. This next generation should no longer use food stock as a raw material but will be produced from bio-mass, such as waste material.

Results 2010

Purac's results have been very satisfying. EBITA increased by € 18.7 million to € 56.6 million, driven by strong volume development and despite investments in the organization to enable future growth. This growth is largely due to the organic sales volume growth of 9.6%, although somewhat mitigated by the negative price and mix effect and the higher cost of raw materials. Growth was seen in all our markets, but especially the chemicals market experienced higher growth partly driven by the replenishment of inventory positions by customers in the chemicals industry. Price and mix changes impacted growth negatively by 2.6% due to downward selling price adjustments following lower raw materials costs in late 2009 and early 2010. In addition, we have seen substantial growth in animal feed, which has lower average selling prices.
Capital employed at year end increased to € 332.9 million from € 275.7 million, as a result of financing our growth both in capital expenditures and working capital. Our average cash conversion cycle finished at 70.9 days, from 91.9 days in 2009, clearly showing the continued efforts of our organization.
Capital expenditure amounted to € 37.9 million of which € 22.4 million was spent on our lactide factory in Thailand. This compares with our annual depreciation of € 24.4 million. Our ROCE improved from 12.7% in 2009 to 18.8 % in 2010.

Our people

People are our most valuable asset. Their passion and professionalism define the character of our company and are the keys to our success. At CSM, we aim to attract, engage and develop the best people by creating a supportive environment in which respect, cooperation and excellence are the standard.

Principles and policies

Our Social and People Policy is based on clear principles. We monitor adherence to these principles and constantly monitor our approach to ensure they are being met. They are as follows:

- recruit, develop and promote employees on the basis of the talents and skills required for the job;
- provide safe and healthy working conditions;
- offer a varied and challenging career;
- encourage and support individual and team initiatives to further improve the results, reputation and growth potential of CSM, and;
- strive for performance excellence and related rewards.

Our workforce

In 2010, the average workforce increased from 8,382 to 9,456 (FTE). This was mainly due to the acquisition of Best Brands and the growth of Purac. The distribution of employees over the various regions is shown in the table below.

	2010	2009
The Netherlands	854	777
Rest of Europe	3,741	3,770
North America	4,528	3,501
Rest of the world	333	334
Total	9,456	8,382

Our values

CSM's values are passion, partnership and performance. They are the cornerstone of our strategy and guide us each day to deliver the best products, technologies and services to our customers. Our values also constitute a source of engagement and pride for our people and unite us across all positions and countries.

Based upon our values we conduct business in a responsible and ethical way and are mindful of our responsibilities towards improving the quality of life and contributing to sustainable development. We also understand that doing business in the right way means showing respect, appreciation and a cooperative spirit to everyone we work with.

People strategy 2010

During the year we continued to invest significantly in our people to maintain our leadership position and competitive edge in the market. CSM remains an attractive employer by continuing to offer a varied and challenging career path and maintaining its focus on training and development.

As a medium-sized multinational, we face many of the same challenges larger companies face but without the bureaucracy, big head offices or vast army of resources. This creates space for those who have a passion to succeed and the entrepreneurial drive to find commercial opportunities.

We develop and tailor our people strategies to support our business. These strategies are underpinned by CSM management development and local training and are linked to both short and long-term objectives to measure success and reward performance.

Development

We provide development opportunities through formal and on the job training, exciting projects, international experience and exposure. We also seek to expand our leadership development and training programs aimed at producing the new generation of leaders that will keep CSM at the top.

CSM has different management development programs in place. The Leadership Development Program 1 (LDP1) targets high potential managers, who we expect to grow into a senior management function within the next 5 to 7 years. The LDP1 is a regional, cross-divisional program that is run both in Europe and the United States. The focus is on improving personal and managerial skills, improving stakeholder management, operating more effectively in an international environment and gaining in-depth knowledge about the company.

The Leadership Development Program 2 targets high-potential senior managers who we expect to be the successors of our executive members in 5 to 7 years. The focus of the program is to improve strategic insights and managerial skills, enhance influencing abilities, learn how to apply the advantage of the cultural differences within the company, share best practices and help people managing change.

As a global company with operations in 28 countries, we understand the importance of providing our people with the broadest possible experiences. Our interdependent company structure requires a diverse management that is well connected and takes an international approach to growing the business.

To this end, we provide our employees with opportunities to work on large scale and complex projects, sometimes abroad, to deploy their unique skills and capabilities where we need them most. In 2010 the integration of Best Brands was a fine example of how many employees from our North American operations, supported by employees from other entities, pulled of a large integration effort in a limited time frame. Purac started to build a large new factory for lactides in Thailand at the end of 2009. A multifunctional international team has been working since then, to finish this task on time by the end of 2011.
In 2010 we had extensive strategic discussions to develop our way forward. Virtual teams of people developed various initiatives across the world and across functions, creating a lot of excitement and valuable opportunities to learn.

Attracting talent

We aim to attract candidates of high potential to build our talent internally. A central part of this strategy is our trainee program in Europe that offers young graduates the opportunity to work in different positions in our business. This program provides the opportunity to go abroad for six months to develop international skills and experience a different environment and culture.

In Bakery Supplies North America, CSM launched its first MBA leadership program. In selective universities, MBA students with five to ten years of working experience were interviewed on campus and subsequently selected in a master event. The purpose of the program is to hire and develop, through selective rotations, future leaders in the company. Internal candidates were encouraged to participate in the program as well. As a result of the pilot, the first MBA students are starting mid 2011.

CASE STUDY EMPLOYEES

CSM Photo Contest 2010

left above:
PDC Delmenhorst, *public winner*

from left to right:
Alex Smylie, Helmut Gerber, Tobias Kotitschke

In the spirit of One CSM, a global CSM photo contest was organized in 2010, open to all employees. The theme for the competition was "Passion for our products" and entries were judged by a panel comprising senior executives from all CSM regions and businesses. Employees were also able to vote for their favorite picture in a separate 'public' award category. First prize category winners won a new digital photo camera.

The contest was a major success and the panel was overwhelmed not only by the levels of participation, but also by the high quality of the submissions. "We have been very impressed by our colleagues' enthusiasm and creativity," says Koos Kramer, CFO, who chaired the selection panel. "It is this same passion that continues to make CSM a successful company."

Invisible GOODNESS™ revolutionizes the bakery market

Globally, consumers are pursuing a healthier lifestyle and looking for healthier options in the food they eat. Our innovation program galvanizes our innovation centers and marketing teams around the world to work together and convert consumer insights into an attractive portfolio, developing the technology to make it happen.

Reducing dietary fat levels is one of the most significant challenges facing the global food industry today. Consumers have become more knowledgeable and discerning about healthy eating than ever before, while a growing number of local regulatory bodies are setting strict dietary reference values for the intake of fats in retail products.

As part of its commitment towards health and wellness, CSM aims to provide innovations that improve the fatty acid composition in the fat mix of indulgent bakery products, and help consumers manage their body weight more effectively. Launched in 2010, Invisible GOODNESS™ is the culmination of our efforts to provide industrial producers with a 30% lower fat alternative to traditional margarines, while maintaining all the taste, pleasure and indulgence of pastry treats.

The product allows customers to comply with nutrition and health claims legislation and potentially state “reduced fat” or “reduced SAFA” on their packaging. Equally significant for our customers, is that it handles in the same way on the industrial line, allowing for one-to-one substitution with their current margarine, with only minor adjustments to their recipes or production processes.

Launched in early 2010 for factory trials, the product was developed by CSM’s Bakery Fats Innovation Centre in close collaboration with sales and marketing and is based on strong insights into industry and consumer demands. “This is an innovation concept that we have pro-actively developed and then fine-tuned by going to customers and prospective customers to find out what they want,” explains Barbara Lanzoni, Marketing Manager Bakery Fats Europe. “This is why the interest has been so good.”

Currently Invisible GOODNESS™ is being trialed by major customers in most European countries, including France, Germany, and Italy. In 2011 CSM is also launching a range of frozen pastries and savory snacks under the Invisible GOODNESS™ brand, offering 100% taste and at least 30% less fat.

Innovation

Innovation is a key differentiator in our strategic positioning and drives our future growth. In recent years, we have consolidated our innovation activities to focus resources and deepen our expertise. Our customers recognize our innovation capabilities and distinctive services as a competitive advantage.

Innovation at Bakery Supplies

Innovation at CSM Bakery Supplies is organized through two main channels: i) Product Development Centers that are close to our customers and secure a swift response to customer demands; and ii) Innovation Centers that focus on longer term technological development. The cooperation between these two channels drives our unique "from global to local" positioning in the market. It enables us to convert global trends and developments into initiatives that work in local markets while at the same time, leveraging local bakery technology across the globe.

Production Development Centers have a strong local and regional presence and an in-depth understanding of their market. They are supported by the expertise of our global network and operate closely to the business, acting as a sparring partner for our customers.

Innovation Centers are primarily focused on anticipating global trends and merging this with consumer insights and input from the Product Development Centers. They devise an innovation strategy, based on the CSM strategy, to develop original solutions through a portfolio of projects. These help to meet the challenges that arise from changing consumer and customer demands, market developments, new technologies, and emerging legislation and regulations. The centers collaborate extensively, exchanging ideas, product and processing technologies, knowledge of raw materials, and best practices.

Focus areas

The product group strategies drive our innovation program to address global market trends in health & wellness, indulgence, convenience and changing customer needs. In addition, we anticipate environmental awareness, sustainability and globalization. The program has three main focus areas: i) nutrition and health; ii) convenience, and iii) indulgence/experience.

The innovation strategy for nutrition and health underpins the pivotal role bakery products have in our diet. This is a multifaceted approach aimed at expanding the health benefits in the diet (fiber, fortification), addressing the nutrient profiles and caloric density of indulgence products and removing undesirable components and component levels from bakery products.

The innovation strategy for convenience comprises "easy to prepare" and "de-skilling" solutions that allow our customers to optimize their operations. On the consumer side, our convenience innovations are focusing on product formats that allow a freshly prepared bakery product experience at any moment and any place during the day.

The innovation strategy for indulgence/experience anticipates an increasing group of consumer becoming more adventurous with new products and new flavors from different parts of the world. Simultaneously we see a big drive towards authenticity and heritage is gaining importance. Furthermore, we notice a growing consciousness when consumers allow themselves indulgent products; these should have the highest premium quality, in often smaller portions.

Developments 2010

In 2010, a number of successful innovations have been launched, such as:

- Trancendim™; an emulsifier which offers a reduced fat alternative for structuring fats and oils in a way that matches or improves the melting behavior of common fat-based products. The product line offers a variety of ways to make zero trans products with significant reductions in saturated fat without a sacrifice in taste, mouth feel or flavor release.
  The strength of this innovation has been recognized in the industry; Trancendim won the prestigious IFT innovation award.

CASE STUDY BAKKERY SUPPLIES

Nosh'em™

Our Nosh'em™ line demonstrates how our innovation and marketing programs work well together. Nosh'em™ bars, made with the new Invisible GOODNESS™ Natural Bar Base, taps into the trends of both health and wellness and convenience. We are selling the 35% base to make this product in any flavor variety - sweet or savory - or we can, in collaboration with a third party, provide the full product in a single-serve bar. Nosh'em™ is an innovative bakery snack that offers a fun, portable way to snack, that appeals to kids and adults and offers an excellent source of vitamin D and calcium, as well as being a good source of fiber.

- Genius™: a new generation instant custard cream. Our technology has revolutionized the theory that premium quality custard cream requires a long processing time. Our Genius technology offers premium taste and quality texture in a significantly shortened processing time, providing our customers high efficiency whilst maintaining a high performance.
- Invisible GOODNESS™; allows to reduce fats and saturated fatty acids by 30% whilst maintaining the same production process, recipe and taste in the end product, based on an innovative combination of functional ingredients and production technologies. (see also page 42)
- Nosh' em™; a whole new and innovative bakery snack that allows consumers to get wholesome goodness on the run, in a portable and tasty way.

Innovation at Purac

Purac has a centrally managed Innovation and Competence Center and four regional application laboratories. The knowledge generated by the Innovation and Competence Center is used to develop new products and applications that meet the needs of its specific markets: preservation, bioplastics and biobased, green chemicals.

To share this knowledge with our customers on an even larger scale, we have created four regional application laboratories in Gorinchem (the Netherlands), São Paulo, Chicago and Singapore, which work closely with the Innovation Center. These laboratories form a global technical network with the ability to roll out new product and application technologies locally and regionally. Being closer to our customers increases the effectiveness of our overall innovation chain and enables us to launch more new products and applications.

Focus areas

Purac responds to global food trends by exploring innovations based on natural food preservation solutions. The focus areas are food safety and extension of shelf life. The challenge is to develop solutions that reduce the number of ingredients on product labels, achieving “clean labels”. Many solutions are based on lactic acid (and derivatives) formulations, although other solutions have also been developed and launched successfully at the same time.

Sustainability is a key theme in Purac’s total portfolio. As a leading player in green chemicals made from renewable resources, such as beet sugar, cane sugar, corn and tapioca, Purac also aims to contribute to the global industry’s search for solutions that reduce CO_2 emissions and decrease the dependency on fossil fuels.

Purac is well positioned to contribute to a new generation of bio-based building blocks in which lactic acid and lactides can become

CASE STUDY BAKKERY SUPPLIES

Genius™ brings convenience in France

Crème pâtissière, also known as confectioners' custard, is a key ingredient in many French desserts and filled tarts that is widely used by local bakers, pastry chefs and professional caterers. However, preparing the crème is a delicate and lengthy process, in which small increases in temperature can lead to overcooking and curdling. Critically, once made, it can require up to 2 hours cooling before it can be used.

As a leader in both hot and cold process custard mixes in France, CSM has long been aware of the need to provide a crème that delivers similar performance qualities to traditional warm custards while still delivering a high-quality texture and taste. To this end, CSM’s custard experts based in the innovation center of Goes in the Netherlands and Bischheim PDC in France, have worked to secure unique response through years of dedicated research on starch & dairy products. The result is a new generation of cold process crème pâtissière that can be prepared in only 3 minutes.

Launched in France in September 2010, Genius™ revolutionizes the theory that a premium quality custard cream requires a long processing time. A polyvalent cream that holds perfectly in all preparations, it offers a smooth and balanced taste and a unique Tahitian vanilla flavor. The product appeals to high class pastry chefs looking for premium quality supplies and more entrepreneurial pastry chefs, who seek to take a more pragmatic approach to their business.

The first market tests began in April across the region of Bordeaux in France, lead by a dedicated sales team who demonstrated its use in a wide range of applications at local bakeries using free samples.

“The feedback has been extremely positive because it is a product that answers the paradigm of high quality versus convenience.” says Mickaël Huellou, Customer Intimacy manager for France. “This is a high quality solution that allows customers to optimize their operations and deliver more consistent results.”

an important platform chemical. Purac operates at the forefront of the development of products, technology and applications for biobased Poly Lactic Acid (PLA). (see case on page 48)
Alongside lactic acid related products, Purac is also developing bio-based succinic acid in partnership with BASF. Succinic acid is also a platform molecule which can be used for the production of many chemicals and even more applications.

Developments 2010

Consumers are increasingly seeking clean-label food products, yet they want foods to have a long shelf life and still be safe to eat. In 2010, Purac launched 11 new products, five of which are related to this clean-label development. More recently, Purac introduced a new product line for this market need called the PuraQ series of products. These products improve the shelf life and/or safety of food products and comply with the needs of the food industry towards clean labeling. There is a high demand for this, especially in the United States.

In 2010, Purac made further progress with the development of products, technology and applications for biobased Poly Lactic Acid (PLA). Together with the French company Arkema, Purac is working on functional lactide-based additives, known as block copolymers. These additives will enhance the thermo-mechanical and physical properties of many biobased polymers, such as PLA, resulting in a wider range of application opportunities. In addition, Purac developed a PLA compound with heat stability and impact strength comparable to Acrylonitrile Butadiene Styrene (ABS). This material utilizes stereo-complex technology based on Purac's unique L-Lactide and D-Lactide monomers for second generation PLA. The new compound performs at a comparable level to ABS in injection-moulding applications.

Early 2010 work began on the construction of Purac's new lactide plant in Thailand, at its existing site in Rayong. The plant will produce monomers for bioplastics and the investment is being driven by CSM's commitment to lead the market development for lactic acid based bioplastics (PLA). This market is highly attractive as PLA contributes, with commercially viable products, to a significantly lower carbon dioxide footprint than the traditional oil-based plastics.

The products are aimed at a broad segment of today's plastics market and enable Purac's partners to produce bioplastic products with high heat resistance of up to 180 °C/266 °F. It is designed to produce both L-Lactides and D-Lactides, made out of lactic acid sourced from the existing Purac plants.

CASE PURAC FOOD SAFETY

PuraQ Safe RS50: a natural solution for food safety

With the growing awareness about the dangers of food-related illnesses, the food industry is looking for new ways to increase shelf life and improve food safety, while responding to demands for natural ingredients and 'clean' labeling on their products.

Purac's centrally managed Innovation and Competence Center is meeting this need by developing natural preservation alternatives that help producers reduce waste and protect consumers from the risks of deteriorating food quality. One such product is PuraQ® Safe RS50, a part of Purac's PuraQ® family of products.

Purac's PuraQ® Safe RS50 has been specifically developed for ready-to-eat refrigerated meals and meal components like soups, dips, sauces, fillings, stuffings and pastas. The product effectively controls the pathogen Listeria monocytogenes, a bacterium that causes Listeriosis, the most virulent of all foodborne pathogens, and which is often deadly.

"Our intimacy with customers allows us to innovate and develop preservation solutions that keep up with the latest consumer trends," says Ivo van der Linden, Category Manager Food Preservation at Purac. "Conscientious consumers in all demographics are examining the foods they eat more closely and migrating to more-natural products. This product enables manufacturers to produce safe and delicious food in a 'natural' way."

Procurement

Managing the volatility of raw material prices and optimizing total sourcing costs are crucial to our competitive advantage. All procurement activities at CSM are coordinated globally to capitalize on combined volumes and joint expertise across divisions, enabling CSM to control its procurement process and to mitigate risks. In 2010, we again reaped the benefits of the professionalization efforts and rationalization measures taken in previous years, which have been critical to our performance in the highly volatile market environment that characterized 2010.

Organization and structure

CSM's procurement activities are centralized under a single global management structure, with procurement staff organized in dedicated teams for regional execution under a single group-wide procurement framework. The structure has demonstrated its efficacy by further driving economies of scale, increasing transparency, lowering risks, and an overall deepening of our market insights.

The regional procurement teams optimally serve different business units within each region, while sharing systems and expertise and collaborating on global issues and opportunities. They are supported by harmonized transactional systems that allow them to work in a consistent way and share knowledge and data. They include specialist teams for key commodities who also provide detailed market information to our sales and marketing teams and our key customers.

In-depth understanding of the supply markets is a prerequisite to minimize the risks of price volatility, and to create a level playing field with suppliers. Through centralized procurement we have developed expertise on all our key sourcing markets and commodities. We use this knowledge to manage price volatility and negotiate favourable purchasing terms with our suppliers. The structure has improved the level of dialogue between our business line management and the procurement function, and is allowing us to manage the impact of raw material prices on our final products margins on an ongoing basis.

Managing risk

Our global approach to procurement with regional execution improves our market-related intelligence, which in turn helps us mitigate risks by securing raw material supplies to our plants. With better market intelligence and risk-management skills, we can better align our material positions to the requirements of our customers and manage price developments and product availability throughout the year.

We have also rationalized our supplier base in different material categories. We have done this for a number of ingredients, which has encouraged greater flexibility from our major suppliers when dealing with shortages in raw materials, again resulting in lower risks for CSM.

Supporting innovation

We try to leverage our procurement expertise in support of our innovation program in each division, via close collaboration with a selected group of suppliers that increases the success rate of development projects. The right sourcing strategy in combination with the skills to build and develop the important supplier relationships is often critical to the success of our new product development projects.

Developments 2010

In 2010, we continued to professionalize our procurement function. Our ongoing focus remained on a tight control of commodity input pricing in the highly volatile markets, while strengthening the links between sales and pricing strategies of the businesses we serve.

We dealt with very high market volatility of our main commodities, partly as a result of adverse weather conditions in Russia which impacted grain markets and led to huge inflows of speculative money into the commodity markets. As an important part of our approach we frequently review our procurement strategies with the business units, with the aim of reducing risks as much as possible and protecting our margins. Due to all our efforts we were capable of minimizing the impact of the increased raw materials on our results.

We optimized the number of suppliers we use in order to lower supply risks and gain better commercial leverage. We made a thorough selection of those suppliers with whom we must build relationships of trust, because those suppliers will play an important role in our future success.

In 2010 we finalized the implementation of the NPR procurement organization, targeting improved sourcing of all our indirect materials across CSM. We have structured the NPR organization in expert driven teams, based on the key sourcing categories. This has resulted in a uniform procurement approach for a large number of indirect spend areas, which gives us much better control and leads to an overall improvement in competitiveness.

Please read our case study on page 50

New plant sets stage for bioplastics growth

Scheduled for completion in late 2011, Purac's new lactide plant in Thailand is driven by CSM's commitment to play a leading role in the development of the highly attractive market for lactic acid-based bioplastics (PLA) that have a significantly lower CO_2 footprint than traditional oil-based plastics.

The €45 million plant is being constructed at Purac's Thailand site and will produce up to 75,000 tons a year of L-Lactides and D-Lactides, made from lactic acid sourced from its existing plants. It will enable Purac to meet current demand levels from its committed commercial partners, such as Netherlands-based Synbra, while accelerating market development in a broad segment of plastics such as packaging, foam and fiber industries.

"Even a 1% share of the 250 million ton plastics market represents a huge opportunity for our products and our company," says Arno van de Ven, Vice President Chemicals & Pharma at Purac. "This investment is the next step in our bioplastics program, where our proprietary technology gives us and our partners a considerable opportunity together."

Purac is unique in that it offers second generation PLA based on L- and D-Lactides with superior heat resistance properties (up to180ºC) that open the way to new application possibilities. It is also at an advanced development stage for third generation PLA, based on a gypsum-free lactic acid process that is entirely carbon neutral.

All of our businesses are driving sustainability across the value chain. In Purac, sustainability is embedded in its strategy. Purac operates at the forefront of the development of products, technologies and applications for biobased and biodegradable Poly Lactic Acid (PLA). Therefore to continue driving global leadership in this field, Purac must invest in advancing technology for next generation production of lactic acid.

CASE STUDY PROCUREMENT

Procurement excellence in the supply chain

An important part of CSM's competitive advantage is its ability to manage supply chain risks and price volatility of the raw materials. By organizing procurement activities under a single global management structure and sharing knowledge efficiently across the business, CSM makes better procurement decisions, negotiates more favorable purchasing terms, and mitigates risks.

At the heart of this structure is a communication system that allows intense collaboration across business areas and regions. This ongoing information exchange means market information is readily available to procurement, finance, the Management Board, and is consistently shared with our sales teams.

One of the areas of focus in 2010 has been the sourcing of chemicals on a global basis, because these materials play a major role in the biochemical part of the business of CSM. Just like the agricultural bulk commodities, chemicals have also become highly volatile in recent years. Chemicals that are widely used in CSM include sulphuric acid, sodium hydroxide (caustic soda), potassium hydroxide (caustic potash), and calcium hydroxide (lime).

As part of the strategic approach toward the global chemicals category, the reorganization of Procurement under a global management has enabled CSM to have a clear overview of its competitive positioning per region, where also a number of single / exclusive supply arrangements around the world were identified. Based on an in-depth sourcing analysis and thorough selection of suppliers in 2009, CSM moved forward on the implementation of a new sourcing strategy. As a result, it not only significantly lowered the risks of supply disruptions, but also created a more competitive supply environment for all of the main chemicals, with significant cost reduction delivered.

"We have complete internal transparency for procurement decisions to be made and there is constant dialogue between the business areas and the procurement side," explains Andre Medugno, Global Procurement Manager Chemicals. "This means we understand what's going on the market at all times and can react promptly whenever we need to."

Sustainability

It is our vision to improve the quality and sustainability of life. Sustainability is incorporated into our business strategy. In doing so, we ensure long-term profitability and sustainable development, while delivering value to our stakeholders.

Our approach

We believe that by embedding sustainability into our business strategy we can deliver sustainable value to our stakeholders. In our fields of business, we see a number of issues and concerns that impact the environment and society. We play our part in a way that is closely aligned to our strategy, our business model and our spheres of influence at the same time. This corresponds to the following key areas:

- Health, nutrition and wellness
- Carbon footprint reduction
- Operational excellence

Integral to our business

- **Health and Nutrition**

Obesity and lack of essential nutrients are serious health threats that are a daily reality for a large part of the world population. Both Bakery Supplies and Purac are well positioned to contribute to a more balanced and sustainable and safe food supply.

As the leading supplier of bakery ingredients and products, CSM offers a broad portfolio of products ranging from whole grain bread to indulgence pastry. Our innovation programs aim to improve nutrient profiles; removing less healthy components (such as trans fatty acids) and adding more healthy components (such as fibers) and lowering the content of certain ingredients (such as salt). CSM is committed to offering the choice of "better for you" alternatives, that balance energy density.

Purac's food preservation business focuses on food safety and shelf life extension to prevent the waste of precious food-resources.

See our cases about "Invisible GOODNESS™" on page 42 and salt reduction on page 56.

- **Carbon footprint reduction**

Efforts to reduce our carbon footprint do not only include our operations, but the whole supply (or value) chain, including sustainable sourcing and supporting our customers in driving their ambitions in this field.

In Bakery Supplies we target carbon footprint reduction in our operational excellence programs by creating improvements and efficiencies that promote sustainability, such as reducing waste, water and energy usage and optimizing our transport and logistics. In addition, we target carbon footprint reduction in our packaging by migrating to sustainable materials and developing smarter packaging solutions.

For Purac, driving carbon footprint reduction is deeply linked to the business strategy. Purac's products help to reduce CO_2 emissions by lowering society's dependency on fossil fuel. Purac's innovation program includes the development of new generation biobased chemicals, using lactic acid as a potentially important chemical platform to replace fossil fuel based chemicals. Purac is at the forefront in the development of products, technologies and applications for biobased and biodegradable Poly Lactic Acid (PLA). In order to continue to drive global leadership in this field, Purac is investing heavily in advancing technology for the next generation of lactic acid production. One of these developments is the use of so called alternative substrates (non-food substrates) for the production of lactic acid.

Read more about our PLA in the case on page 48.

- **Operational excellence in the end to end Supply Chain**

Our ongoing operational excellence programs aim to make improvements that support our sustainability objectives. They achieve this through the use of better technology, operational efficiencies and greater awareness. We aim to enhance our goals and formulate more specific improvement and reduction programs to reach those goals. These programs are embedded in the CSM strategy and are part of our overall ambitions.
The main areas of focus are:

- Efficiency and loss/waste reduction of all resources. This includes planet resources; not only energy and water, but also our raw materials.
- Waste and emissions reduction: reduction and replacement of non sustainable packaging materials.
- Optimizing our manufacturing capabilities and logistics to serve our customers at a lower total carbon footprint per unit.

Our Objectives

Shaping our sustainable future is an ongoing process. We continue to enhance our sustainability goals within our strategic framework.

Within our key focus areas, we have defined the following objectives:

- **Health and Nutrition**

In the next three years, CSM will double the number of products with a calorie reduction of 15-50+%, including ingredients that enable our customers to manufacture products with a similar calorie reduction.

The average daily calorie intake is approx. 2,300 kcal/day. Scientific studies indicate that affecting energy balance by just 100 kcal/day (less then 5% of daily calorie intake) may prevent weight gain (Hill et al.2003). Conversely, the consumption of 20 to 50 kcal/day extra during 1 year could contribute to 1 kg body weight gain (Dutch Nutrition Centre, 2007). Small, but sustained changes in energy intake and/or expenditure can make a significant difference.

- **Carbon footprint reduction**

Our aim is to source in a sustainable way. We aim to have an auditable sustainable sourcing mechanism in place for our key raw materials by 2015. Palm oil has been our first priority; and we have implemented a sustainable alternative in 2010.
In Bakery Supplies, alternative packaging solutions will drive carbon footprint reductions (as set out in our operational excellence objectives).

In Purac, our focus is to deliver a reduction in CO_2 emissions by:

1. Strengthening our PLA proposition: Purac is expanding its capacity by building a 75,000 ton lactides plant in Thailand. The PLA based polymers have a more favorable CO_2 footprint compared to traditional oil-based polymers. When translating this gain to our 75,000 tons capacity in our lactide plant, this means a CO_2 reduction of 126,225 tons when compared to using Low Density Poly Ethylene (LDPE).

2. Advancing its technology to produce lactic acid in a gypsum free process: Purac is preparing to invest in this new process to be able to produce on a substantial scale of 20,000 tons capacity. This would mean a reduction in CO_2 emission of 12,000 tons and a reduction of waste.

- **Operational excellence**

Based on 2010 fieldwork, we will further investigate and map specific areas of improvement, so as to validate assumptions made and develop plans for a five-year plan.
At present we aim to:

- Reduce our energy use per unit produced by 20% in five years and enhance the use of energy from sustainable resources by 20-30%.
- Improve our efficiency by reducing our total losses on (raw) material resources by at least 20%.
- Strive to reduce weight of packaging materials used by 20%, and when changing packaging, only convert to recycled and/ or sustainable materials (like PLA).
- Reduce total clean water usage (surface and groundwater) by 20%.

Our energy efficiency improvement for the period 2005-2020 is in accordance with the Multi Year Agreements on Energy efficiency (European policies). To improve the energy balance of our facilities, we will strive to take measures according to the BATNEEC principle (Best Available Techniques Not Entailing Excessive Cost).

How we manage it

At CSM, we are aware of the environmental impact of our business operations and require all our operating companies to comply with national, local, regional, and all other applicable laws. We are committed to protecting the present and future needs of our stakeholders through conducting business in a safe and sustainable manner. The principles of conserving resources in our business processes, facilities, operations, and products is anchored in our mission statement. We also promote the development of sustainable products and technologies and encourage our people to take part in environmental initiatives.

CASE STUDY ENVIRONMENT

Site efficiencies benefit the environment

Several local initiatives were taken in the year to either replace or improve existing site equipment, which resulted in significant environmental benefits. An example of this is at Crema, Italy, where our site saw savings in natural gas (11%), electricity (12%), water (16%) and production waste (30%).

As well as these reductions, there was an increased focus on the performance of the waste-water treatment plant, which saw a drop in its Chemical Oxygen Demand (COD) figure of 33%. COD indicates the amount of organic compounds in water. Furthermore, savings in water consumption were made by replacing an old water cooling system with a new air cooling system.

Additional improvements were made to the pre-set timings on water heaters and other equipment, to ensure that all non-critical equipment remained fully ‘switched off’ over the weekend, or powered by smaller compressors.

The responsibility for managing sustainability issues is aligned to CSM's organizational and hierarchical structure. Senior operational management is responsible for the social and environmental performance of its organizational entities. First line management is aware of CSM requirements in this area and encouraged to comply. The Board of Management has overall responsibility for sustainability issues.

CSM provides a balanced presentation of its sustainability performance related to all operations under its control and under shared responsibility. The company has also defined Key Performance Indicators (KPI's) to measure the sustainability impact of its actions.

Our sustainability reporting systems are supported by a new and improved data collection system that allows us to track and manage issues and other projects as part of the standard management agenda. As part of our efforts towards total Quality Management and following on from our success at Bakery Supplies Europe (BSEU), we have formulated CSM requirements for supply chain and plan to implement and audit this in the whole of CSM, including the new regions.

These requirements define CSM's framework for Quality, Good Manufacturing Practices (GMP), Food safety (HACCP), and Safety and Environment. Together with other policies on ethics and the use of genetically modified materials, among others, they represent the standard to which CSM adheres to and consequently we have started to require an adherence to these from our external suppliers as well.

Sustainability reporting

CSM has reviewed its internal process to improve its performance indicator reporting cycle. It has selected the key indicators that are most relevant to its businesses from a full set of 80 sustainability indicators according to GRI. This set of measurements allows us to monitor and report data more frequently than in the past.

In 2010, we also began to track and report sustainability indicators on a quarterly basis. This further improves the reliability and transparency of the data, and strengthens the link to our more frequently tracked operational performance indicators. We are aiming to integrate sustainability performance into one set of data that will allow us to monitor and manage it even closer in the future.

CASE STUDY PURAC SUSTAINABILITY

Closed water system

As one of the Netherlands's longest rivers, the River Linge is a popular destination for boaters and an important breeding grounds for waterfowl. For CSM's Lactic Acid and Derivatives plant located in Gorinchem, the river is also an important source of cooling water that is needed to remove heat from the plant's multiple production processes.
The surface water, which is slightly warmer after its use, used to be returned and used to cause a small degree of local warming of the river. The water quality changes through changes to the ambient water temperature.

CSM has developed a new enclosed water circulation system that takes less water from the river and, for a large part, cools it before returning it. Other features of the systems include a rapid detection system for the presence of organic chemicals in the cooling water and an automatic shut down and buffering of contaminated cooling water to avoid the discharge of other pollutants. A major investment was also done in a new cooling tower, in which the water is cooled with air.

As a result, the volume of water being discharged has fallen from 3,300 m3 per hour to 1,400 m3/hour and the temperature is now on average half a degree centigrade cooler than before, down to 5.5˚C. Therefore total used water is down almost 60% and the warmth introduced into the river even more. The entire project was realised in a short period of time and tied in to scheduled down time for maintenance.

"We are delighted by these improvements," says Kevin Shoemaker, Vice President Operations of Purac. "These actions demonstrate our ongoing commitment to reduce our impact on the environment."

A separate report that comprises the full reporting data (GRI) from a KPI perspective is published on our website www.csmglobal.com > sustainability.

Code of Conduct

CSM has a Code of Conduct to emphasize compliance with laws and regulations in the countries in which it operates. Moreover, it adheres to the OECD Guidelines for Multinational Enterprises, which is especially relevant to countries where proper and decent working conditions and respect for human rights may not be guaranteed by national legislation or the local enforcement regime. At CSM, we conduct our business with fairness, honesty, integrity and respect for the interests of stakeholders in a wide variety of social, political and economic settings. This relates to CSM employees individually and to the organization as a whole. The complete text of the Code of Conduct is available on the CSM website, www.csmglobal.com.

CASE STUDY BEST IN BAKING

Best in baking

The International Baking Industry Exposition (I.B.I.E) has identified sustainability as one of the industry's top priorities and recognizes suppliers that foster sustainability programs. They have initiated the B.E.S.T. (Being Environmentally Sustainable Together) in Baking program, which acknowledge companies that have made a commitment to sustainability through innovative products, services, technologies and programs. Bakery Supplies North America was awarded an honorable mention in the BEST in Baking competition at the largest bakery exposition in North America, I.B.I.E, because Bakery Supplies North America has been able to reduce their electrical consumption – equating to a reduction in CO_2 emissions of 2,500 tonnes – through aggressively replacing traditional lighting with energy efficient alternatives. The comprehensive program with all North American facilities has already replaced over 2,800 light fixtures with energy efficient T-8 or T-5 lights, with many fixtures being controlled by occupancy sensors to further reduce energy consumption. Bakery Supplies North America surpassed the 10,000 high-efficiency bulbs in operations.

best in baking
HONORABLE MENTION

Stakeholder engagement

As a responsible member of society, CSM maintains an open and honest dialogue with all stakeholders who are interested in the company and its business operations. Listening to others and learning from our stakeholders informs our decision-making, strengthens our relationships and helps us deliver our commitments and succeed as a business. We seek common ground with stakeholders to enable us to integrate sustainability across all business solutions.

Investors

CSM manages an ongoing investor relations program to ensure that all potential investors and analysts have access to the latest information on company developments. CSM attaches great value to good relations with its shareholders and recognizes the importance of good corporate governance. It is committed to achieving the highest standards within its policies.

Employees

CSM Works Councils across Europe and local employee representatives play an important role in supporting the business by participating in dialogues that have added value to both our people and our customers.

Consumers and customers

CSM supports the Dutch website www.meerweten-over-eten.nl, which is dedicated to food education. The website also informs consumers about sustainability issues related to food and the food chain.

Government, business partners and science

- Top Institute Food & Nutrition (TIFN) is a joint initiative of the Dutch government, the food industry, universities and research institutes. It is part of the "Food Valley" initiative to strengthen the innovative and competitive capabilities of the food industry. It conducts long-term strategic and fundamental research into the development of innovative, new healthy food. CSM participates in TIFN together with other industrial partners, including DSM, Unilever, Vion and Friesland Campina.

Research is organized on a project basis and performed at various locations of the participating organizations.

- ICOS Cleantech Fund I and II are venture funds that are investing in early technology start-ups based in the Netherlands, in partnership with Delft University of Technology (DUT). They focus on new technologies that promote sustainability and the environment such as sustainable life cycle technologies. CSM actively participates in the fund's Investment Board, together with fund managers ICOS Capital, Imtech and Royal BAM Group, to gain insight into the new ideas developing in the Dutch market and which help to increase the success rate of the fund.

- Fedima, the Federation of the European Union Manufacturers and Suppliers of Ingredients to the Bakery, Confectionery and Patisserie Industries, runs a working group on sustainability that is co-chaired by CSM. It is Fedima's task to provide active guidance and support in sustainability matters to its member organizations and other companies. CO_2 labeling, verification and taxation systems are high on the agenda.

- Purac is a partner of BE-Basic. This organization supports the development of clean, robust and competitive bio-based chemicals, materials and energy industries, including responsible monitoring and control of healthy soil and water environments, based on the advanced genomics technologies and bioprocess engineering. BE-Basic unifies the capabilities of Dutch and international world-class universities, institutes and advanced industries of various sizes.

- Bakery Supplies North America (BSNA) provides partnership support to the Kurata Thermodynamics Laboratory of the University of Kansas and the United States Compliance Corporation. These distinct programs develop site-specific hazard and risk assessments to avoid internal and external safety threats.

- The Roundtable on Sustainable Palm Oil (RSPO) is an association of organizations operating in and around the palm oil supply chain. It promotes the growth and use of sustainable palm oil through cooperation within the supply chain and open dialogue with its stakeholders. The RSPO is acting as a forum for the political pressure needed to create long lasting change and enhance sustainable growing practices in the palm oil sector. CSM actively participates in a coalition established by palm oil users in Europe. This coalition has set clear public targets and aims to privilege suppliers who commit to a moratorium on deforestation. CSM offers a range of products using sustainable palm oil.

Community

- CSM is a member of Duurzame Voedingsmiddelenketen (DuVo), which unites organizations from all levels in the food chain to promote sustainability in the supply chain. DuVo keeps stakeholders informed of the results of its efforts by organizing dialogue meetings and by publishing articles and booklets.

Compliance

We are committed to high environmental, safety and health (ESH) standards. To meet this commitment, we maintain management systems that are designed to ensure continued compliance, while supporting improvement.
CSM encourages the implementation of environmental and health and safety management systems, such as ISO 14001 or a comparable norm for operating companies used to minimize environmental impact. Purac has implemented the OSHAS 18001 health and safety management system at its plants, in Bakery Supplies Europe implementation is progressing.
We conduct regular audits to monitor compliance and performance of ESH standards at our businesses worldwide as part of the CSM requirements program.

CSM has a simple credo: "healthy and safe from home to work and healthy and safe back home again".

We also work with our business partners towards sustainable and responsible ESH practices among suppliers, contractors, and customers. We strive for open communication and dialogue in the workplace and with our stakeholders so we can respond to any concerns and suggestions.

For more information about People and Profit, please find our People section on pages 40-41 of this report and our Financial Commentary section on pages 22-23.

A separate report that comprises the full reporting data (GRI) from a KPI perspective is published on our website www.csmglobal.com > sustainability

CASE STUDY PURAC INNOVATIONS

Innovations by Purac reduce salt levels in food

Consumers are increasingly seeking clean-label food products, yet they want foods to have a long shelf life and still be safe to eat. Purac responds to these trends by innovating with natural food preservation solutions.

With excessive salt consumption linked to cardiovascular risks, the food industry is responding to consumer concerns by driving efforts to reduce its use in processed foods. A large part of this is focused on processed meats, which are estimated to account for between 10% and 21%[1] of total sodium dietary intake through retailed food.

Although fresh meat is naturally low in sodium, processing or enhancing meat requires sodium chloride to manage water activity, stimulate texture, enhance shelf life and increase taste. However, simply reducing sodium levels can have a detrimental effect on the quality of the product, leading to greater bacterial spoilage while impacting taste, yield, color and texture.

To provide healthier and natural preservation alternatives to the market, Purac has launched two products that allow producers to reduce sodium levels while maintaining taste. PURASAL ®HiPure P Plus compensates for some of the preservation qualities of sodium chloride without affecting taste, while PuraQ® Arome NA4 is a natural flavor designed to promote meaty, brothy, spicy and salty notes, while reducing sodium chloride levels and compensating for loss in water activity.

“These products are the result of our customer-focused innovation efforts,” says Edwin Bontenbal Marketing Director Food. “The response has been excellent. We have seen a lot of interest and customers have clearly indicated they want these products. In 2011 we will be putting more emphasis on the promotional side and at the same time invest in new innovations for low salt markets.”

[1] Voedselconsumptiepeiling onder jongvolwassenen, 2003 / FSAI 2005, Salt and Health: review of scientific evidence and recommendation for public policy in Ireland.

Corporate Governance

General

CSM recognizes the importance of good corporate governance and the principles contained within the Dutch corporate governance code (the "Code"), namely, that a company is a long-term partnership between various parties related to the company. Corporate management bears overall responsibility for balancing the interests of these parties, mostly with the aim of ensuring continuity of the company. At the same time, CSM aims to create long-term value for its shareholders. CSM is committed to embedding the Code principles within the company, thereby abiding by the core concepts of good business practices, integrity, openness, and transparent and well-supervised management. The full text of the Code can be viewed at: www.commissiecorporategovernance.nl.

Compliance with the Code

With the exception of the deviations outlined in the paragraphs below, CSM endorses and adheres to the principles and best practices of the Code.

Important changes in the corporate governance structure are presented to the General Shareholders Meeting for discussion. Our corporate governance policy, including the relevant regulations and reports, can be viewed on the CSM website.

Deviations from the Code

CSM departs from the provisions of the Code with regard to;
(a) the severance arrangements in the event of non-voluntary resignation by members of the Board of Management and;
(b) the possible financing of income tax on vested shares under the share plan by selling part of the vested shares.

Regarding its composition, the Supervisory Board always tries to strike the right balance between expertise and experience. A certain degree of age and gender variation may be instrumental in achieving the desired balance in the composition of the Board, but diversity on the basis of age and gender is not a goal as such. In this respect, the profile of CSM's Supervisory Board deviates from best practice provision III.3.1 of the Code, as it does not pursue specific diversity related objectives. The required expertise and experience, as well as the availability of the right candidates, is decisive when proposing candidates for (re)appointment.

There are two other aspects in which CSM departs from the Code. The members of the Supervisory Board and the Board of Management are appointed by the General Shareholders Meeting on the basis of nominations by the Supervisory Board. The CSM Articles of Association state that the General Shareholders Meeting can overrule any such nomination by an absolute majority of the votes cast, provided the said majority represents at least 1/3 of the issued capital. In contrast with the Code, no second meeting will be convened if there is no quorum, as a second meeting is not required by law.

The General Shareholders Meeting may decide to suspend or dismiss a member of the Board of Management or the Supervisory Board by an absolute majority of the votes cast, provided the said majority represents at least 1/3 of the issued capital. This quorum requirement does not apply if the proposal for suspension or dismissal is submitted by the Supervisory Board. In contrast with the Code, no second meeting will be convened if there is no quorum, as a second meeting is not required by law.

Corporate Governance Statement

The information and statement pursuant to the Decree of December 23, 2004 to determine additional regulations regarding the content of the Annual Report, as amended in March and December 2009, have been published on CSM's website www.csmglobal.com (Section Investor Relations under the heading Corporate Governance).

Structure

CSM nv is an international holding company as described by Section 153, subsection 3 paragraph b, of Book 2 of the Dutch Civil Code. The "large company" regime therefore does not apply to CSM nv. Corporate governance relates to the management and supervision of the company, accountability, and the influence of stakeholders on decision-making. The Board of Management is responsible for developing objectives and strategy, determining the risk profile and implementing strategic and operational policies. The independent Supervisory Board oversees and advises the Board of Management. From among its members, the Supervisory Board has appointed an Audit Committee, a Remuneration Committee and a Nomination Committee.

The Board of Management fulfils its duties by promoting the interests of CSM and its businesses. These interests are understood as the interests of all stakeholders, including customers, shareholders, employees, suppliers, and financial partners. CSM is aware of its corporate and social responsibilities and is deeply committed to protecting the interests of the community. CSM works on the principle that corporate management should consistently develop and implement corporate policies taking into account the long-term and continuity perspective. CSM endorses the importance of clear accountability for its policies and the results there of.

Common shares in CSM are listed on NYSE Euronext Stock Exchange in Amsterdam. The financing preference shares are not listed. No restrictions apply for the transfer of shares. If a shareholder or group of shareholders acquires 30% or more of the share capital, the said shareholder or group of shareholders is required by law to make an offer for the entire outstanding capital.

Shareholders have voting rights in proportion to the number of shares held.

The Annual General Shareholders Meeting will be held within six months of the close of the financial year. At this meeting, the Annual Report and Financial Statements drawn up by the Board of Management will be presented for adoption, amongst other things. If requests are received from shareholders who individually or collectively represent a least one percent (1%) of the issued capital or at least € 50 million of market capitalization, to place items on the General Shareholders Meeting agenda, these will be honored provided they are submitted to CSM at least 45 days prior to the date of the meeting, unless such items are deemed incompatible with important company interests.

Extraordinary General Shareholders Meetings will be held as often as the Board of Management and Supervisory Board so desire. An Extraordinary General Shareholders Meeting must also be held if one or more shareholders who collectively represent at least 1/10 of the issued capital submit a written request to this effect to the Board of Management or the Supervisory Board enclosing a detailed list of agenda items. If neither the Board of Management nor the Supervisory Board – which have equal powers in this matter – responds in such a way that this extraordinary General Shareholders Meeting can be convened within six weeks of the request, the applicants are at liberty to convene the meeting themselves and appoint a Chairman.

With the exception of cases in which a larger majority is required by law or the Articles of Association, decisions at the General Shareholders Meeting will be taken by an absolute majority of the votes cast. Decisions to amend the Articles of Association and/or dissolve the company may only be taken at a General Shareholders Meeting in which at least two-thirds of the issued capital is represented and by a majority of at least three-quarters of the votes cast, unless the proposal has been submitted by all incumbent members of the Board of Management with the collective approval of all incumbent members of the Supervisory Board, in which case the decision may be taken by an absolute majority of votes, regardless of the represented capital.

Risk management

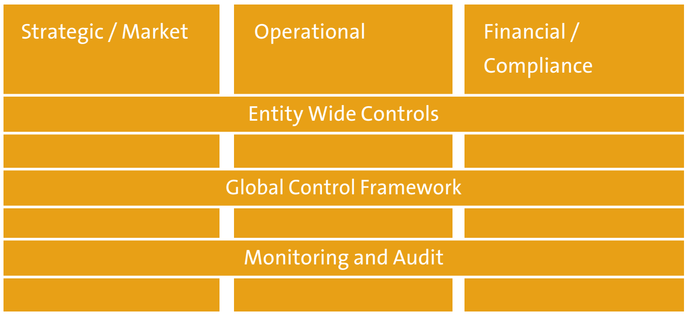
Risk management and internal control

CSM operates worldwide with operating companies in various markets and jurisdictions. Against this backdrop it is important to ensure the timely identification and effective management of all significant risks inherent to the execution of our strategy and realization of our objectives. The Board of Management is responsible for the design, implementation and operation of CSM's risk management and internal control systems.

Our governance model identifies clear reporting and accountability structures in line with the corporate governance code (see pages 58-59).

Risk management approach

Our approach to risk management is aligned with the Enterprise Risk Management framework of the Committee of Sponsoring Organizations of the Treadway Commission (COSO – ERM), which aims to achieve a reasonable level of assurance. This approach aims to embed risk awareness and risk management at all levels of CSM to ensure risk decisions are taken and evaluated consciously and properly. Our risk management approach covers Strategic/Market, Operational and Financial/Compliance risks and can be illustrated as follows:



In 2010, our bi-annual risk management workshops were held to identify the critical risks for all Business Units. Action plans to mitigate the risks are and will be developed and the progress of risk mitigation actions will be followed periodically. Risks are being discussed on an ongoing basis during quarterly meetings between the Business Units and the Board of Management.

Insurance

Insurance is an integral part of our risk management approach as it is an instrument to manage the financial consequences of risks. The choice to obtain external insurance cover depends on the cost efficiency of the instrument. The coverage of insurances is monitored and benchmarked regularly.

Key risk areas

The following table describes the main risks that have been identified, their impact and the mitigation measures taken to offset them.

Type of risk	Possible impact	Mitigation
Strategic and market risks	This area can also be affected by legal and regulatory changes made by governments, which could severely impact our business but cannot be influenced by us.	
Impact of the economic environment	Global economic conditions impact our bakery business as demand for our products fluctuates in line with GDP development. At the same time, demand for lactic acid products is impacted by the cyclical market conditions that affect some of our customers.	We cannot neutralize the overall effect of an economic downturn, but we can offset some of the impact by reducing costs and adjusting our product offering to meet changing demand. We have built a degree of flexibility into our production costs by hiring temporary staff. We are also able to adjust our product offering with relative ease because of our extensive Research & Development and procurement experience.
Inability to manage market and structural changes	Ongoing strategic reorganization and volatile market conditions inevitably put a strain on management's ability to deal with all changes successfully. Failure to respond adequately or in a timely manner could severely damage CSM's financial position and its future growth prospects. The availability of good management and systems is vital.	We continuously review the effectiveness of our organizational structure and the quality of our management. We aim to find the right people for the right position and to align our systems and structures to market developments.
Not meeting the needs of customers and end consumers	It is essential to continuously innovate and revitalize our product range in line with today's market trends in order to maintain market leadership and avoid a narrowing margin on our products.	Bakery Supplies has established eight Innovation Centers across Europe and North America. At the same time, Purac has established a core Innovation & Competence center with four regional application labs. Our innovation and competence organization focuses on the successful development of products that meet the needs of customers and end users. Significant investments have also been made in monitoring market trends and consumer needs.

Type of risk	*Possible impact*	*Mitigation*
PLA Bioplastic developments not meeting customer needs	Lactic acid is one of the sources for manufacturing bioplastics and other technologies are or will be developed to target this promising market. The attractiveness of the bioplastics market is driven by growing consumer demand for degradable plastics made from renewable sources. Demand may increase or decrease with its relative cost compared to conventional oil-based plastics.	Purac keeps a close eye on competing technologies and is maintaining its competitiveness by continuously refining its offering from a product specification and cost perspective. Early 2010 we began construction of a Purac lactide plant in Thailand to produce components for bioplastics, increasing our investment in this technology by approx. € 45 million. This should be ready by the end of 2011.
Losing our competitive position	We operate in a highly competitive market in which it is essential to keep cost and service levels at least on par with those of our competitors. Failing to achieve this could lead to market share erosion by competitors or customers substituting our products with alternatives.	Our Research & Development efforts are not only geared product introductions but also to production improvements. Improving our cost competitiveness has long been a top priority. To this end, we have restructured our manufacturing footprint, enhanced production specialization and optimized logistics. Continuous IT investments are being made to support our business requirements and achieve cost efficiencies as well as to improve customer responsiveness and service levels.
Attractive Bakery Supplies acquisition targets not being available	Growth by acquisitions plays an important part in our Bakery Supplies strategy. The execution of our growth strategy is hampered if there are no candidates available to deliver the value required by our financial standards, which could potentially weaken our position if the competition is also pursuing acquisitions.	With an average market share of approx. 10% in our major markets in the US and Europe, we believe acquisition opportunities do exist. In recent years, we have changed our structure in such a way as to be able to easily integrate new acquisitions into our organization. This will result in stronger synergies through the elimination of costs and/or the realization of faster sales growth. It also enhances our ability to offer competitive market prices and meets our value creation requirements.

Operational risks

Business continuity	Serious disruption of our supply chain as a result of calamities such as fire, flood or earthquakes, or due to contamination, strikes or major system breakdowns, could have a major impact on our profitability. The closure and specialization of factories for efficiency reasons have increased this risk.	Our risk management approach aims to detect and prioritize the most serious risks areas, leading to a discontinuation of our supply chain. We are working to develop appropriate back-up measures and where possible, these measures are tested for effectiveness. Based on best practices and experiences, we continuously review and improve manuals and guidelines at our operations to support employees in preventing and limiting risk calamities and mitigating their effects.
Raw material & energy price volatility and availability	As we have seen in recent years, sudden increases or decreases in the price of raw materials can seriously impact the margins of our products sold. Scarceness of raw materials due to excessive demand or production interruption at suppliers can also impact our results because of sales declines and due to the additional costs incurred to satisfy our raw materials needs.	We continuously invest in the relationship with our customers, advising on changes in product assortment, technology and changes in consumer behavior. We believe a relationship based on transparency and trust, in which true value is added, supports our ability to pass on increased costs via price increases or redevelop products with lower cost ingredients in collaboration with our customers. Our procurement departments, centralized by continent, have developed adequate measures to secure contract positions to minimize or delay exposure to cost fluctuations of raw materials that could negatively impact our margins. These measures include early warnings of possible impact to our organization and our customers. Furthermore, we have implemented a multiple-supplier sourcing policy for our most critical raw materials.

Type of risk	*Possible impact*	*Mitigation*
IT risks	IT systems are the heart of our supply chain and customer fulfillment processes. Major disruptions to IT systems can have a serious impact; one of the most critical moments is the implementation of new systems.	We run a continuous IT program supporting our strategic and operational business objectives. In recent years we have implemented various new systems. We are confident we have a good understanding of how to execute implementations and take the necessary safety measures to avoid failures. Where possible, we try to limit the potential impact of system failures by avoiding "big bang" implementations. However, these cannot be avoided in every situation.
Integration of acquisitions	The presumed value of an acquisition can be seriously impacted if it is not properly integrated. This could lead to the loss of major customers, the loss of important employees or the loss of proprietary knowledge and disruption in the supply chain, quality complaints or impacted service levels.	CSM has adopted a structured approach towards the integration. During the acquisition process, significant time is spent on planning post-acquisition measures for a successful integration into the organization.
Loss of large customers	The loss of a large customer could have a disproportionate impact on the profitability of the company due to the effect on the utilization of factories. CSM has a large customer base in which the five largest customers account for a little less than 10% of sales.	An intimate relationship based on a profound knowledge of customers' needs and those of their end consumers; continuous development of new products, where possible developed jointly with our customers; and excellent service and cost levels should limit the risk of large customers leaving. CSM's strategy is very much focused on improving these fundamental elements in the relationship with customers. Substantial investments have been and will continue to be made towards further improvements.

Financial and compliance risks		
Legal and regulatory compliance	The company’s business is subject to regulations by international, national and local governmental agencies. Non-compliance with local laws, food safety regulations, human health, safety and many other regulations could pose a serious threat. CSM could be exposed to substantial claims from various parties or permits could be cancelled.	Our corporate Code of Conduct, policies and procedures are properly maintained and made available to all staff via the CSM intranet and are frequently communicated. Compliance is enforced by local companies supported by the Group.
Volatility in the exchange rate of various currencies	As CSM operates in various non-euro countries we have to deal with volatility of exchange rates of a number of currencies versus the euro. This impact can be seen in the translation of the results and equity of foreign entities into euros and in the results of transactions when there is a difference between the currency of the production costs and the currency in which the sale of the product is being made.	CSM has a hedging policy in place to limit the impact of volatility of foreign exchange rates. Hedging the impact of the foreign currency translation risk is partly and indirectly effectuated through increasing CSM’s liabilities in foreign currencies. Of the total external debt of CSM approx. 75% is denominated in US dollars, which partly offsets the large equity translation exposure CSM has against the US dollar. The exposure to transaction risks is hedged by offsetting the long or short term currency position through a system of gradually selling and/or respectively buying this currency to mitigate the impact of sudden movements in currencies. A sensitivity analysis of interest rate changes can be found in Note 23 on pages 111-116 of the financial statements.

Type of risk	*Possible impact*	*Mitigation*
Insufficient liquidity to finance operations	As CSM is financed through a mix of equity and interest-bearing loans, a sudden increase in its liquidity needs or a decrease in available credit might pose a threat to the continuity of the financing of the company.	In order to avoid unexpected increases in its liquidity needs, CSM has a planning & control system in place that manages the working capital needs of the company and gives an early warning in case of a sudden increase taking place. In the event of an increase in its liquidity needs CSM has sufficient committed loan facilities of approx. € 700 million at its disposal. At the end of 2010 CSM had used approx. € 470 million of these facilities. The facilities can be used up to a maximum allowable net debt to EBITDA ratio of 3.5. At the end of 2010 this ratio was 2.1.
Pension risks	Pension risks mainly relate to the funding risk of our defined benefit plans. The most important effects are attributable to economic factors such as interest rates, equity risk, inflation risk and foreign exchange risk. Adverse stock market developments negatively affect the assets of CSM's pension funds, while falling interest rates lead to lower discount rates and higher pension liabilites.	CSM gives considerable attention and assigns considerable resources towards ensuring disclosure, awareness and control of pension exposure and related financial risks. CSM's pension landscape is diverse. In Europe, CSM has a number of defined benefit plans, covering a substantial number of its employees in the Netherlands, the UK, Germany and Belgium. Outside Europe the pension risk is considered not material, as CSM has mainly defined contribution plans in place or pension arrangements with local insurance companies. The investment strategy of the pension funds and the associated tactical asset allocation are based on asset, region and currency diversification to offset funding risks. The funding position at the end of 2010 is such that no substantial cash payments by CSM are required in the short term.

Financial reporting	Non-compliance with International Financial Reporting Standards (IFRS) can pose a serious threat. Not informing our shareholders and other stakeholders in conformity with IFRS would lead to a lack of trust, reputation damage, a declining share price, and potential legal claims.	Our financial reporting systems and processes are geared towards our business requirements and support business reviews. For group reporting we deploy a standard consolidation tool. Our corporate accounting policies and procedures are properly maintained and made available to all our staff via the CSM intranet and are communicated frequently to our finance community. A monthly review of finance reports is performed by corporate and business unit teams. Our global control framework should warrant adherence to IFRS. The finance community has been trained in 2010 in view of the latest IFRS developments.
Tax	CSM operates in many countries and has to manage compliance with a wide variety of tax laws.	We have an adequate quarterly reporting system in place, hold regular tax meetings, and visit our operating companies to monitor compliance. A transfer pricing policy and documentation are in place as well. Furthermore, we work with external tax experts who support our tax planning and returns and advise us in compliance matters.
Interest rate increases	To a large extent, CSM is financed via interest-bearing loans, which at the end of 2010 amounted to approx. € 700 million.	In order to mitigate fluctuations in the interest rate paid, CSM has agreed to long-term interest rates with its financial partners. A sensitivity analysis of interest rate changes can be found in Note 23 on pages 111-116 of the financial statements.

Control measures

In order to prevent risks from occurring and to mitigate the effect of risks if they occur, CSM has a number of control measures in place, the details of which are explained below.

Entity-wide controls

Our entity-wide controls are not limited to those outlined in this section, although various examples of policies and procedures can be found which are implemented by local operating companies.

Legal and regulatory review

Local management is responsible for compliance. Corporate Legal is consulted by local management on an ongoing basis. Every six months, local management reports legal issues exceeding € 100,000 to Corporate Legal and Corporate Finance.

Fraud prevention & Code of Conduct

CSM has a continuous focus on fraud prevention, which is supported by the distribution of the "Good to know on fraud!" booklet to management throughout the Group. The booklet is also available on our intranet to all employees. This publication, comprising the Code of Conduct, creates awareness and provides examples of how to identify and respond to fraud. The Code of Conduct can be found on our website.

Whistleblower procedure

A Whistleblower Policy and reporting system are in place to enable our employees to report potential integrity issues or violations of our Code of Conduct. In 2010, 3 cases were reported. Each of these cases has been followed up by CIAS (Corporate Internal Audit Services) and where necessary, appropriate measures and or actions have been taken by management. The whistleblower cases, including follow up actions taken, are reported to the Audit Committee.

Letter of representation

Every six months, Managing Directors and Finance Directors of each reporting entity and, where applicable, other senior staff, provide a Letter of Representation to the Board of Management. This letter represents compliance with financial reporting and internal controls.

Global control framework

As CSM operates worldwide, it is committed to maintaining high-quality, reliable financial reporting and a sound control environment. Since 2006, we have been working on the implementation of a financial control framework. In the initial phase all entities documented their internal controls on financial reporting. Since 2008, a software solution enables maintenance of the internal control documentation as well as self-assessments of operational effectiveness, reviews and audits.

All reporting entities assess operational effectiveness of their financial closing and reporting processes, at mid-year and end-of-year, confirming compliance with the relevant guidelines and IFRS. Together with the Letters of Representation, this ensures the integrity of our financial reporting. During 2010 our main entities performed an assessment of the operational effectiveness of their key financial process controls. The assessments have been audited by the internal and external auditors. The scope of our Information Security policy is fully aligned with the ISO 27002 standard and also meets our financial reporting requirements. All entities performed assessments with the guidance to prioritize their improvements actions on nine key risk areas ranging from information system continuity to disaster recovery, and from user management to adequate design of roles and responsibilities in our application systems. In 2010, an additional 8 key controls were added in the area of IT security. Based on the outcome of the assessments and progress made in the key risk areas we concluded that our IT security position is adequate. However, we will continue to make further improvements.

Monitoring and Audits

Business planning, budgeting & management review

Based on the CSM strategy and plans, divisional targets are set for the annual budget process. After determining the divisional budgets, targets are rolled out to the business units, operating companies and operational levels. Quarterly updated estimates are made based on a six-quarter rolling forecast. The divisions monitor business performance on a periodic basis using a defined set of critical performance indicators and periodic divisional reviews of actual results, and by visiting local entities frequently.

Operational management meets at least once a month to discuss the strategy and related risks, the actual performance versus budget, and other significant matters. The Board of Management has daily contact and meets once a month with the newly created Executive team. The Executive team consists of the division presidents and the global functional leaders. The Board of Management reviews the divisional businesses on a quarterly basis. Next to this, members of the Board of Management regularly visits our main local business operations.

Internal audit

The objective of CIAS is to provide a broad range of audit services designed to help the Group meet its objectives. CIAS evaluates risks and ensures that the controls in place are adequate to mitigate those risks. Next to the "assurance role", the second role of CIAS is to provide value to the business through tailor-made operational audits, identifying best practices and indicating improvement opportunities to business management.

Internal Audit at CSM is based on co-source: a small department in combination with external parties, providing specialized knowledge and flexibility. In 2010 39 audits were performed and reported on. The focus of CIAS is evenly spread over the following areas:

- compliance of the operating companies with the Global Control Framework;
- value-added audits (focused on business processes);
- special projects (due diligence, post mortems, fraud prevention and others).

Audit results are reported to the Board of Management and discussed with the Audit Committee.

External audit

Our external financial audit engagement ensures that all main entities are audited by the external auditor either for statutory and/or group purposes. The focus of the external auditor's work is the financial reporting with the objective of providing a reasonable basis for the audit opinion on the fairness of the presentation of the financial position.

Management representation

CSM's risk management and internal control system are designed to identify in a timely manner the risks inherent to our strategic, operational and financial business objectives and to determine appropriate risk responses as generally described above. Risk management and actions taken in the year under review were reported to and discussed by the Supervisory Board and Audit Committee.

Internal representations received from management, regular management reviews, reviews of the design and implementation of our risk management and internal control systems, and reviews of business and the Audit Committee are an integral part of the company's risk management approach. It should be noted that the above does not imply that these systems and procedures provide certainty as to the realization of strategic, operational and financial business objectives, nor can they prevent all misstatements, inaccuracies, errors, frauds and non-compliances with laws and regulations. On the basis thereof, the Board of Management believes to the best of its knowledge that the internal risk management and control systems provide a reasonable level of security against inaccuracies of material importance in the financial reporting.

These systems operated adequately in the year under review; and there are no indications that the systems would not be adequate in 2011.

All in all, the Board of Management is of the opinion that it has fulfilled the best practice provision II.1.4 of the Dutch corporate governance code with due observance of the recommendations of the Corporate Governance Code Monitoring Commission.

Responsibility Statement

To the best of our knowledge the financial statements give a true and fair view of the assets, liabilities, financial position and profit of CSM and its consolidated companies. Further to the best of our knowledge the annual report gives a true and fair view of the position of CSM as at the balance sheet date, and of the development during the financial year of CSM and its group companies included in the financial statements, together with a description of principal risks CSM faces. The members of the Board of Management have signed the financial statements pursuant to their statutory obligations under Article 2:101(2) of the Netherlands Civil Code and Article 5:25c(2.c) of the Financial Markets Supervision Act ("Wet op het financieel toezicht").

Diemen, the Netherlands, 22 February 2011
Board of Management CSM nv

Gerard Hoetmer (CEO)
Koos Kramer (CFO)

Report of the Supervisory Board

General Information

Financial Statements, 1 January 2010 - 31 December 2010

The financial statements prepared by the Board of Management for the financial year 2010 have been audited and certified by Deloitte Accountants B.V. The auditors' findings on the financial statements have been discussed with the Supervisory Board. The Supervisory Board has accepted the financial statements and recommends that they be adopted by the General Shareholders Meeting. The Supervisory Directors have signed the financial statements pursuant to their statutory obligation under Article 2:101(2) of the Netherlands Civil Code.

Meetings of the Supervisory Board

During the report year the Supervisory Board held five regular meetings with the Board of Management. The discussions at these meetings covered frequently recurring topics, such as strategy updates, the CSM portfolio, developments in results, business developments in the divisions and operating companies, trends in the markets where CSM operates, key investments, group risks, internal risk management and control systems, the outcome of the Board of Management's evaluation of the set-up and operation of these systems, corporate governance, corporate social responsibility, the organizational structure, management development, acquisitions and divestments, the financial statements and the annual report. In the past year, in addition to these regular meetings, three specific topic meetings were held to discuss in more detail the Best Brands integration, lactide developments at Purac and innovation (R&D). The Supervisory Board visited the production facilities of Bakery Products North America in Colton and of BakeMark USA in Pico Rivera, both near Los Angeles. Two members of the Supervisory Board also paid a visit to the Bakery Products North America facility in Dallas, Texas.

Prior to its regular meetings with the Board of Management the Supervisory Board also meets in the absence of the Board of Management to discuss, amongst others, developments in the results, and the profile, composition and performance of the Board of Management. The Supervisory Board also evaluates its own performance, the performance of its committees and that of its members. Focus points include expertise, independence, integrity, critical ability, and a balanced composition of the Supervisory Board. No members of the Supervisory Board have been frequently absent.

Composition of the Board of Management

Mr. Koos Kramer has been reappointed as member of the Board of Management by the General Shareholders Meeting of 29 April 2010. Following that meeting Mr. Reinoud Plantenberg stepped down from the CSM Board of Management at the end of his four year term. The Board of Management consists of Gerard Hoetmer (CEO) and Koos Kramer (CFO).

Composition of the Supervisory Board

Ms. Prof. L.A.A. van den Berghe retired as member of the Supervisory Board after the General Shareholders Meeting in April 2010, having served three four-year terms on CSM's Supervisory Board. The Shareholders Meeting appointed Mr. R.H.P. Markham as member of the Supervisory Board, effective early 2011. Mr. Markham is a former member of the Executive Board of Unilever (CFO). Mr. P. Bouw will resign after the upcoming General Shareholders Meeting in May 2011 as chairman and member of the Supervisory Board, having served three four-year terms on the Supervisory Board.

Regarding its composition the Supervisory Board always tries to strike the right balance between expertise and experience. A certain degree of age and gender variation may be instrumental in achieving the desired balance in the composition of the Board, but diversity on the basis of age and gender is not a goal as such. Required expertise and experience as well as the availability of the right candidates will be decisive when proposing candidates for (re)appointment.

In the judgement of the Supervisory Board all its members are independent as required by the Corporate Governance Code.

Committees of the Supervisory Board

Audit Committee

The members of the Audit Committee are Mr. R. Pieterse (Chairman) and Mr. W. Spinner.
In 2010 the Audit Committee met six times in the presence of the CFO, the external auditors, the Director Financial Accounting & Internal Control, the Director Management Accounting and the Director Audit Services. The agenda at these meetings covered, amongst others, the annual and half-year figures, the interim management statements, accounting issues, the operation of the internal risk management and control systems, the Best Brands acquisition, tax matters, the financing plan, treasury, information technology developments and organization and the reports of the internal and external auditors.

Remuneration Committee

The Remuneration Committee is formed by Mr. M.P.M. de Raad (Chairman) and Mr. P. Bouw.
The Remuneration Committee met 5 times in 2010 and discussed the level of achievement of the 2009 targets for the members of the Board of Management, the progress of the 2010 targets and the target setting for 2011.
The Remuneration Committee made a final proposal for the General Shareholders Meeting to adjust the remuneration packages for the Board of Management in order to reflect the changes in the Board composition as well as the changed market conditions. The variable pay component for the CEO has been increased to 60% of the annual base salary for both the Short Term Incentive Plan (STIP) and the Long Term Incentive Plan (LTIP). The variable pay component for the CFO remained at 50% of annual base salary for both STIP and LTIP, while the annual base salary of the CFO has been adjusted to market level. During the 2010 General Shareholders Meeting the proposed changes in the remuneration package of the members of the Board of Management have been approved.

Nomination Committee

The Nomination Committee is formed by Mr. P. Bouw (Chairman) and Mr. M.P.M. de Raad.
The Nomination Committee met four times in 2010 and discussed the Composition of and changes in the Supervisory Board, the composition of the Board of Management, the reappointment of Mr. N.J.M. Kramer, CFO. The Nomination Committee also discusses with Management the functioning of CSM senior management (direct reports of the CSM Board of Management) and the changes in the divisional management teams. Besides it discusses the talent management review.

Remuneration Policy

The aim of the remuneration policy for the Board of Management is to create a total remuneration package and employment conditions which are competitive, with a strong emphasis on performance-related pay.

The total remuneration package for the Board of Management is benchmarked against companies in the Netherlands of comparable size and complexity as CSM. This benchmark is set at the median level of this group of comparable executives based on various sources of market data on the remuneration for executives of companies in the Netherlands.

The annual General Shareholders Meeting held in April 2010 approved a number of changes to the remuneration of the Board of Management. These changes reflected the new management composition and changed market conditions. Mr. R.P. Plantenberg stepped down per May 2010 as member of the Board of Management at the end of his four year term. The slightly amended remuneration policy aims to ensure further alignment with the CSM strategy and values, considering the interests of all stakeholders. Next to that a few changes were made to comply with the Dutch corporate governance code and best practices in this area.

Base Salary

The base salary is set at the median level of similar management positions and adjusted annually on 1 May on the basis of the consumer price index for family expenditure as published by Statistics Netherlands ("CBS"). The adjustment as at 1 May 2010 amounted to 1%.

Short-Term Incentive Plan (STIP)

Members of the Board of Management are entitled to a short-term “at target” incentive. The CEO is entitled to an "at target" bonus incentive of 60% of his base salary in case of realization of the short term targets. The CFO is entitled to an "at target" bonus incentive of 50% of his base salary in case of realization of the short term targets. Three financial targets Organic growth, cash flow from business operations and EBITA, account for 75% of STIP, while 25% relates to personal targets. The extent to which these personal targets have been realized is determined by the Supervisory Board.

In case a target is exceeded members of the Board of Management are entitled to a higher STIP than the “at target” incentive for that particular target. For the CEO a maximum STIP of 90% of base salary may apply and for the CFO a maximum STIP of 75% of his base salary may apply. For both the CEO and the CFO the maximum bonus incentive can be achieved in case all targets, financial and personal, are substantially exceeded (defined as 115% or more of each target). In case a target is not realized a smaller STIP than the “at target” incentive will be paid out, with the understanding that no STIP will be awarded for substantially lower performance (defined as 85% or less of the target).

As a result of the fact that the financial and personal targets for 2010 for the larger part have been achieved, the total short term incentive is higher than the "at target" level and higher than the 2009 STIP award.

Long-Term Incentive Plan

The long-term incentive for the Board of Management is based on the Long-Term Incentive Plan (LTIP) linked to relative total shareholder return (TSR).

Each year members of the Board of Management are entitled to an “at target” conditional grant of CSM shares. The CEO is entitled to a conditional share grant value of 60% of his base salary. The CFO is entitled to a conditional share grant value of 50% of his base salary. The performance criterion for the LTIP is Total Shareholder Return over a three-year performance period.

CSM's TSR is compared with a peer group of ten more or less similar companies. Based on independent analysis the performance of CSM relative to this peer group is assessed at the end of the three-year performance period. According to the remuneration policy applicable starting 2010 target performance has been set at position 5 in the peer group based on detailed analyses. If CSM delivers an outstanding performance (first or second in the peer group) over the period 2010-2013 the LTIP will amount to 175% of the "at target" grant (according to the former policy applicable this would have been 150%);
if the performance is below the threshold (below position 6 in the peer group) the shares do not vest at all (according to the former policy applicable this would apply for the ninth, tenth or eleventh position in the peer group).

The Remuneration Committee evaluates the performance of CSM in relation to the peer group, using data supplied by a leading bank in the Netherlands.
Upon vesting the members of the Board of Management will receive a gross amount which is equal to the gross dividend which would have been paid on the shares in the period of conditional allocation.

At the time of vesting the members of the Board of Management may sell as many shares as necessary to pay the related income tax. The vested shares will be blocked for two years.

The Supervisory Board periodically determines the peer group, currently consisting of Danisco (DK), General Mills (US), Aryzta (CH), Kerry Group (IR), Grupo Bimbo (SP), Nutreco (NL), Ralcorp (US), Flower Food (US), Greencore (US) and Wessanen (NL). In case of changes to companies within the peer group for whatever reason, the Supervisory Board may decide to make one or more adjustments to the composition of the group.

The at target and maximum number of conditionally granted shares for each member of the Board of Management and the movements in the number of conditionally granted shares are specified on page 118 of the financial statements.

In 2010, the shares conditionally granted in 2007 vested per May. As CSM ranked number 7 in the peer group, 20% of the conditionally granted shares have vested according to the at that time applicable LTIP-formula.

Commitment Award

The members of the Board of Management are entitled to an annual Commitment Award in the form of CSM shares with a value of 10% of their respective base salary. The shares are blocked until the end of their employment with CSM with the understanding that as many shares as necessary may be sold to pay the related income tax. In 2010, as in previous years, the Board members have not used this option.
An overview of the Commitment Award shares can be found on page 118 of the financial statements.

Pension

The pension plan for the members of the Board of Management is a defined contribution plan, the contributions being paid by CSM. The plan is within the fiscal boundaries (Table 2, Witteveen franchise) using 65 as the retirement age. The members of the Board of Management are also insured for a disability pension and death-in-service.

Other benefits and entitlements

Members of the Board of Management are provided with benefits in line with benefits applicable to other senior managers (e.g. company car, expense allowance).

CSM does not grant loans to members of the Board of Management. Hence, there are no outstanding loans.

Employment Contract

Members of the Board of Management are appointed for a period of four years and may be reappointed with the approval of the General Shareholders Meeting.

Mr. G.J. Hoetmer and Mr. N.J.M. Kramer have an employment contract for an indefinite period of time which expires at the retirement age or earlier if terminated by either party.
The notice period for members of the Board of Management is three months. CSM, being the employer, is required to give six months' notice.
Mr R.P. Plantenberg has a contract that expires in September 2011. He stepped down as Member of the Board per May 2010 at the end of his four year term.

A severance pay arrangement has been agreed with the members of the Board of Management. This severance pay deviates from provision II.2.8 of the Dutch corporate governance code. This deviation originates from the time of the appointment of Mr. Hoetmer in 2005, enabling CSM to offer him a competitive package of employment conditions. The same severance pay arrangement was offered to the members of the Board of Management appointed shortly after Mr. Hoetmer. The agreed severance pay can amount to a maximum of 1.5 times the sum of the annual base salary and the most recently determined short-term incentive. In addition, contributions to the base pension plan and the Commitment Award will be paid for a further two years.

New appointments to the Board of Management will be treated in accordance with the practice of good governance and regulations in force at the time of the appointment.

The members of the Board of Management may accept a maximum of two paid or unpaid positions on an outside supervisory board or any other such (advisory) position, provided they obtain the prior approval of the Supervisory Board.

Currently, only Mr. Hoetmer has an external unpaid appointment with the Stichting "Spieren for Spieren" (www.spierenvoorspieren.nl), a charity organization active for the benefit of children suffering from muscular diseases.

Remuneration for the Board of Management

Total annual remuneration for the CSM Board of Management in 2010 amounted to € 2.8 million (2009: € 2.9 million). Due to the changes in the compostion of the Board, the total remuneration reduced.

A breakdown of the remuneration of the Board of Management is specified on page 119 of the financial statements.

Total Remuneration

	Fixed Remuneration Base salary		Variable Remuneration STIP		Variable Remuneration LTIP	
thousands of euros	2010	2009	2010	2009	2010	2009
G.J. Hoetmer	594	586	454	413	133	0
N.J.M. Kramer	434	400	297	282	91	0
R.P. Plantenberg (until 1 May 2010)	134	400	46	302	91	0
Total	**1,162**	**1,386**	**797**	**997**	**315**	**0**

	Other Emoluments		Pension		Total	
thousands of euros	2010	2009	2010	2009	2010	2009
G.J. Hoetmer	97	83	134	132	1,412	1,214
N.J.M. Kramer	66	58	91	73	979	813
R.P. Plantenberg (until 1 May 2010)	51	56	37	111	359	869
Total	**214**	**197**	**262**	**316**	**2,750**	**2,896**

Remuneration for the Supervisory Board

Total remuneration for members and former members of the Supervisory Board in 2010 amounted to € 0.3 million (2009: € 0.3 million). The General Meeting of Shareholders 2010 approved an adjusted remuneration for the regular members of the Supervisory Board and committee members effective January 2010. This is further specified on page 119 of the financial statements. The table below provides details on the various committees and roles.

In Euros

Annual remuneration	2010	2009
Supervisory Board		
Chairman	60,000	60,000
Vice-Chairman	50,000	50,000
Members	45,000	40,840

Annual remuneration	2010	2009
Audit Committee		
Chairman	10,000	6,000
Members	5,000	4,500
Remuneration Committee		
Chairman	5,000	3,250
Members	2,500	2,250
Nomination Committee		
Chairman	5,000	3,250
Members	2,500	2,250

No loans, advance payments or any guarantees to that effect have been granted to the members of the Supervisory Board. None of the members of the Supervisory Board has shares in the company or any option rights relating thereto (as at 22 February 2011).

Diemen, the Netherlands, 22 February 2011
On behalf of the Supervisory Board

P. Bouw, Chairman

Financial Statements 2010

Contents

Consolidated Income Statement

millions of euros	Note	2010	2009
Net sales	3.	2,990.1	2,555.9
Costs of raw materials and consumables		-1,703.1	-1,449.3
Production costs		-421.8	-351.6
Warehousing and distribution costs		-226.7	-196.7
Gross profit		**638.5**	**558.3**
Selling expenses		-246.8	-209.4
Research & development costs		-44.9	-34.5
General and administrative expenses		-193.1	-171.6
Other proceeds	4.	4.4	
Operating result		**158.1**	**142.8**
Financial income	7.	10.2	3.5
Financial charges	7.	-37.8	-32.4
Result before taxes		**130.5**	**113.9**
Taxes	8.	-31.2	-27.1
Result after taxes		**99.3**	**86.8**
Per common share in euros	9.		
Earnings		1.44	1.25
Diluted earnings		1.44	1.25

Consolidated Statement of Comprehensive Income

millions of euros	Note	2010	2009
Result after taxes		**99.3**	**86.8**
Other comprehensive results:			
Translation reserve	16.	53.1	2.3
Hedge reserve	16.	3.3	7.2
Taxes relating to other comprehensive results	16.	-1.1	-9.6
Total comprehensive result after taxes		**154.6**	**86.7**

Consolidated Statement of Financial Position

before profit appropriation. millions of euros	Note	As at 31-12-2010	As at 31-12-2009
Assets			
Property, plant & equipment	**10.**	574.6	499.9
Intangible fixed assets	**11.**	1,146.8	765.9
Financial fixed assets	**12.**	10.5	10.7
Deferred tax assets	**19.**	59.2	53.0
Total fixed assets		**1,791.1**	**1,329.5**
Inventories	**13.**	335.4	251.1
Receivables	**14.**	366.0	298.1
Tax assets		16.1	4.6
Cash and cash equivalents	**15.**	118.7	120.4
Total current assets		**836.2**	**674.2**
Total assets		**2,627.3**	**2,003.7**
Equity and liabilities			
Equity	**16.**	**1,117.2**	**997.8**
Provisions	**17.**	122.8	111.1
Deferred tax liabilities	**19.**	154.5	60.0
Non-current liabilities	**20.**	745.7	444.6
Total non-current liabilities		**1,023.0**	**615.7**
Interest-bearing current liabilities	**21.**	4.0	4.1
Trade payables		296.7	223.7
Other non-interest-bearing current liabilities		154.0	125.4
Tax liabilities		32.4	37.0
Total current liabilities		**487.1**	**390.2**
Total equity and liabilities		**2,627.3**	**2,003.7**

Consolidated Statement of Changes in Equity

before profit appropriation, millions of euros	Share capital	Share premium reserve	Other reserves	Retained earnings	Total
As at 1 January 2009	**16.2**	**75.5**	**-49.1**	**899.0**	**941.6**
Result after taxes 2009				86.8	86.8
Other comprehensive result after tax 2009			-0.1		-0.1
Transfers to/from Other Reserves			-1.1	1.1	
Total comprehensive result after tax 2009			**-1.2**	**87.9**	**86.7**
Cash dividend				-31.5	-31.5
Stock dividend	0.7	-0.7			
Share-Based remuneration transfers			-0.3	0.3	
Share-Based remuneration charged to result			1.0		1.0
Total transactions with shareholders	**0.7**	**-0.7**	**0.7**	**-31.2**	**-30.5**
As at 31 December 2009	**16.9**	**74.8**	**-49.6**	**955.7**	**997.8**
Result after taxes 2010				99.3	99.3
Other comprehensive result after tax 2010			55.3		55.3
Transfers to/from Other reserves			21.3	-21.3	
Total comprehensive result after tax 2010			**76.6**	**78.0**	**154.6**
Cash dividend				-36.2	-36.2
Stock dividend	0.3	-0.3			
Share-Based remuneration transfers			-0.6	0.6	
Share-Based remuneration charged to result			1.0		1.0
Total transactions with shareholders	**0.3**	**-0.3**	**0.4**	**-35.6**	**-35.2**
As at 31 December 2010	**17.2**	**74.5**	**27.4**	**998.1**	**1,117.2**

For more information to equity see Note 16.

Consolidated Statement of Cash Flows

millions of euros	Note	2010	2009
Cash flow from operating activities			
Result after taxes		99.3	86.8
Adjusted for:			
• Depreciation/amortization of fixed assets	**6.**	107.3	68.7
• Impairment of fixed assets	**10.**	4.8	
• Result from divestments of fixed assets		-4.2	1.0
• Result from sale of group companies and activities	**4.**	-4.4	
• Share-based remuneration		1.0	1.0
• Interest income	**7.**	-0.7	-1.5
• Interest expense	**7.**	31.7	27.9
• Exchange rate differences	**7.**	-0.6	4.1
• Fluctuations in fair value of derivates	**7.**	-5.1	-2.0
• Other financial income and charges	**7.**	2.3	0.4
• Taxes	**8.**	31.2	27.1
Cash flow from operating activities before movements in working capital		**262.6**	**213.5**
Movement in provisions		5.8	-7.7
Movements in working capital:			
• Receivables		-20.4	35.4
• Inventories		-37.3	60.6
• Non-interest-bearing current liabilities		44.4	7.5
Cash flow from business operations		**255.1**	**309.3**
Net interest paid		-32.4	-32.0
Tax paid on profit		-34.1	-0.1
Cash flow from operating activities		**188.6**	**277.2**
Cash flow from investment activities			
Acquisition of group companies	**22.**	-384.7	
Capital expenditure on fixed assets		-74.5	-47.7
Divestment of fixed assets		4.9	0.6
Cash flow from investment activities		**-454.3**	**-47.1**
Cash flow from financing activities			
Proceeds from interest-bearing debts		595.3	
Repayment of interest-bearing debts		-302.5	-161.8
Paid-out dividend		-36.2	-31.5
Cash flow from financing activities		**256.6**	**-193.3**
Net cash flow		**-9.1**	**36.8**
Effects of exchange rate differences on cash and cash equivalents		7.4	
Increase/decrease cash and cash equivalents		**-1.7**	**36.8**
Cash and cash equivalents at start of financial year		120.4	83.6
Cash and cash equivalents at close of financial year		118.7	120.4

For more information to the cash flow statement see Note 26.

Notes to the Consolidated Financial Statements

1. Accounting Information

General
CSM nv is an internationally operating company engaged in the development, production, sale and distribution of bakery supplies and food ingredients. CSM operates mainly in Europe and North America, but also has offices in Asia and South America. CSM is based in Amsterdam and listed on Euronext Amsterdam.

The consolidated financial statements drawn up by the Board of Management have been discussed by the Supervisory Board on 22 February 2011. They will be presented to the General Shareholders' Meeting for adoption on 3 May 2011.

In compliance with Section 2:402 of the Dutch Civil Code the income statement of CSM nv is presented in a summarized form as it is incorporated in the consolidated financial statements.

Acquisitions
The acquisitions that influenced the 2010 consolidation were:

Best Brands:
On March 19th, 2010 CSM completed the acquisition of 100% of the ownership interests of Best Brands Corp, based in the US. Acquisition price was US$ 525.3 million; annual sales US$ 538 million; workforce 1,580 people.

PGLA -1
On July 16th, 2010 CSM has acquired the remaining 50% ownership of the latic acid production facility in Blair, Nebraska (US) from its joint venture partner Cargill. The acquisition price of the remaining 50% was US$ 31.9 million including US$ 16.1 for closely related transactions. As the total output of the latic acid plant was already dedicated to Purac, the transaction will not impact Purac's market position.
For more information to acquisitions see Note 22.

Reported Amounts
Unless indicated differently all amounts in the financial statements are reported in millions of euros.

Exchange Rates of Main Currencies

in Euros	Average exchange rate 2010	Average exchange rate 2009	Exchange rate 31 December 2010	Exchange rate 31 December 2009
USD	1.33	1.39	1.34	1.44
GBP	0.86	0.89	0.86	0.89
Japanese yen	116.19	130.13	108.80	133.00
Brazilian real	2.33	2.76	2.22	2.51
Thai Baht	41.88	47.61	40.10	47.80

2. Accounting Principles

General
The consolidated financial statements of CSM nv have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the European Union. With the exception of financial instruments, the financial statements in general are prepared on the basis of the historical cost principle.

In 2010, CSM applied all the new and amended standards and interpretations published by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), if and insofar as these applied to CSM and were effective as at 1 January 2010.

The main effective change applied by CSM at 1 January 2010 include:
- IFRS 3:Business Combinations: amended.

CSM states that the application of these interpretations have the following material impact on the CSM financial statements:
- Transaction costs concerning acquisitions are hitting the income statement in stead of consideration transferred.
- Fair value remeasuring of CSM previous held non-controlling interest in PGLA-1 joint venture are hitting the income statement.

None of the new and amended IFRS and IFRIC interpretations not yet effective in 2010 were applied by CSM. CSM anticipates that the application of these standards and interpretations in future periods will have no material impact on the CSM financial statements.

Consolidation

The consolidation includes the financial data of CSM nv and its group companies (“CSM”). All inter-company receivables, debts and transactions have been eliminated. Group companies are companies in which CSM nv exercises control. The PGLA-1 joint venture was consolidated proportionally until July 16th 2010, because at that date CSM acquired the remaining 50% ownership from its joint venture partner Cargill. The results of acquisitions and divestments are recognized from the moment that control is obtained or transferred.

Foreign Currency

The consolidated financial statements are in euros. The euro is CSM nv’s functional and presentation currency. The functional currency is the currency of the primary environment where the group company operates and may therefore differ from one company to another. Transactions in other than the functional currency are translated at the exchange rates that apply on the transaction date. Any monetary assets and liabilities resulting from such transactions are translated at the exchange rates on the balance sheet date. Any exchange rate differences are recognized in the income statement.

The assets and liabilities of consolidated foreign group companies and the long-term foreign-currency loans, which have been taken out to finance these subsidiaries, are converted into euros on the balance sheet date, taking taxes into account. The subsequent currency translation differences are incorporated in the translation reserve in equity. The results of the foreign group companies are translated into euros on the basis of average exchange rates. The difference between net profit on the basis of average exchange rates and net profit on the basis of the exchange rates as at the balance sheet date is incorporated in the translation reserve in equity. If a foreign operation is divested or scaled down the associated cumulative currency translation differences are recognized as result in the income statement.

Property, Plant & Equipment

Land, buildings, machines, installations and other operating assets are valued at the acquisition price or the cost of production, subject to straight line depreciation calculated over the estimated economic life and the estimated residual value. The cost of production includes the cost of materials and direct labor and an attributable part of the indirect costs. Land is not depreciated. Grants are deducted from the acquisition price or the production costs of the assets to which the grant relates. Property, plant and equipment are tested for impairment if there are indications for this. Impairment is the amount by which the book value of the property, plant and equipment exceeds the recoverable amount. The recoverable amount of an asset is the higher of (a) value in use and (b) fair value less selling expenses.

Intangible Fixed Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the identifiable assets and liabilities purchased at the date of acquisition. Goodwill is valued at cost less impairment. Goodwill is tested for impairment annually – or more often if there were indications for impairment. Impairment is the amount by which the book value of the goodwill of a cash-flow-generating unit exceeds the recoverable amount, being the higher of (a) value in use and (b) fair value less selling expenses. The value in use is the present value of the cash flows which the unit is expected to generate. If impairment is incurred, the impairment is charged to the income statement.
When an entity or activity is sold or closed down the goodwill allocated to the entity is included in the calculations for the result of the sale.

Customer Base

The customer base comprises the part of the paid acquisition sum which, upon acquisition, is allocated to the value of the acquired customer base. It is valued at fair value as at the acquisition date and amortized using a straight line method over the estimated economic life. Amortization charges arising from customer base are recognised in selling expenses. The value of the customer base is tested whenever there is an indication that the assets may be impaired.

Brands and Licenses

Brands and licenses comprise the part of the paid acquisition sum which, upon acquisition, is allocated to the value of the acquired trademarks and product licenses. Brands and licenses are valued against the fair value per acquisition date and are subject to straight line amortization calculated over the estimated economic life. Amortization charges arising from brands and licenses are recognised in selling expenses. The value of the brands and licenses is tested for impairment whenever there is an indication that the assets may be impaired.

Research & Development Costs

Research & development costs comprise the part of the paid acquisition sum which, upon acquisition, is allocated to the value of the acquired research & development costs and valued at fair value at acquisition date. Own research costs are not capitalized, but charged to the income statement. Own development costs are capitalized if the appropriate criteria are met. Research & development costs are valued at cost and amortized using a straight line method over the estimated economic life. Amortization charges arising from research & development costs are recognized in research and development costs. The value of the development costs is tested for impairment whenever there is an indication that the assets may be impaired.

Non-compete Agreements

Non-compete agreements comprise the part of the paid acquisition sum which, upon acquisition, is allocated to the value of the acquired non-compete agreements. Non-compete agreements are valued against the fair value per acquisition date and are subject to straight line amortization calculated over the estimated life. Amortization charges arising from non-compete agreements are recognized in selling expenses. The value of the non-compete agreement is tested for impairment whenever there is an indication that the assets may be impaired.

Favourable Purchase Contracts

Favourable purchase contracts comprise the part of the paid acquisition sum which, upon acquisition, is allocated to the value of the acquired favourable purchase contracts. Favourable purchase contracts are valued against the fair value per acquisition date and are subject to amortization in the income statement as cost of raw materials and consumables in line with the reporting of the underlying purchase contracts in the income statement. The value of the favourable purchase contracts is tested for impairment whenever there is an indication that the assets may be impaired.

Other Intangible Fixed Assets

Other intangible fixed assets consist primarily of capitalized or acquired third-party software and licenses.
Other intangible fixed assets are valued at historical cost if capitalized or at fair value if acquired and amortized on a straight line basis over the estimated economic life. Software and licenses amortization charges are recognized in general and administrative expenses. Emission rights are not recognized in the balance sheet as cost is zero. The value of the other tangible fixed assets is tested for impairment annually.

Financial Fixed Assets

Financial fixed assets are loans and receivables with fixed or determinable payments (generally, with a duration of more than one year) and are valued at amortized cost less provisions where necessary.

Deferred Taxes

Deferred taxes concern tax loss carryforward and liabilities and assets arising from temporary differences between the tax bases and their carrying amounts in the consolidated financial statements of (in-)tangible fixed assets, inventories and provisions. Deferred taxes are determined using tax rates that have been enacted by the balance sheet date and are expected to apply when the related deferred income tax is realized or the deferred tax liability is settled. Deferred tax assets are recognized to the extent that is probable that future taxable profit will be available against which the temporary difference and tax loss carryforward can be utilized.

Tax assets and liabilities are netted when there is a legal right and the intention to offset. Deferred tax assets and liabilities with the same term and relating to the same fiscal unities are offset against each other.

Inventories

Inventories of raw materials, consumables, technical materials and packaging are stated at the lower of cost (first in, first out) and net realizable value. Inventories of work in progress and finished products are stated at the lower of production cost and net realizable value. Total cost of production includes payroll costs and materials and an allocated part of the indirect production costs. A valuation adjustment is deducted for non-marketable inventories.

Receivables

Receivables are valued on the basis of the amortized cost using the effective interest rate method less provisions deemed necessary for non-collectibility.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash in bank, cash in hand and current deposits with original maturities of three months. Bank overdrafts are presented as current interest-bearing liabilities.

Equity

CSM runs a share plan plan for the Board of Management and share based plans for the Senior Management. The fair value of the right to shares on the date of allocation is recognized in the income statement as payroll costs over the vesting period. Liabilities concerning share based plans with payment in shares are included in Equity and measured only initially. Liabilities concerning share based plans with payment in cash are included in provisions and remeasured every period.

Provisions

Pensions

CSM runs pension plans in various countries for most of its employees. These schemes reflect the legal requirements, the customs and the situation in the country concerned. They are administered partly by the company and partly by external parties, such as industrial pension funds and insurance companies.

The pension commitments arising from defined benefit plans are calculated using the projected unit credit method. Actuarial gains and losses are recognized using the “corridor” method, whereby the actuarial results are only recognized in the income statement for the financial year if the total of the unrecognized actuarial results as at the start of the financial year exceeds the bandwidth of 10% of the greater of the pension plan commitments and the fair value of the plan assets (the "corridor"). The excess is spread to income over the employee's expected average remaining working life, starting in the financial year following the balance sheet date of exceeding the bandwidth.

Movements in commitments due to changes to defined benefit plans, as far as past service costs are concerned, are amortized on a straight-line basis over the vesting period. If and insofar as commitments have vested upon the introduction of or after a possible change to the defined benefit plan the relevant movements are charged immediately to the result. The result arising from the curtailment or termination of a defined benefit pension plan is recognized as soon as the curtailment or termination occurs. It consists of the movement in the present value of the defined benefit obligation and the fair value of the plan assets and any unrecognized actuarial results and past service costs. Curtailments may arise if there is a material decline in the number of employees in the pension plan or if the content of the plan changes in such a way that the claims will be substantially lower in the future years of service. The pension premiums for the defined contribution pension plans are charged to income when incurred.

Other Long-Term Employee Benefit Commitments

The other long-term employee benefit commitments relate mainly to anniversaries, years of service, termination packages, and medical costs. The commitments arising from these benefits are accounted for similarly as the defined benefit pension plans.

Other Provisions

The other provisions, relate mostly to reorganization, restructuring and other, which represent a legal or constructive obligation as a result of a past event, the amount of which is uncertain but which can be estimated reliably and of which it is more likely than not that an outflow of resources is required to settle the obligation. The provisions are measured at the present value of the expected cost to settle the obligation.

Liabilities

Interest-bearing liabilities are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Upon sale or settlement of interest-bearing liabilities any profits or losses are directly recognized in the income statement.

Leases

Lease agreements in which the lessor transfers substantially all the risks and rewards of the ownership of an asset to the lessee are classified as financial leases. All assets and liabilities of a financial lease are capitalized at the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease agreements that do not meet the conditions for a financial lease are classified as operational leases. Payments made are charged to income on a straight-line basis over the period of the lease.

Net Sales

Net sales comprises the proceeds of goods delivered to third parties less discounts and value-added tax.
Net sale of goods is recognized when CSM has transferred the actual risks and rewards of ownership of the goods to the buyer, when the amount of the proceeds can be reliably measured, and when it is probable that the economic benefits of the sale will accrue to CSM.

Costs of Raw Materials Packaging and Consumables

Costs of raw materials and consumables relate to the cost of consumption of raw materials, consumables, and packaging materials.

Production Costs

Production costs are the costs relating to production operations.

Warehousing and Distribution Costs

Warehousing and distribution costs relate to the costs of warehousing and transport, including transport insurance.

Selling Expenses

Selling expenses relate to the costs of marketing and sales.

General and Administrative Expenses

General and administrative expenses relate to the costs of administration, management, and IT.

Taxes

Tax on the result is calculated on the basis of the result before taxes, taking account of untaxed profit elements, non- and part-deductible costs and fiscal facilities. The prevailing nominal tax rates are applied. Account is taken of non-recoverable withholding taxes on foreign dividends.

Financial Instruments and Hedge Activities

Upon initial inclusion in the financial statements as at the start date of the contract derivative financial instruments are recognized at fair value. Subsequently, at each reporting date, they are measured at fair value. The recognition of any arising results depends on whether or not the derivative instrument can be qualified as a hedging instrument and the type of hedged item. If no hedge accounting is applied the fair value fluctuations of the derivative financial instruments are recognized in the income statement.

CSM designates certain derivative financial instruments as:

- hedge for the possible variability in cash flows which can be attributed to a certain currency, interest rate or commodity price risk associated with a recognized asset or liability or a highly probable expected future transaction (cash flow hedge), or
- hedge for net investments in foreign operations (net investment hedge).

Upon entering into a transaction the relationship between the hedging instrument and the hedged position, as well as the risk management aims and the starting points for entering into various hedging transactions are documented. CSM also documents its estimate as to whether the derivative financial instrument offsets the movements in the fair values or cash flows of the hedged positions effectively. The documentation process starts at the time of entering into such a contract and is updated continuously.

The fair value of derivative financial instruments which are used as hedging instruments and movements in the hedge reserve in equity are explained in the respective note Financial instruments.

Cash Flow Hedge

The effective part of changes in the fair value of derivative financial instruments which are designated and classified as cash flow hedge is recognized in equity. Gains or losses from the non-effective part are directly recognized in the income statement.

If a hedging instrument expires, is sold or if the instrument can no longer be qualified as a hedging instrument, the cumulative gains and losses remain in equity until the expected future transaction is recognized in the income statement. If the expected future transaction is no longer probable the cumulative result is transferred immediately from equity into the income statement.

Net Investment Hedge

Hedges for net investments in foreign operations are handled in a similar way as cash flow hedges. Gains or losses from the hedging instrument which can be attributed to the effective part of the hedge are recognized in equity; any gains or losses which cannot be attributed to the effective part are directly recognized as financial income and charges in the income statement. Cumulative gains and losses in equity are recognized in the income statement as soon as the foreign operation is partly divested or sold.

Critical Accounting Estimates and Judgements

CSM makes use of accounting estimates and judgements. Described below are the estimates and judgements as at the balance sheet date that carry a substantial risk of a material adjustment to the book value of assets and liabilities in the next financial year.

Acquisitions

CSM undertakes a process to identify all assets and liabilities acquired, including acquired intangible fixed assets. The judgements made in identifying all acquired assets, determining the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives, can materially impact results of operations. Estimated fair values are based on information available near the acquisition date and on expectations and assumptions that have been reasonable by CSM. For more information see Note 22.

Goodwill Impairment

Every year, CSM tests the goodwill annually based upon the value-in-use method. The value in use is calculated on the basis of estimates and judgements of the expected cash flows which are discounted on a WACC basis. For a description of the main estimates, valuation assumptions and a sensitivity analysis of the applied assumptions see Note 11.

Property, Plant & Equipment

Property, plant and equipment (PPE) are tested for sustained impairment if there is an indication of possible impairment. A key factor is the recoverable amount which is calculated on the basis of estimates and assumptions of anticipated discounted cash flows, on the one hand, and an estimate of the fair value minus selling expenses, on the other.

Pensions

Actuarial calculations are used to determine provisions for Group personnel arrangements and net receivables or obligations from Group pension plans. These calculations use assumptions in respect of future developments in salary, mortality, staff turnover, return on investments et cetera. Changes to these estimates and assumptions can lead to actuarial gains and losses which are recognized in the income statement, provided a bandwidth of 10% of the greater of the obligation from the plan and the fair value of the plan assets is exceeded. The excess is spread to income over the participant's expected average remaining working life. For more information on the applied assumptions see Note 18.

Taxes

CSM is subject to various tax systems across the world. Estimates and judgements are used to determine the tax items in the financial statements. Interpretation differences in tax liabilities are also taken into account. For more information see Note 19.

3. Segment Information

For its strategic decision making proces CSM distinguishes segmentation between the bakery operations (Bakery Supplies), lactic acid operations (Purac) and corporate activities. The bakery operations are subdivided into a European segment and a North American segment.

The bakery operations comprise the development, production and sale of bakery ingredients and products. The lactic acid operations involve the production of lactic acid and lactic acid derivatives which are used in food, pharmaceutical and technical products. Corporate activities concern activities which cannot directly be allocated to one of the other segments, such as corporate finance, HR and legal.

CSM generates almost all of its revenues from the sale of goods. Non-current assets are not easily available and therefore not disclosed in the segment overview.
For more information to the impairment of fixed assets see Note 10.

Segment Information by Business Area

	Bakery Supplies Europe		Bakery Supplies North America		Purac	
	2010	2009	2010	2009	2010	2009
P&L information						
Net sales	1,022.6	1,013.3	1,567.1	1,187.3	400.4	355.3
EBITA including one-off costs Best Brands	61.8	45.3	102.0	94.0	56.6	37.9
One-off costs Best Brands			21.4			
Operating result	58.9	43.1	73.2	90.6	52.7	36.3
Balance sheet information						
Total assets	963.1	975.0	1,056.6	545.5	441.0	358.7
Total liabilities	343.2	331.2	282.0	132.3	83.0	53.6
Capital employed year-end	786.3	822.1	1,009.0	634.0	332.9	275.7
Average capital employed	837.6	872.4	971.5	660.4	300.6	298.7
Depreciation of property, plant & equipment	22.3	22.7	24.9	16.9	24.4	21.3
Amortization of intangible fixed assets	2.9	2.2	28.8	3.4	3.9	1.6
Other information						
Capital expenditure on property, plant & equipment	14.5	11.9	17.0	15.8	37.9	16.3
Capital expenditure on intangible fixed assets	2.9	0.4	0.6		10.3	0.9
Impairment of fixed assets	0.8		6.3		-2.3	
Average number of employees	4.023	4.004	4.409	3.386	971	945
Alternative Non-IFRS performance measures						
EBITA margin %	6.0	4.5	6.5	7.9	14.1	10.7
ROCE %	7.4	5.2	10.5	14.2	18.8	12.7
Alternative Non-IFRS performance measures excluding one-off costs Best Brands						
EBITA	61.8	45.3	123.4	94.0	56.6	37.9
EBITA margin %	6.0	4.5	7.9	7.9	14.1	10.7
ROCE %	7.4	5.2	12.7	14.2	18.8	12.7

Information on the Use of Alternative Non-IFRS Performance Measures

In the above table and elsewhere in the Financial Statements a number of Non-IFRS performance measures are presented. Management is of the opinion that these so-called alternative performance measures might be useful for the readers of these Financial Statements. CSM management uses these performance measures to make financial, operational and strategic decisions and evaluate performance of the segments. The alternative performance measures can be calculated as follows:

- EBITA is the operating result before amortization of intangible fixed assets.
- EBITA margin is EBITA divided by net sales x 100.
- Return on capital employed (ROCE) is EBITA for the year divided by the average capital employed x 100.

Goodwill included in capital employed relates to management goodwill, being the goodwill capitalized and the goodwill charged directly to equity since 1978, the year when CSM started its diversification process. The goodwill directly to equity amounts to € 313.3 million.

Segment Information by Business Area (continued)

			Corporate		CSM total	
			2010	2009	2010	2009
P&L information						
Net sales					2,990.1	2,555.9
EBITA including one-off costs Best Brands			-26.6	-26.6	193.8	150.6
One-off costs Best Brands					21.4	
Operating result			-26.7	-27.2	158.1	142.8
Balance sheet information						
Total assets			166.6	124.5	2,627.3	2,003.7
Total liabilities			801.9	488.8	1,510.1	1,005.9
Capital employed year-end			39.4	-1.9	2,167.6	1,729.9
Average capital employed			23.5	10.4	2,133.2	1,841.9
Depreciation of property, plant & equipment					71.6	60.9
Amortization of intangible fixed assets			0.1	0.6	35.7	7.8
Other information						
Capital expenditure on property, plant & equipment					69.4	44.0
Capital expenditure on intangible fixed assets				1.6	13.8	2.9
Impairment of fixed assets					4.8	
Average number of employees			53	47	9.456	8.382
Alternative Non-IFRS performance measures						
EBITA margin %					6.5	5.9
ROCE %					9.1	8.2
Alternative Non-IFRS performance measures excluding one-off costs Best Brands						
EBITA			-26.6	-26.6	215.2	150.6
EBITA margin %					7.2	5.9
ROCE %					10.1	8.2

Segment Information by Geographical Region

	The Netherlands		Rest of Europe		North America	
	2010	2009	2010	2009	2010	2009
Net sales	148.4	152.6	1,006.1	988.7	1,718.8	1.315.1
Average capital employed	168.3	158.8	795.5	850.7	1,019.4	705.7
Capital expenditure on fixed assets	15.6	10.0	14.8	14.2	26.8	17.1
Depreciation and amortization of fixed assets	11.4	9.1	26.3	27.4	58.5	22.7
Average number of employees	854	777	3.741	3.770	4.528	3.501

	Other countries		CSM consolidated	
	2010	2009	2010	2009
Net sales	116.8	99.5	2,990.1	2,555.9
Average capital employed	150.0	126.7	2,133.2	1,841.9
Capital expenditure on fixed assets	26.0	5.6	83.2	46.9
Depreciation and amortization of fixed assets	11.1	9.5	107.3	68.7
Average number of employees	333	334	9,456	8,382

The above information is based on the geographical location of the assets.

Net sales by geographical region based on the geographical location of the customers is shown in the table below.

	2010	2009
The Netherlands	96.0	99.7
Rest of Europe	1,022.9	1,017.9
North America	1,688.3	1,299.2
Other countries	182.9	139.1
Total	**2,990.1**	**2,555.9**

4. Other Proceeds

	2010	2009
Remeasurement of previous held interest PGLA-1	4.4	
Total	**4.4**	

For more information to the other proceeds see Note 22.

5. Payroll and Social Insurance

	2010	2009
Payroll	411.2	348.9
Pension premiums – defined benefit pension plans	13.9	14.2
Pension premiums – defined contribution pension plans	12.0	11.5
Other social insurance	55.4	48.3
Share-Based remuneration	1.0	1.0
Total	**493.5**	**423.9**

6. Depreciation/Amortization of Fixed Assets

	2010	2009
Depreciation of property, plant & equipment	71.6	60.9
Amortization of intangible fixed assets	35.7	7.8
Total	**107.3**	**68.7**

7. Financial Income and Charges

	2010	2009
Interest income	-0.7	-1.5
Interest charges	31.7	27.9
Exchange rate differences	-1.8	-1.6
Recycling of exchange rate differences from translation reserve*	1.2	5.7
Fluctuations in fair value of derivatives	-5.1	-2.0
Other	2.3	0.4
Total	**27.6**	**28.9**

* Recycling in 2010 is caused by decreased net investment foreign entities in USD 32 million (recycling effect 1.1 gain), GBP 11 million (recycling effect 2.9 loss) and BRC 7 million (recycling effect 0.6 gain).

8. Taxes

	2010	2009
Current tax	14.8	15.1
Deferred tax	16.4	12.0
Tax charge(income)	**31.2**	**27.1**

Reconciliation of result before taxes and tax charge:

	2010	2009
Result before taxes	**130.5**	**113.9**
Applicable tax charge at average statutory tax rate	40.6	39.7
Income not subject to tax	-9.4	-12.8
Expenses not deductible for tax purposes	5.0	1.7
Additions/releases of the valuation allowance	-5.9	7.9
Additions/releases of tax provision	3.5	-4.8
Adjustment in respect of prior years	-2.1	-1.7
Effects of recycling	-0.5	-2.9
Tax charge(income)	**31.2**	**27.1**
	23.9%	**23.8%**

The average statutory tax rate is the average of the statutory tax rates in the countries where CSM operates, weighted on the basis of the result from ordinary activities before taxes in each of these countries.
The average tax burden on operations was 23.9% in 2010 (2009: 23.8%).

The adjustment in respect of prior years reflects the effects of changes to relevant regulations, facts or other factors compared to those used in establishing the current tax position or deferred tax balance in previous years.

Breakdown of the tax charge recognized in equity:

	2010	2009
Tax liability due to loan-related exchange rate difference	0.5	7.8
Tax liability due to hedge results of financial instruments	0.6	1.8
Tax charge(income) recognized in equity	**1.1**	**9.6**

9. Earnings per Common Share

Earnings per common share are calculated by respectively dividing the profit available for holders of common shares by the weighted average number of outstanding common shares in CSM nv.

Diluted earnings per common share are calculated by dividing the profit available for holders of common shares by the weighted average number of outstanding common shares in CSM nv adjusted for the effects of potential exercise of share rights by the Board of Management.

	2010	2009
Result after taxes	**99.3**	**86.8**
Minus: dividend cumulative financing preference shares	4.3	4.3
Profit available for holders of common shares (A)	**95.0**	**82.5**
Weighted average number of outstanding common shares (B)	65.9	65.8
Plus: common shares related to share rights	0.2	0.2
Weighted average number of outstanding common shares. after dilution (C)	**66.1**	**66.0**
Per common share in euros		
Earnings (A/B)	1.44	1.25
Diluted earnings (A/C)	1.44	1.25

10. Property, Plant & Equipment

	Land	Buildings	Machinery and equipment	Other fixed assets	Under construction	Not employed in operations	Total
1 January 2009							
Acquisition prices	41.2	257.6	755.0	58.7	51.5	0.3	1,164.3
Cumulative depreciation		-82.4	-518.9	-45.5	-4.1		-650.9
Book value	**41.2**	**175.2**	**236.1**	**13.2**	**47.4**	**0.3**	**513.4**
Movements							
Capital expenditure		3.2	15.8	5.4	19.6		44.0
Divestments			-1.2	-0.3		-0.1	-1.6
Exchange rate differences	0.1	0.4	2.9	0.1	0.4		3.9
Depreciation		-9.1	-45.6	-6.2			-60.9
Other		-6.0	39.6	6.2	-39.8		
Reclassification as assets held for sale	0.2	0.4	0.5				1.1
Net movement in book value	**0.3**	**-11.1**	**12.0**	**5.2**	**-19.8**	**-0.1**	**-13.5**
31 December 2009							
Acquisition prices	41.5	266.2	804.4	67.4	31.7	0.2	1,211.4
Cumulative depreciation		-102.1	-556.3	-49.0	-4.1		-711.5
Book value	**41.5**	**164.1**	**248.1**	**18.4**	**27.6**	**0.2**	**499.9**
Movements							
Capital expenditure	0.7	3.0	22.8	3.1	39.7	0.1	69.4
Divestments		-0.1	-2.8	-0.2	2.3		-0.8
Exchange rate differences	2.5	10.3	14.6	1.2	2.0		30.6
Acquisition of group companies	0.6	4.9	43.4		3.0		51.9
Depreciation		-10.0	-54.5	-7.3	0.2		-71.6
Impairment		-4.0	-3.1				-7.1
Impairment reversal			2.3				2.3
Other		5.6	6.3	1.4	-13.3		
Net movement in book value	**3.8**	**9.7**	**29.0**	**-1.8**	**33.9**	**0.1**	**74.7**
31 December 2010							
Acquisition prices	45.3	293.1	887.4	69.8	65.4	0.3	1,361.3
Cumulative depreciation		-119.3	-610.3	-53.2	-3.9		-786.7
Book value	**45.3**	**173.8**	**277.1**	**16.6**	**61.5**	**0.3**	**574.6**
Depreciation rates		2.5 – 4%	6.7-12.5%	20-50%		6.7-12.5%	

The property, plant & equipment item includes fixed assets with a book value of € 2.2 million (31 December 2009: € 2.0 million) which are financed through a financial lease.
The book value of property, plant & equipment calculated on the basis of current value, is estimated at € 326 million (31 December 2009: estimated € 297 million) above the disclosed book value on the basis of acquisition price or construction costs.

The impairment relates for € 6.3 million to supply chain optimization in Bakery Supplies North-America relating to the integration of Best Brands. For more information see also Note 25.
The impairment reversal relates to a production unit, which has been re-installed to the US production plant of Purac. This unit was impaired in 2007 as part of a fundamental production rationalization in the Purac group.

11. Intangible Fixed Assets

	Goodwill	Customer base	Brands and licenses	Research & development costs	Non-compete agreements	Favourable purchase contracts	Other intangible fixed assets	Total
1 January 2009								
Acquisition prices	701.2	62.2	15.1	4.7			7.4	790.6
Cumulative amortization		-8.3	-1.7	-1.9			-5.0	-16.9
Book value	**701.2**	**53.9**	**13.4**	**2.8**			**2.4**	**773.7**
Movements								
Capital expenditure			0.1	0.8			2.0	2.9
Exchange rate differences	-3.6	0.7						-2.9
Amortization		-4.7	-1.0	-1.2			-0.9	-7.8
Net movement in book value	**-3.6**	**-4.0**	**-0.9**	**-0.4**			**1.1**	**-7.8**
31 December 2009								
Acquisition prices	697.6	62.8	15.2	5.5			9.2	790.3
Cumulative amortization		-12.9	-2.7	-3.1			-5.7	-24.4
Book value	**697.6**	**49.9**	**12.5**	**2.4**			**3.5**	**765.9**
Movements								
Capital expenditure			0.5	2.1	7.7		3.5	13.8
Acquisition of group companies	194.7	112.5	22.4	23.2	8.0	14.8	1.8	377.4
Exchange rate differences	19.4	4.3	1.0	0.5		0.3	-0.1	25.4
Amortization		-9.9	-3.8	-4.3	-4.7	-11.4	-1.6	-35.7
Net movement in book value	**214.1**	**106.9**	**20.1**	**21.5**	**11.0**	**3.7**	**3.6**	**380.9**
31 December 2010								
Acquisition prices	911.7	180.2	38.5	31.2	16.3	15.0	14.5	1,207.4
Cumulative amortization		-23.4	-5.9	-7.3	-5.3	-11.3	-7.4	-60.6
Book value	**911.7**	**156.8**	**32.6**	**23.9**	**11.0**	**3.7**	**7.1**	**1,146.8**
Amortization rate	0%	7 - 10%	5 – 10%	33.3%	20-60%	50.0%	33.3%	

Goodwill Impairment Test

Goodwill is allocated to CSM's cash generating units (CGUs) identified as the operating segments. For CSM the operating segments Bakery Supplies North America, Bakery Supplies Europe and Purac are the levels to which goodwill of CSM should be allocated for the purposes of impairment testing. Main reasons for this approach are:

- It represents a non-arbitrary, reasonable and consistent basis for the allocation of goodwill.
- The allocation is also in line with the expected synergies at the time of the acquisition with benefits for more than one entity.
- The allocation represents the lowest level where goodwill is monitored by the Board of Management, while not being larger than the operating segments.

Breakdown of the book value of the goodwill by division:

	at 31 December 2010	at 31 December 2009
CSM Bakery Supplies Europe	512	510
CSM Bakery Supplies North America	396	185
Purac	4	3
Total	912	698

The recoverable amount of each CGU is determined using a value-in-use method. The main assumptions used are derived from the financial and business plans of each division for 2011 which have been approved by the Board of Management. Cash-flows between one and four years are based upon an estimated net sales growth rate of 2-3%. From 2015 onwards a stable growth of 1.5% is taken into account for all operating segments in combination with a relatively constant cost structure.

For each operating segment, the future cash flows are discounted on the basis of WACC before tax. For Bakery Supplies North America a WACC is applied of 12.9%, for Bakery Supplies Europe a WACC of 10.7% and for Purac a WACC of 11.2% has been applied. In terms of post-tax WACC these percentages are respectively 8.0%, 7.8% and 8.1%.

In addition, sensitivity analyses have been carried out in respect of the assumptions using:

- a terminal value growth of 0.5%,
- a discount rate of +1%.

Given the above assumptions and the outcome of analyses the Board of Management has concluded that value-in-use of each operating segment is not lower than the book value of the respective segments including goodwill.

12. Financial Fixed Assets

	Long-term receivables	Derivatives	Total
As at 1 January 2009	**10.3**		**10.3**
Disbursement / withdrawal	0.4		0.4
As at 31 December 2009	**10.7**		**10.7**
Disbursement / withdrawal	-0.2	-0.4	-0.6
Acquisitions		0.4	0.4
As at 31 December 2010	**10.5**		**10.5**

The book value of the long-term receivables does not significantly deviate from the fair value. The long-term receivables mainly comprise a disbursed loan of € 6.3 million (interest rate 5.5%) and a disbursed loan of € 2.0 million (interest rate 0%) to partially finance the beet growers joining Cosun following the sale of CSM Sugar in 2007.

13. Inventories

	As at 31 December 2010	As at 31 December 2009
Raw materials. consumables. technical materials and packaging	102.3	75.2
Work in progress	13.4	10.4
Finished product	229.2	174.7
Impairment provision	-9.5	-9.2
Total	**335.4**	**251.1**

Movements in inventories impairment provision

	2010	2009
As at 1 January	**-9.2**	**-8.3**
Additions/releases	-1.4	-2.2
Use	1.4	1.3
Exchange rate differences	-0.3	
As at 31 December	**-9.5**	**-9.2**

14. Receivables

	As at 31 December 2010	As at 31 December 2009
Trade receivables	344.1	290.2
Impairment provision	-10.9	-11.9
Other receivables	8.1	9.9
Derivatives	3.0	
Prepayments and accrued income	21.7	9.9
Total	**366.0**	**298.1**

Remaining term of receivables is less than one year. The face value of the receivables (excluding derivatives) does not significantly deviate from the fair value.

The credit risk associated with trade receivables is managed by the local finance manager. Periodically, each division reports the expired credit terms and the movements in the provisions for trade receivables to the Board of Management. The maximum credit risk in respect of trade receivables is € 344.1 million (2009: € 290.2 million).

Trade receivables are not interest-bearing and generally have an average term of credit of 30-90 days. The impairment provision is based on expired terms of credit and defined individually. The trade receivables item includes an amount of € 57.1 million in receivables with expired terms of credit which are expected to be received and are therefore not provided for.

Breakdown of expired credit terms

	Total	< 30 days	30-60 days	60-90 days	> 90 days
BSEU	24.4	12.8	4.4	2.4	4.8
BSNA	25.6	14.1	5.9	1.4	4.2
Purac	7.1	5.9	0.7	0.4	0.1
Total	**57.1**	**32.8**	**11.0**	**4.2**	**9.1**

Movements in trade receivables impairment provision

	2010	2009
As at 1 January	**-11.9**	**-11.4**
Additions/releases	-0.8	-3.4
Use	3.1	2.8
Acquisition / divestment	-0.9	
Exchange rate differences	-0.4	0.1
As at 31 December	**-10.9**	**-11.9**

The additions/releases of the trade receivables impairment provision are recognized as general and administrative expenses.

15. Cash and Cash Equivalents

An amount of € 25.0 million in short term deposits is included in the cash and cash equivalents (31 December 2009: € 15.5 million). The cash and cash equivalents are readily available and payable without notice.

16. Equity

Share Capital

As at 31 December 2010 the authorized share capital totaled € 50 million, consisting of 182 million common shares with a nominal value of € 0.25 each and 18 million cumulative financing preference shares with a nominal value of € 0.25 each, divided into three series of six million named FPA, FPB and FPC.
The series of cumulative financing preference shares have the following dividend percentages and dividend review dates.

Finprefs	Dividend	First dividend review date	Review interval
FPA series	5.77%	1 August 2012	five years
FPB series	6.07%	1 August 2012	five years
FPC series	6.40%	1 August 2017	five years

Holders of cumulative financing preference shares have priority over holders of common shares regarding dividend payments and liquidation proceeds.

The average dividend on outstanding cumulative financing preference shares is 6.21% as at 31 December 2010.

Movements in Number of Issued Shares

	Common	FPA	FPB	FPC
As at 1 January 2010	**64,977,416**	**852,512**	**852,512**	**1,278,770**
Stock dividend	1,020,718			
As at 31 December 2010	**65,998,134**	**852,512**	**852,512**	**1,278,770**

Movements in Number of Shares with Dividend Rights

	Common	FPA	FPB	FPC
As at 1 January 2010	**64,828,082**	**852,512**	**852,512**	**1,278,770**
Share-Based remuneration	25,003			
Stock dividend	1,020,718			
As at 31 December 2010	**65,873,803**	**852,512**	**852,512**	**1,278,770**

Movements in Treasury Stock Common Shares

	Number	Nominal amount (in euros)
As at 1 January 2010	**149,334**	**37,334**
Share-Based remuneration	-25,003	-6,251
As at 31 December 2010	**124,331**	**31,083**

As at 31 December 2010, CSM has a Treasury Stock of 124,331 common shares at its disposal with a nominal value of € 0.25 each (representing 0.2% of total share capital issued) at an average acquisition price of € 26.87. Treasury Stock shares have no dividend rights.

Share movement: Stock dividend

During the report year the company placed at the common shareholders disposal a stock dividend at a total of 1,020,718 shares (2009: 2,946,137) with a nominal value of € 0.25 each. The total nominal value of € 255,180 (2009: € 736,534) arising from the stock dividend during the report year, have been charged for € 255,180 to the share premium reserve.

Share movement: Share-Based remuneration

During the report year the company transferred a total of 25,003 shares (2009:14.874) with a nominal value of € 0.25 each pursuant to the share-based remuneration arrangements.

Share-Based Remuneration Arrangements: Board of Management

A share plan is in place for the Board of Management. The three members of the Board of Management have in total 196,256 unvested share rights in the company as at 31 December 2010 (2009:187,312). The nominal amount of the shares which are claimable under unvested share rights equals per that date € 49,064.00.

Share-Based Remuneration Arrangements: Management

Reward plans ("Phantom plan") are available for certain members of management. Participants in these plans are awarded a provisional cash payment. Depending on the Total Shareholders' Return (TSR) of CSM compared with the peer group and/or continued employment after a period of three to four years, the actual gross amount if any is determined and paid. A Share Buying Program is in place for managers who also participate in the Phantom plan. On 1 October of the year following the calendar year in which participants have acquired shares, a gross cash payment worth 30% of the fair value on this date of the shares acquired is made to the participants.

Certain members of management receive a package of CSM shares worth 9.5% of their fixed salary (Commitment Award). They may sell as many shares as are necessary to pay the income tax obligations. The acquired shares should be held until the end of their employment at CSM.

Movements in Number of Unvested Shares: Board of Management

Year of allocation	Total as at 31.12.2009	Allocated in 2010	Expired in 2009	Total as at 31.12.2010
2007	35,104		35,104	
2008	42,476			42,476
2009	109,732			109,732
2010		44,048		44,048
Total	**187,312**	**44,048**	**35,104**	**196,256**

Valuation Allocated Unvested Shares 2010: Board of Management

The fair value of the above mentioned performance-related shares allocated in 2010 was € 29.96 per share (2009: € 12.65). The fair value is estimated by using the Black & Scholes model and the assumptions set forth below.

	2010	2009
Risk-free interest rate	1.80%	2.27%
Expected dividend gains	0	0
Expected volatility in share price	37%	38%
Term	3 years	3 years

Movements in Number of Blocked Commitment Award Shares : Total Management

	Total as at 31.12.2009	Allocated in 2010	Released in 2010	Total as at 31.12.2010
Total	**48,232**	**11,296**		**59,528**

Other Reserves

	Movements in Legal Reserves				
	Translation reserve	Hedge reserve	Development costs	Share plan reserve	Total
As at 1 January 2009	**-31.7**	**-21.3**	**2.8**	**1.1**	**-49.1**
• Net investment hedge					
Exchange rate differences foreign currency loan	-14.3				-14.3
Tax effect	3.5				3.5
• Translation difference					
Foreign group companies	16.7				16.7
Tax effect	-11.4				-11.4
• Cash flow hedge					
Fluctuations in fair value derivatives		7.3			7.3
Tax effect		-1.9			-1.9
• Share-Based remuneration charged to result				1.0	1.0
• Share-Based remuneration transfers				-0.3	-0.3
• Movement in capitalization of development costs			-0.4		-0.4
• Other transfers				-0.7	-0.7
As at 31 December 2009	**-37.2**	**-15.9**	**2.4**	**1.1**	**-49.6**
• Net investment hedge					
Exchange rate differences foreign currency loan	-5.8				-5.8
Tax effect	1.5				1.5
• Translation difference					
Foreign group companies	58.9				58.9
Tax effect	-1.7				-1.7
• Cash flow hedge					
Fluctuations in fair value derivatives		3.4			3.4
Tax effect		-1.0			-1.0
• Share-Based remuneration charged to result				1.0	1.0
• Share-Based remuneration transfers				-0.6	-0.6
• Movement in capitalization of development costs			21.5		21.5
• Other transfers				-0.2	-0.2
As at 31 December 2010	**15.7**	**-13.5**	**23.9**	**1.3**	**27.4**

In specific circumstances legal reserves must be created in accordance with Part 9, Book 2 of the Netherlands Civil Code. The legal reserves comprise the translation reserve, hedge reserve and development costs reserve. In case a legal reserve has a negative value no payments can be made from the retained earnings up to the level of the negative value(s). The positive legal reserves as at December 31st, 2010 amount to € 39.6 million. A reserve for non transferable profits is not applicable for CSM, because CSM has no restrictions to transfer profits from its operations in the different countries.

17. Provisions

	As at 31.12.2010	As at 31.12.2009
Pensions and early retirement schemes	70.8	71.7
Long-term personnel commitments	12.8	8.6
Reorganization and restructuring	21.8	18.2
Other	17.4	12.6
Total	**122.8**	**111.1**

Movements in provisions

	Pension and early retirement schemes	Long-term personnel commitments	Reorganization and restructuring	Other	Total
As at 1 January 2010	**71.7**	**8.6**	**18.2**	**12.6**	**111.1**
Addition charged to result	13.9	5.6	6.4	5.4	31.3
Release credited to result		-0.9	-0.9	-1.1	-2.9
Withdrawal for intended purpose	-15.1	-0.6	-2.4	-4.5	-22.6
Exchange rate differences	0.3	0.1	0.5	-0.2	0.7
Acquisition/divestments				5.2	5.2
As at 31 December 2010	**70.8**	**12.8**	**21.8**	**17.4**	**122.8**

Pensions and early retirement schemes

Pension and early retirement schemes relate to post employment defined benefit arrangements. For more details see Note 18.

Long-Term Personnel Commitments

Long-term personnel commitments relate mainly to anniversary commitments, severance pay, past-service commitments, conditional incentive plans and health insurance.

Reorganization and Restructuring

The restructuring provision relates mainly to factory optimization in Bakery supplies.

Other Provisions

The other provisions relate to loss-making contracts and legal disputes, amongst others. The main items relates to provisions for unoccupied office space and factory rent.

18. Pensions

CSM has several defined benefit pension plans mainly within Europe. Generally, the plans are based upon average pay and are either wholly or partly funded. All plans have been established in accordance with the legal requirements of the countries involved.

	As at 31.12.2010	As at 31.12.2009	As at 31.12.2008	As at 31.12.2007	As at 31.12.2006
Present value of pension commitments	610.1	567.4	526.1	526.8	639.3
Fair value of plan assets	-511.7	-463.5	-435.7	-529.4	-617.6
Balance	**98.4**	**103.9**	**90.4**	**-2.6**	**21.7**
Unrecognized actuarial gains / losses current year	-48.1	-47.1	-33.4	53.5	53.3
Unrecognized past-service pension costs	-1.7	-1.9	-2.1	-2.2	-2.4
Off-balance-sheet assets	22.2	16.8	19.8	31.6	17.6
Net liability	**70.8**	**71.7**	**74.7**	**80.3**	**90.2**

The unrecognized actuarial losses and gains are due to the level of the corridor, which is a bandwidth of 10% of the greater of the pension plan commitment and the fair value of the plan assets within which unrecognized actuarial results are recognized.

Two pension schemes show a surplus as at 31 December 2010 of a total of € 2.9 million. As this is not immediately available to CSM the asset has not been recognized in the balance sheet.

Breakdown of the pension costs in respect of defined benefit pension plans in the income statement:

	2010	2009
Current service costs	11.3	8.9
Interest charges	28.4	29.4
Expected return on plan assets	-26.4	-25.7
Actuarial gains/losses	-1.5	5.5
Past-service costs	0.1	0.2
Contribution by employees	-0.8	-1.7
Movement in unrecognized asset	5.3	-3.0
Subtotal	**16.4**	**13.6**
Gains/losses from significant curtailments	-2.5	
Gains/losses from significant settlements		0.6
Total pension costs	**13.9**	**14.2**

The gains/losses from significant curtailments is the result of changes to pension plan at CSM UK.

The pension costs are recognized in the income statement as follows:

	2010	2009
Production costs	2.7	4.2
Warehousing and distribution costs	0.1	0.2
Selling expenses	1.0	1.8
Research & Development	0.2	1.3
General and administrative expenses	9.9	6.7
Total	**13.9**	**14.2**

Movements in Pension Commitments:

	Funded plans 2010	Unfunded plans 2010	Total 2010	Total 2009
As at 1 January	**563.4**	**4.0**	**567.4**	**526.1**
Significant curtailments	-2.5		-2.5	
Significant settlements				-5.8
Current service costs	11.6	-0.3	11.3	8.9
Interest charges	28.2	0.2	28.4	29.4
Pension payments	-29.4	-0.2	-29.6	-30.1
Actuarial gains/losses	32.0	0.2	32.2	35.6
Exchange rate differences	2.9		2.9	3.3
As at 31 December	**606.2**	**3.9**	**610.1**	**567.4**

The actual experience actuarial gains on pension commitments were € 5.2 million (2009 € 8.2 million) and are included in actuarial gains/losses.

The significant curtailments in 2010 relates mainly to CSM UK.

Movements in Fair Value of Plan Assets:

	2010	2009
As at 1 January	**463.5**	**435.7**
Expected return on plan assets	26.4	25.7
Pension payments	-25.4	-25.6
Employer / employee contribution	11.8	14.8
Actuarial gains/losses	33.1	15.6
Significant settlements		-5.5
Exchange rate differences	2.3	2.8
As at 31 December	**511.7**	**463.5**

The funding position of the defined benefit schemes has recovered in 2010 compared to year-end 2009. In two schemes a recovery plan is in place. These recovery plans will not lead to substantial company contributions in the short term.

The Main Weighted Average Actuarial Assumptions:

	2010	2009
Discount rate	4.6%	5.1%
Expected return on plan assets	5.5%	6.0%
Future salary increases	2.7%	2.6%
Inflation	2.8%	2.5%

The actual return on plan assets was € 59.5 million positive (2009: € 41.4 positive).
The expected return on plan assets is determined as a weighted average rate of return based on the current and projected investment portfolio mix of each plan, taking into account the corresponding long-term yields for the separate asset categories.

The investment stategy is based on the composition of the obligations of the pension schemes. Based on Asset Liability Management models analyses have been performed on a regular basis to define the investment portfolio. At year-end the asset was at follows:

Asset Categories of Plan Assets:

	2010	2009
Equity securities	148.8	141.3
Debt securities	294.8	265.4
Real estate	28.1	24.0
Other	40.0	32.8
Total assets	**511.7**	**463.5**

19. Deferred Tax

Breakdown of Deferred Tax Assets and Liabilities:

	2010	2009
Deferred tax liabilities	60.0	53.2
Deferred tax assets	-53.0	-63.5
As at start of financial year	**7.0**	**-10.3**
Tax charge in income statement	16.4	12.0
Translation differences foreign group companies	-0.1	0.7
Acquisition/sale of group companies	70.7	
Tax charge movements in equity	1.3	4.6
As at close of financial year	**95.3**	**7.0**
Deferred tax liabilities	154.5	60.0
Deferred tax assets	-59.2	-53.0
As at close of financial year	**95.3**	**7.0**

Breakdown of Deferred Tax Assets and Liabilities by Type:

	31.12.2010		31.12.2009	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
Property, plant & equipment	-13.6	39.9	-14.3	20.6
Intangible fixed assets	-7.5	129.2	-8.3	67.4
Current assets/liabilities	-12.2	3.9	-12.8	3.1
Tax loss carry forward	-33.7		-26.8	
Provisions	-15.2	4.0	-22.6	0.7
Other	-1.4	1.9		
	-83.6	**178.9**	**-84.8**	**91.8**
Netting	24.4	-24.4	31.8	-31.8
Total	**-59.2**	**154.5**	**-53.0**	**60.0**

The short-term part of deferred tax assets, after write-down and netting with the short-term part of deferred tax liabilities, amounts to € 20.7 million (2009: € 13.8 million).
Depending on the term of anticipated realization of deferred tax assets and liabilities, these are netted. This may be the case for a legal entity or for a group of legal entities which are considered one fiscal entity. After netting deferred tax assets and liabilities these are assessed and the possibilities of future realization analyzed. This may result in full or partial write-down of the relevant tax asset or liability.

Breakdown of Deferred Taxes due to Tax Loss Carry Forward:

	2010	2009
Total tax loss carry forward	250.1	257.7
Tax loss carry forward not qualified as deferred tax asset	-106.1	-143.9
Tax loss carry forward qualified as deferred tax asset	**144.0**	**113.8**
Average tax rate	23.4%	23.6%
Deferred tax asset	**33.7**	**26.8**

The resulting tax assets are mainly related to France (€ 10.9 million), Belgium (€ 5.2 million) and Germany (€ 5.5 million).

Breakdown of the Tax charge Arising from Deferred Tax Assets and Liabilities in the Income Statement. by Type:

	2010	2009
Property, plant & equipment	5.4	-3.9
Intangible fixed assets	-0.8	9.2
Current assets/liabilities	3.2	3.1
Tax loss carry forward	-1.2	15.7
Provisions	11.6	-3.4
Exchange rate differences loans		-2.9
Financial instruments		-1.6
Other	-1.8	-4.2
Total	**16.4**	**12.0**

Current tax liabilities and deferred tax liabilities include a € 14.4 million provision in connection with a dispute with a foreign tax authority. A claimed deduction in the 2004 tax statement is in dispute.

20. Non-Current Liabilities

	As at 31.12.2010	As at 31.12.2009	Effective interest % As at 31.12.2010	Effective interest % As at 31.12.2009	Average term in years As at 31.12.2010	Average term in years As at 31.12.2009
Private placement 2010	224.3		3.93		7.3	
Owed to credit institutions	467.4	386.5	3.54	3.91	3.5	3.5
Financial lease commitments	1.5	1.8	4.24	4.08	1.0	1.7
Derivatives	52.5	56.3	4.10	3.71	1.1	2.5
Total	**745.7**	**444.6**				
Weighted average			**3.71**	**3.89**	**4.5**	**3.4**

The weighted average of the term has been calculated on the basis of the remaining terms of the individual loans.

Repayments on the above amounts are due within five years for € 614.8 million and after five years for € 130.8 million.

The fair value of the main long-term loans is as follows:

	Balance sheet value as at 31.12.2010	Fair value as at 31.12.2010	Balance sheet value as at 31.12.2009	Fair value as at 31.12.2009
Private placement 2010	224.3	244.8		
Owed to credit institutions	467.4	468.4	386.5	388.3

Private Placement 2010

On October 28th, 2010 CSM placed a private loan of USD 300 million with American institutional investors dividend in the following tranches:
Tranche A: US$ 125 million term 5 years fixed interest rate 3,31%
Tranche B: US$ 75 million term 7 years fixed interest rate 4,01%
Tranche C: US$ 100 million term 10 years fixed interest rate 4,64%
The total loan is seen as a net investment hedge for all US$ companies. Hence, exchange rate differences in respect of this liability are charged to the translation reserve in Equity.
This loan was used for repayment of the drawn amount for the Best Brands acquisition on a credit facility of US$ 385 million owed to credit institutions.

Owed to Credit Institutions

All debts owed to credit institutions are expressed partly in euros and partly in US dollars, and are subject to variable interest rates. As at 31 December 2010 € 467.4 million of the credit facilities were drawn (31 December 2009: € 386.5 million), € 125 million of which in euros and € 342.4 million in US dollars (=US$ 457 million). Part of the US dollar liability (US$ 70 million) is seen as a net investment hedge for all US$ companies. Hence, exchange rate differences in respect of this liability are charged to the translation reserve in equity. Part of the US dollar liability (US$ 345 million) and part of the € liability (€ 35 million) has been converted from a variable to a fixed interest rate using interest swaps. In addition, CSM also has cancellable interest rate swaps with a nominal value of US$ 240 million (31 December 2009: US$ 240 million) where the cancellation date is optional for the bank.

A 1% increase in the interest rate would have an decrease effect of about € 1.3 million on the result after taxes when the cancellable swaps are excluded. Including the cancellable swaps CSM is overhedged. An increase in the interest rate would have a positive impact.

Derivatives

In 2006, CSM opted for early repayment of a US$ 225 million loan. However, this loan had been replaced by a euro financing facility with a fixed annual interest rate of 6.1% using an interest and currency swap. The swap had a nominal value of US$ 225 million (€ 249.9 million) and a term from 10 October 2001 up to and including 10 October 2011. In mid-December 2005 CSM offset this swap and terminated the hedge relation with the US dollar loan. The offsetting swap has a nominal value of US$ 225 million (€ 187.3 million), a fixed euro interest rate of 4.7%, and a term from 19 December 2005 up to and including 10 October 2011. No hedge accounting is applied to both swaps. Mid-September 2009 this swap position is partly paid off (55%) with a bank. The fair value of the swaps as at 31 December 2010 is € 30.3 million negative (31 December 2009: € 32.7 million negative) and is recognized in non-current liabilities.

21. Interest-Bearing Current Liabilities

			Effective interest %	
	As at 31.12.2010	As at 31.12.2009	As at 31.12.2010	As at 31.12.2009
Financial lease commitments	0.2	0.2	3.4	6.49
Other debts	3.5	3.9	0.80	0.98
Derivatives	0.3			
Total	**4.0**	**4.1**		
Weighted average			**0.27**	**1.28**

22. Acquisitions

Best Brands:

On March 19th, 2010 CSM completed the acquisition of 100% of the ownership interests of Best Brands Corp, based in the US (acquisition price was US$ 525.3 million: initial US$ 510 million, extra delivered working capital US$ 12.6 million, deferred compensation US$ 4.2 million minus an indemnification asset of US$ 1.5 million; annual sales US$ 538 million). Best Brands is one of the largest premium bakery manufactures in the US market, committed to providing high quality innovative products and services to the baking industry. Its broad product folio includes laminated dough, cakes, muffins, fillings and mixes. Best Brands has a leading position in value-added frozen products sold to in-store bakeries. Furthermore, Best Brands serves food service customers and retail and wholesale bakeries through its three distribution centers. Best Brands also goes to market with the well-known Multifood brand. The company has 6 major production facilities across the United States, and is headquartered in Minnetonka, Minnesota. Best Brands was founded in 1971 and has a workforce of 1,580 people.

As a result of the acquisition, CSM expects to expand its footprint within the US to become the undisputed leader in US bakery supply and distribution.

The acquired business contributed revenues of US$ 411.7 million (€ 310.6 million) and Ebita excluding one-off costs of US$ 40.6 million (€ 30.7 million) to the group for the period from 19 March 2010 to 31 December 2010. The one-off costs related to the acquisition, integration and applying IFRS accounting standards resulted in a negative amount of US$ 28.3 million (€ 21.4 million). These expenses are included in cost of raw materials for € 2.9 million, in production costs for € 6.3 million and the rest in general and administrative expenses in CSM consolidated income for the year 2010. The used exchange rate US$/Euro at acquisition date is: 1.3528.

The following table summarizes concerning acquisition Best Brands the amounts of identified assets acquired and liabilities assumed at the acquisition date separated in local book value, fair value adjustment and resulting fair value.

Breakdown of acquired assets and liabilities Best Brands

	Local book value before acquisition as at 19-03-2010	Fair value adjustment as at 19-03-2010	Fair value as at 19-03-2010	Fair value as at 19-03-2010
millions:	US$	US$	US$	EUROS
Property, plant & equipment	56.4	-3.3	53.1	39.3
Intangible fixed assets	11.1	236.0	247.1	182.7
Financial assets	0.5		0.5	0.4
Inventories	41.1	3.8	44.9	33.2
Receivables	44.0	0.4	44.4	32.8
Current tax assets	0.9	0.5	1.4	1.0
Cash and cash equivalents	9.8	6.6	16.4	12.1
Trade payables and other non-interest-bearing current liabilities	-41.6	0.1	-41.5	-30.7
Provisions		-6.9	-6.9	-5.2
Deferred tax liabilities	-9.1	-87.5	-96.6	-71.3
Identifiable assets minus liabilities	**113.1**	**149.7**	**262.8**	**194.3**
Goodwill	94.6	167.9	262.5	194.0
Assets minus liabilities	**207.7**	**317.6**	**525.3**	**388.3**

The goodwill generated as part of the transaction is attributable to the workforce of the acquired business and the significant synergies expected to arise after CSM acquisition of Best Brands.
The goodwill is not expected to be deductible for tax purposes. However, Best Brands has approximately US$ 15 million of tax deductible goodwill generated from historical business combinations. This goodwill will continue to be deductible for tax purposes.
The fair value of the assets acquired includes trade receivables of US$ 40.7 million. The gross amount due under contracts is US$ 40.8 million, of which US$ 60K is expected to be uncollectible. CSM did not acquire any other class of receivable as a result of the acquisition of Best Brands.

Breakdown of acquired intangible fixed assets: Best Brands

	Amortization rate	Fair value as at 19-03-2010	Fair value as at 19-03-2010
millions:		US$	EUROS
Customer base	5.0-10.0%	152.2	112.5
Brands and licenses	6.6-20.0%	30.3	22.4
Research & Development costs	10.0%	31.4	23.2
Non-compete agreements	50.0-58.8%	10.7	8.0
Favourable purchase contracts	50.0%	20.1	14.8
Other intangible fixed assets	33.3%	2.4	1.8
Total		**247.1**	**182.7**

Breakdown of the acquisition price: Best Brands

	Fair value as at 19-03-2010	Fair value as at 19-03-2010
millions:	US$	EUROS
Payment in cash	522.6	386.3
Deferred compensation	4.2	3.1
Imdemnification asset	-1.5	-1.1
Total consideration	**525.3**	**388.3**
Acquired cash and cash equivalents	-16.4	-12.1
Deferred compensation	-4.2	-3.1
Imdemnification asset	1.5	1.1
Net cash outflow	**506.2**	**374.2**

The acquisition of Best Brands includes a deferred compensation arrangement that requires additional consideration to be paid by CSM for Best Brands based on the realization of tax benefits and refunds attributable to the pre-closing period in CSM future tax returns. Amounts are payable upon realization of such benefits in the tax return of CSM. The fair value of the deferred consideration recognized on the acquisition date amounts US$ 4.2 million.

Best Brands has recognized a provision for task risk of US$ 1.5 million relating to R&D credits utilized in its 2009 tax return. The selling shareholders of Best Brands have contractually agreed to indemnify the buying shareholders for the claim that may become payable in respect of this liability. An indemnification asset of US$ 1.5 million, equivalent to the fair value of the indemnified liability has been recognized by Best Brands. The indemnification asset is deducted in the consideration for the business combination. As is the case with the indemnified liability, there has been no change in the amount recognized for the indemnification asset as at 31 December 2010, as there has been no change in the range of outcomes or assumptions used to develop the estimate of the liability.

PGLA -1

On July 16th, 2010 CSM has acquired the remaining 50% ownership of the latic acid production facility in Blair, Nebraska (US) from its joint venture partner Cargill. This production facility has been a joint venture between CSM's subsidiary Purac and Cargill since 1997. The acquisition price of the remaining 50% was US$ 31.9 million including US$ 16.1 for closely related transactions: initial payment of US$ 21.9 million and a contingent amount of US$ 10 million in five annual instalments of US$ 2 million each. The fair value of the previous held interest amounts on July 16th, 2010 amounts to US$ 18.7 million. This acquisition will enable CSM to make business decisions more independently. As the total output of the latic acid plant was already dedicated to Purac, the transaction will not impact Purac's market position.

The acquired profit excluding acquisition costs is not material to the group for the period from 16 July to 31 December 2010. The third-party acquisition costs amounts resulted in a negative amount of US$ 0,5 million (€ 0,4 million). These expenses are included in general and administrative expenses in CSM consolidated income for the year 2010.
The used exchange rate US$/Euro at acquisition date is :1.32556

The following table summarizes concerning the acquisition PGLA-1 (100%) the amounts of identified assets acquired and liabilities assumed at the acquisition date separated in local book value, fair value adjustment and resulting fair value.

Breakdown of acquired assets and liabilities PGLA-1 (100%)

	Book value previous held interest before acquisition as at 16-07-2010	Book value acquired interest before acquisition as at 16-07-2010	Fair value adjustment as at 16-07-2010	Fair value as at 16-07-2010	Fair value as at 16-07-2010
millions:	US$	US$	US$	US$	EUROS
Property, plant & equipment	9.6	9.6	7.1	26.3	19.8
Inventories	0.7	0.7		1.4	1.1
Receivables	2.6	2.6		5.2	3.9
Cash and cash equivalents	1.9	1.8		3.7	2.8
Trade payables and other non-interest-bearing current liabilities	-1.9	-1.9		-3.8	-2.9
Deferred tax liabilities			0.8	0.8	0.6
Identifiable assets minus liabilities	**12.9**	**12.8**	**7.9**	**33.6**	**25.3**
Goodwill			0.9	0.9	0.7
Assets minus liabilities	**12.9**	**12.8**	**8.8**	**34.5**	**26.0**

The goodwill generated as part of the transaction is attributable to the workforce of the acquired business and the efficiences of making business decisions more independently to arise after CSM acquisition of the remaining 50% of PGLA-1. The goodwill is expected to be deductible for tax purposes. The fair value of the assets acquired includes trade receivables of US$ 5.2 million. The gross amount due under contracts is US$ 5.2 million expected 100% collectible. CSM did not acquire any other class of receivable as a result of the acquisition of PGLA-1. The fair value adjustment of the previous-held interest of 50% in PGLA-1 amounts a gain of US$ 5.9 and is included in other proceeds in CSM consolidated income for the year 2010.

Closely related to this acquisition US$ 10.2 of the acquisition price is allocated by CSM to a non-compete agreement with Cargill during the first three years after acquisition and will be amortized straightline during this period. Additional US$ 5.9 of the acquisition price is allocated to disputes settlement between CSM and Cargill from the past and the resulting loss of these disputes is included in cost of raw materials in CSM consolidated income for the year 2010.

Breakdown of the acquisition price: PGLA-1 (100%)

millions:	Fair value as at 16-07-2010 US$	Fair value as at 16-07-2010 EUROS
Payment in cash	21.9	16.5
Contingent amount	10.0	7.5
Fair value previous held interest	18.7	14.1
Closely related transactions	-16.1	-12.1
Total consideration	**34.5**	**26.0**
Acquired cash and cash equivalents	-1.8	-1.4
Fair value previous held interest	-18.7	-14.1
Net cash outflow	**14.0**	**10.5**

The table below shows the pro-forma result of CSM if the acquisitions had been made as at 1 January 2010.

	CSM	Pro forma adjustment full-year effect Best Brands	Pro forma adjustment full-year effect PLGA-1 (50%)	Pro forma CSM
Net sales	2,990.1	87.1		3,077.2
Operating result	158.1	5.5	0.7	164.3
Result after taxes	99.3	2.0	0.2	101.5
Earnings per share	1.44	0.03	0.01	1.48

These amounts have been calculated after applying the group's accounting policies and adjusting the results of the acquisitions to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to property, plant and equipment and intangible assets and an normal allocated interest on the investment had been applied from 1 January 2010 onwards, together with the consequential tax effects.

23. Financial Instruments

General
CSM uses various financial instruments in order to secure an optimal financing structure. It does so in accordance with a financial policy approved by the Board of Management.
CSM also uses various financial instruments in order to reduce purchase price risks. It does so in accordance with a purchase policy approved by the Board of Management.

Capital Risk Management
CSM manages its capital to ensure that entities in the CSM Group will be able to continue as going concerns while maximising return to stakeholders through the optimization of the debt and equity balance. The Group's overall strategy remains unchanged from 2009.

The capital structure of CSM consists of net debt (interest-bearing debts as detailed in notes 20 and 21 offset by cash and cash equivalents as detailed in note 15) and equity of the CSM Group.

CSM risk management committee reviews the capital structure of CSM on a semi-annual basis. As part of this review, the committee considers the cost of capital and the risks associated with each class of capital. For CSM, the main conditions for the credit facility are as follows: the ratio net debt position divided by EBITDA may not exceed the factor 3.5 and an interest cover ratio may not be lower than 3.5. CSM internally sets these ratios on 3.0 for net debt position divided by EBITDA and 4.0 for the interest cover. These external conditions and internal targets CSM were met in 2010 as well as in 2009.

The table below shows the ratios at year-end:

	2010	2009
Net debt position/EBITDA	2.1	1.6
Interest cover	9.7	8.0

Currency Risk Management
Currency risk management distinguishes between translation risks and transaction risks.

Translation risks:
The translation risk arises because CSM is active on the international market, which means that it is exposed to risks arising from currency fluctuations, particularly in the US dollar, Brazilian real, Thai baht, and GB pound.

In principle, CSM applies the matching principle. This means that capital employed in foreign operations is financed using the country's currency in order to avoid wide fluctuations due to translation effects.
For practical reasons a specific limit is defined for each currency. Due to the impact of credit crisis on USD volatility and possible impact on the convenants, CSM temporary increased its USD limit.

CSM does not hedge translation risks in respect of operational results. This means that currency fluctuations particularly in the US dollar can have a material effect on CSM's income statement. Translation effects of the operational result are partially hedged by the interest paid on the US dollar loan.

Transaction risks:
The currency transaction risk arises in the course of ordinary business activities. CSM uses forward currency contracts and currency swaps in order to hedge the risk arising from purchase and sales deals and/or commitments from current purchase and sales contracts. Transactions that are highly probable are fully hedged and included in cash flow hedge accounting. Other reasonably probable transactions are partially hedged. For practical reasons a specific limit is defined for each currency.

Valued at fair value the forward currency contracts are recognized in the balance sheet as follows:

	As at 31.12.2010	As at 31.12.2009
Receivables	0.2	
Current liabilities	-0.3	
Total	**-0.1**	

Hedge accounting is being applied to these contracts, so any unrealized fluctuations in the fair value are deferred in the hedge reserve of equity until the underlying hedged transaction is recognized in the result. All forward currency contracts expire within a year.

Breakdown of the net amount of unhedged translation risk for each currency as at 31 December 2010:

millions of euro's

	Net risk position	
Currency	2010	2009
• US dollar	353.9	316.5
• GB pound	73.7	83.3
• Brazilian real	34.1	31.4
• Thai baht	114.5	78.6

Sensitivity Analysis

Out of the various divisions the results of Purac (transaction and translation effects) and CSM Bakery Supplies North America (translation effect) are most exposed to the effect of fluctuations in the US dollar. A fall of US$ 0.01 in the exchange rate of the US dollar against the euro would have a net negative impact of approximately € 0.9 million on net profit.

Interest Risk Management

Interest rate swaps and forward interest rate contracts are used to adjust the nature of the interest rate and currency of long-term financing to fit the desired risk profile. Periodically, the Board of Management makes an assessment as to whether the fixing of the long-term financing still meets the desired risk profile.

As the interest rate has been fixed (3.7% on average) for all the CSM long-term debt (approximately € 746 million) for a period of on average 4.5 years, the interest risk is limited.

CSM entered into interest rate swaps for USD 345 million and € 35 million to hedge the variable interest risk of part of the USD 457 million and € 125 million debt owed to credit institutions. The fair value of those swaps was € 21.8 million negative as at 31 December 2010 (31 December 2009: € 23.0 million negative) and is recognized in non-current liabilities (2009 in non-current liabilities). Except for the cancelable interest rate swaps hedge accounting is applied to these interest rate swaps. Further analysis is found in the section on hedge transactions.

Included in the Best Brand acquisition CSM acquired an interest cap. This interest cap has no underlying anymore for CSM and the fair value as at 31-12-2010 was € 0.

Sensitivity Analysis

If the interest rate would increase by 50 basis points the net result would be increased by € 1.7 million and equity by € 2.9 million. This sensitivity analysis takes account of the change in the fair value of the interest swaps and the effect of the variable interest loans and receivables on cash flows.

Purchase Risk Management

Commodity derivative contracts (swaps and collars) are used by CSM to reduce the risk profile on purchasing. The commodity derivative contracts concern the main commodities used by CSM, which are wheat, oils, corn, sugar and cacoa.

CSM entered into commodity derivative contracts to hedge the variable price risk of the main used commodities. The fair value of those contracts was € 2.8 million as at 31 December 2010 (31 December 2009: € 0). Hedge accounting is applied to these commodity derivative contracts. Further analysis is found in the section on hedge transactions.

Valued at fair value the commodity derivative contracts are recognized in the balance sheet as follows:

	As at 31.12.2010	As at 31.12.2009
Receivables	2.8	
Total	**2.8**	

All commodity derivative contracts expire within a year.

Sensitivity Analysis

If the purchase price of the involved commodities increased by 10% the net result would be increased/decreased by € 0 million and equity increased by € 2.9 million. This sensitivity analysis takes account of the change in the fair value of the commodity derivative contracts and the effect of the variable prices commodities on cash flows.

Valuation of Financial instruments

CSM measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1:Fair value measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:Fair value measurements based on inputs other than level 1 quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:Fair value measurements based on valuation techniques that include inputs for the asset or liability that are based on observable market data (unobservable inputs).

Breakdown valuation of financial instruments:

31 December 2010	Level 1	Level 2	Level 3	Total
Derivatives				
• Foreign exchange contracts		-0.1		-0.1
• Commodity swaps/collars		2.8		2.8
• Interest rate swaps (cash flow hedges)		-21.8		-21.8
• Exchange swaps		-0.4		-0.4
• Cancellable interest rate swap		-0.3		-0.3
• Cross currency interest swap		-30.3		-30.3
Total liability		**-50.1**		**-50.1**

Breakdown fair values financial instruments:

31 December 2010	Derivatives hedge accounting	Derivatives through profit or loss	Loans and receiv-ables	Other debts	Total balance value	Fair value
Financial fixed assets						
• Loans			8.5		8.5	8.5
• Loans non-interest bearing			2.0		2.0	2.0
Receivables						
• Trade receivables			333.2		333.2	333.2
• Other receivables			8.1		8.1	8.1
• Accruals and deferred income			21.7		21.7	21.7
Cash						
• Deposits			25.0		25.0	25.0
• Cash other			93.7		93.7	93.7
Interest bearing liabilities						
• Private placement 2010				-224.3	-224.3	-244.8
• Owed to credit institutions				-415.1	-415.1	-416.0
• Owed to credit institutions (net investment hedge)				-52.3	-52.3	-52.4
• Financial lease commitments				-1.7	-1.7	-1.7
• Other debts				-3.5	-3.5	-3.5
Non-interest bearing liabilities						
• Trade payables				-296.7	-296.7	-296.7
• Other payables				-154.0	-154.0	-154.0
Derivatives						
• Foreign exchange contracts	-0.1				-0.1	-0.1
• Commodity swaps/collars	2.8				2.8	2.8
• Interest rate swaps (cash flow hedges)	-21.9				-21.9	-21.9
• Exchange swaps		-0.3			-0.3	-0.3
• Cancellable interest rate swap		-0.3			-0.3	-0.3
• Cross currency interest swap		-30.3			-30.3	-30.3
Total	**-19.2**	**-30.9**	**492.2**	**-1,147.6**	**-705.5**	**-727.0**

Fair values are determined as follows:

- The fair value of financial fixed assets does not significantly deviate from the book value.
- The fair value of receivables equals the book value because of their short-term character.
- Cash and cash equivalents are measured at nominal value which, given the short-term and risk-free character, corre-sponds to the fair value.
- Market quotations are used to determine the fair value of debt owed to private parties, credit institutions and other debts. As there are no market quotations for most of the loans the fair value of short- and long-term loans is deter-mined by discounting the future cash flows at the yield curve applicable as at 31 December.
- Financial lease commitments: the fair value is estimated at the present value of the future cash flows, discounted at the interest rate for similar contracts which is applicable as at the balance sheet date. This fair value equals the book value.
- Given the short-term character, the fair value of non interest bearing liabilities equals the book value.
- Currency and interest derivatives are measured on the basis of the present value of future cash flows over the remaining term of the contracts, using the bank interest rate (such as Euribor) as at the report date for the remaining term of the contracts. The present value in foreign currencies is converted using the exchange rate applicable as at the report date.
- Commodity derivatives are measured on the basis of the present value of future cash flows, using market quotations or own variable marketprice estimations of the involved commodity as at the report date.

Hedge Transactions

Amount of € -13.5 million in hedge reserve (see Note 16) relates to hedging of risks arising from future purchase and sales deals and/or commitments from current purchase and sales contracts amounting to € 75.2 million. The phased release of this amount will take place during the current year. The remainder relates to an interest payment hedge using an interest rate swap. This amount will be released between now and 2015, matching the release to the interest payments. Effectively, only the fixed hedged interest level will remain in the income statement.

Amount of € 15.7 million in the translation reserve (see Note 16) relates to currency fluctuations of the net investments in foreign operations deducted with the currency fluctuations of the corresponding net investment hedges. At disposal of an net investment in a foreign operation, the corresponding net impact of the currency fluctuations is recycled from the translation reserve to the income statement.

In the past year no cash flow hedges were terminated due to changes to the expected future transaction. No ineffective parts were recorded in respect of the net investment hedge and cash flow hedge.

Derivatives:

	Short < 1 year		Long > 1 year	
	31.12.2010	31.12.2009	31.12.2010	31.12.2009
Derivatives receivables used as hedge instrument in cash flow hedge relations:				
Foreign exchange contracts	0.2			
Commodity swaps/collars	2.8			
Derivatives receivables used as hedge instrument in net investment hedge relations:				
Foreign exchange contracts		2.9		
Derivatives liabilities used as hedge instrument in cash flow hedge relations:				
Foreign exchange contracts	-0.3			
Interest rate swaps			-21.9	-23.0
Total derivatives in hedge relation	**2.7**	**2.9**	**-21.9**	**-23.0**
Derivatives liabilities not used in a hedge relation with value change through income statement:				
Currency swaps	-0.3		-30.3	-32.7
Cancellable currency interest swap			-0.3	-3.5
Total derivatives through income statement	**-0.3**		**-30.6**	**-36.2**
Total derivatives	**2.4**	**2.9**	**-52.5**	**-59.2**

Liquidity Risk

Liquidity risk is the risk of CSM not being able to obtain sufficient financial means to meet its obligations in time. Periodically, the Board of Management evaluates liquidity for the next 12 months.
The committed credit facilities at CSM's long-term disposal amounted to USD 700 million as at 31 December 2010. As at 31 December 2010 € 467.4 million were drawn.
In 2010 CSM placed a private loan of US$ 300 million with American institutional investors. This loan was used for repayment of the drawn amount for the Best Brands acquisition on the credit facility of US$ 385 million owned to credit institutions. The credit facility of US$ 385 million owned to credit institutions was cancelled at the same time.

The main conditions for the credit facility and the private loan are:

- the ratio of net debt position divided by EBITDA ("Earnings Before Interest, Taxes, Depreciation and Amortization") may not exceed the factor 3.5 (2009: 3.5);
- a minimum interest cover of 3.5.

These conditions were met during 2010 and as at 31 December 2010. As at 31/12/2009 the then applicable conditions were met.
To provide insight into the liquidity risk the table below shows the contractual terms of the financial obligations (converted at balance sheet rate), including interest paid.
The table below analyzes CSM's financial obligations which will be settled on a net basis, according to relevant expiration dates, based on the remaining period from the balance sheet date to the contractual expiration date. The amounts shown are contractual non-discounted cash flows with an exception for derivatives, which cash flows are based on fair value.

	Effective interest %	Less than 1 year	Between 1 and 5 years	More than 5 years	Total
At 31 december 2010					
Private placement 2010	3.93		102.0	142.8	244.8
Owed to credit institutions	3.54		468.4		468.4
Financial lease commitments	4.14		1.7		1.7
Derivatives	4.08	33.7	19.1		52.8
Other debts	0.80	3.4	0.1		3.5
Trade payables		296.7			296.7
Other non-interest bearing current liabilities		154.0			154.0
Total		**487.8**	**591.3**	**142.8**	**1,221.9**
At 31 december 2009					
Owed to credit institutions	3.91		388.3		388.3
Financial lease commitments	4.32	0.2	1.8		2.0
Derivatives	3.71	15.9	40.4		56.3
Other debts	0.98	3.9			3.9
Trade payables		223.7			223.7
Other non-interest bearing current liabilities		125.4			125.4
Total		**369.1**	**430.5**		**799.6**

Credit Risk Management

CSM runs a credit risk in relation to financial instruments. This risk consists of the losses that would be incurred if the other party were to default on its contractual obligations. In respect of disbursed loans, other receivables and cash and cash equivalents the maximum credit risk equals the book value (see Notes 12, 14 and 15). In respect of derivatives it equals the fair value shown in the table above.
Given the credit rating that it requires of its partners (at least single A) CSM has no reason to assume that they will not honor their contractual obligations. Therefore, the actual credit risk is virtually nil at today's insights.

24. Off Balance Sheet Financial Rights and Commitments

Financial Commitments

As at 31 December 2010 the nominal value of future commitments from operational lease contracts for property, plant & equipment was € 140.2 million (2009: € 106.4 million), of which € 31.0 million within one year, € 48.4 million between 1 and 5 years, and € 60.8 million after 5 years.

Short-Term Commitments

The purchase and sales commitments from current orders stood at € 380.6 million as at 31 December 2010 (2009: € 285.8 million).

Contingent Commitments

Guarantees

Third-party guarantees amounted to € 26.6 million as at 31 December 2010 (2009: € 27.3 million). No significant future losses are expected from these guarantees.
Furthermore, CSM nv has guaranteed to a dormant closed UK pension scheme to duly perform all the financial obligations. As of December 31st, 2010 the scheme was not in deficit.

25. Events after Balance Sheet Date

On January 14th, 2011 CSM has announced that it has entered into a joint venture agreement with the Tunisian based company GIAS s.s., that has a leading position in Bakery Ingredients and Margarines in North Africa. Furthermore, this joint venture that will operate as CSM-GIAS gives CSM access to a distribution network of African countries and allows CSM to sell its full bakery product portfolio into this market. The transaction will not have a material effect on CSM's financials.

On February 1st, 2011 CSM has announced that it has acquired Classic Cakes Ltd. in the UK. Classic Cakes produces a high quality range of premium sweet bakery products, servicing the foodservice and retail markets. The company and its facilities are based in Daventry. Classic Cakes has an annual turnover of € 11.4 million and employs some 90 people. This transaction strengthens CSM's leadership position in the market segments that it has targeted for growth, particularly the retail and foodservice channnels. The transaction will not have a material effect on CSM's financials.

On February 4th and February 10th CSM has announced the close down of the manufacturing facilities of respectively La Mirada and Oak Creek in the US. These closures are part of CSM's effort to deliver on synergies within the newly formed company CSM Bakery Products, following the integration of Best Brands. The production of both facilities will be migrated to other US factories in the course of 2011.

26. Cash Flow Statement

The consolidated cash flow statement is drawn up using the indirect method. The items in the consolidated income statement and the consolidated statement of financial position have been adjusted for changes that do not influence cash inflow and outflow in the report year. Working capital consists of inventories and receivables minus non-interest-bearing current liabilities, excluding payable dividend, interest and income tax.

The cash flow from the acquisition of group companies consists of acquisition price payments of the acquired companies minus their cash and cash equivalents.
The interest-bearing debts consist of non-current and current liabilities.
The effects of exchange rate differences on cash and cash equivalents are presented separately.

27. Additional Information

Remuneration Policy Board of Management

For more information on the remuneration policy please refer to the report of the Supervisory Board.

The number of conditionally granted shares per member of the Board of Management is as follows:

	Granted in	'At target' number outstanding as at 31.12.2010	Maximum number outstanding as at 31.12.2010	Year of vesting
G.J. Hoetmer	2008	11,973	17,960	2011
	2009	30,909	46,364	2012
	2010	16,040	28,070	2013
N.J.M. Kramer	2008	8,172	12,258	2011
	2009	21,123	31,684	2012
	2010	9,130	15,978	2013
R.P. Plantenberg	2008	8,172	12,258	2011
	2009	21,123	31,684	2012
Total as at 31-12-2010		**126,642**	**196,256**	

The movements in the number of shares conditionally granted to members of the Board of Management are as follows:

	Maximum number outstanding as at 31.12.2009	Maximum number granted in 2010	Expired in 2010	Vested in 2010	Maximum number outstanding as at 31.12.2010
G.J. Hoetmer	79,164	28,070	9,045	5,795	92,394
N.J.M. Kramer	54,074	15,978	6,176	3,956	59,920
R.P. Plantenberg	54,074		6,176	3,956	43,942
Total	**187,312**	**44,048**	**21,397**	**13,707**	**196,256**

The number of Commitment Award shares, which are blocked until the end of the employment of the member concerned is as follows:

	Number as at 31.12.2009	Awarded in 2010	Number as at 31.12.2010
G.J. Hoetmer	11,084	2,747	13,831
N.J.M. Kramer	7,572	1,876	9,448
R.P. Plantenberg	7,572	1,876	9,448
Total	**26,228**	**6,499**	**32,727**

Breakdown remuneration Board of Management:

thousands of euros	Fixed salary 2010	Fixed salary 2009	Variable salary 2010	Variable salary 2009	Total salary 2010	Total salary 2009
G.J. Hoetmer	594	586	587	413	1,181	999
N.J.M. Kramer	434	400	388	282	822	682
R.P. Plantenberg*	134	400	137	302	271	702
Total	**1,162**	**1,386**	**1,112**	**997**	**2,274**	**2,383**

	Pension and other provisions 2010	Pension and other provisions 2009	Total 2010	Total 2009
G.J. Hoetmer	231	215	1,412	1,214
N.J.M. Kramer	157	131	979	813
R.P. Plantenberg*	88	167	359	869
Total	**476**	**513**	**2,750**	**2,896**

*Mr. Plantenberg resigned as board member as at 1 May 2010. His remuneration untill end of employment (september 2011) amounts to € 0.7 million.

Supervisory Board remuneration:

Total remuneration for members of the Supervisory Board in 2010 was € 0.3 million (2009: € 0.3 million), specified as follows:

thousands of euros	2010	2009
P. Bouw, Chairman (member Remuneration Committee / Chairman Nomination Committee)	68	66
M.P.M. de Raad, Vice-Chairman (Chairman Remuneratior Committee / member Nomination Committee)	58	56
L.A.A. van den Berghe (member Audit Committee)	17	46
R. Pieterse (Chairman Audit Committee)	56	48
W. Spinner (member Remuneration Committee / Nomination Committee / Audit Committee)	52	51
Total	**251**	**267**

No loans or advance payments or any guarantees to that effect have been made or issued to the members of the Supervisory Board. None of the members of the Supervisory Board has shares in the company or any option rights relating thereto (as at 22 February 2011).

Audit Services

Total audit services for the financial year 2010 amount to € 1.8 million an can be specified as follows:

thousands of euros	Deloitte Accountants bv 2010	Deloitte Other 2010	Total 2010	Total 2009
Audit Services	389	1,249	1,638	1,428
Audit related services	118		118	85
Non audit services	51		51	89
Total audit services	**558**	**1,249**	**1,807**	**1,602**

Company Financial Statements

Company Balance Sheet

before profit appropriation. millions of euros	Note	As at 31.12.2010	As at 31.12.2009
Assets			
Intangible fixed assets		27.3	27.3
Financial fixed assets	**28.**	1,448.6	1,178.2
Total fixed assets		**1,475.9**	**1,205.5**
Receivables	**29.**	3.2	
Tax assets	**30.**	6.6	
Cash and cash equivalents	**31.**	38.9	28.6
Total current assets		**48.7**	**28.6**
Total assets		**1,524.6**	**1,234.1**
Equity and liabilities			
Common share capital		17.2	16.9
Share premium reserve		74.5	74.8
Other reserves		27.4	-49.6
Retained earnings		998.1	955.7
Equity	**32.**	**1,117.2**	**997.8**
Deferred tax liabilities		0.1	0.3
Non-current liabilities	**33.**	383.8	201.2
Total non-current liabilities		**383.9**	**201.5**
Interest-bearing current liabilities	**34.**	17.5	29.7
Non-interest-bearing current liabilities	**35.**	6.0	5.1
Total current liabilities		**23.5**	**34.8**
Total equity and liabilities		**1,524.6**	**1,234.1**

Company Income Statement

millions of euros	2010	2009
Result from group companies after taxes	84.1	52.2
Other income and charges after taxes	15.2	34.6
Result after taxes	**99.3**	**86.8**

Notes to the Company Financial Statements

General

The separate financial statements of CSM nv are drawn up in accordance with the principles referred to in Part 9, Book 2 of the Dutch Civil Code. By using the option in Section 2:362 (8) of the Dutch Civil Code the same accounting principles (including the principles for recognizing financial instruments as equity or debt) may be applied in the separate financial statements and the consolidated financial statements. Participations in group companies are valued on the basis of net asset value. Net asset value is determined by valuing assets, provisions and liabilities and calculating the result using the accounting principles applied in the consolidated financial statements (see Note 2).

A list has been filed at the Amsterdam Trade Register setting out the data on the group companies as required under Sections 2:379 and 2:414 of the Dutch Civil Code.

28. Financial Fixed assets

	As at 31.12.2010	As at 31.12.2009
Participations in group companies	696.5	603.9
Loans to group companies	770.8	635.7
Owed to/by group companies	-18.7	-61.4
Total	**1,448.6**	**1,178.2**

The balance of the participations in group companies and loans to group companies is positive in all participations of CSM nv. Amounts owed to or by group companies are long-term.

	2010	2009
Movements in participations in group companies:		
As at start of financial year	603.9	490.6
Paid-in capital	3.4	60.4
Result of group companies	84.1	52.2
Dividend group companies	-7.6	-10.0
Exchange rate differences	11.2	10.4
Other	1.5	0.3
As at close of financial year	**696.5**	**603.9**
Movements in loans to group companies:		
As at start of financial year	635.7	899.4
Exchange rate differences	44.1	0.4
Disbursements	157.6	44.0
Repayments	-66.6	-308.1
As at close of financial year	**770.8**	**635.7**

29. Receivables

The receivables relates mainly to commodity and foreign exchange derivatives.

30. Tax Assets

The tax assets relate mainly to tax receivables resulting from the tax loss 2010 of the fiscal unity (5 million inter-company, 1.6 from taxing authorities).

31. Cash and Cash Equivalents

The cash and cash equivalents were available and payable without notice in 2010 and includes a deposit of € 25 million with ING with a maturity date of 3 January 2011.

32. Equity

See Consolidated Statement of Changes in Equity and Note 16 to the consolidated financial statements.

33. Non-Current Liabilities

	As at 31.12.2010	As at 31.12.2009
Owed to credit institutions	331.3	144.9
Derivatives	52.5	56.3
Total	**383.8**	**201.2**

See Note 20 to the consolidated financial statements.

34. Interest-Bearing Current Liabilities

	As at 31.12.2010	As at 31.12.2009
Owed to credit institutions	17.1	29.7
Derivatives	0.4	
Total	**17.5**	**29.7**

35. Non-Interest-Bearing Current Liabilities

	As at 31.12.2010	As at 31.12.2009
Taxes and social insurance premiums		3.6
Other debts and accruals and deferred income	6.0	1.5
Total	**6.0**	**5.1**

36. Off-Balance Sheet Commitments

Contingent Liabilities

Under Section 2:403 of the Dutch Civil Code the company accepts liability for the debts incurred by Dutch group companies. The relevant declarations have been filed for perusal at the office of the Trade Register within whose jurisdiction the group company falls. The company guarantees external loans of USD 387 million and EURO 70 million drawn by group companies on the credit facility of the company.

Fiscal Entity

CSM nv and a number of subsidiaries in the Netherlands are part of fiscal entities for corporate income and value added taxes. During the period the companies are part of a fiscal entity they are jointly and severally liable for the liabilities of the fiscal entity.

37. Personnel

On average, 2.3 personnel were employed by CSM nv in the Netherlands during 2010 (2009: 3 personnel).

Diemen, the Netherlands, 22 February 2011.

Supervisory Board

P. Bouw, *Chairman*
R.H.P. Markham
R. Pieterse
M.P.M. de Raad
W. Spinner

Board of Management

G.J. Hoetmer, *Chairman*
N.J.M. Kramer

Other Information

Statutory Arrangement for Appropriation of Profit

The corporate Articles of Association lay down the following conditions regarding the appropriation of profit (summary).

Article 21.1

If possible, a dividend shall first be paid from the profit recorded in the adopted financial statements on each cumulative financing preference share in a specific series. This dividend shall be equal to a percentage calculated on the basis of the amount paid on the cumulative financing preference shares.

Article 21.4

If the profit is insufficient the dividend on the cumulative financing preference shares shall be paid from the company reserves, with the exception of the reserves which were formed as share premium reserve upon the issue of the cumulative financing preference shares. If the dividend cannot be paid from the company reserves, it shall be paid in arrear in the subsequent financial years.

Article 21.7

The Board of Management shall decide subject to the approval of the Supervisory Board which part of the profit is to be reserved after the above provisions have been applied. The remaining profit shall be at the disposal of the General Shareholders' Meeting.

Article 21.10

The General Shareholders' Meeting may decide upon a proposal by the Board of Management with the approval of the Supervisory Board to pay dividends to shareholders from the distributable equity.

Proposed Appropriation of Profit

millions of euros	2010	2009
Result after taxes	99.3	86.8
Available for dividend payment to holders of cumulative financing preference shares	4.3	4.3
Proposed addition to the reserves	35.7	50.6
Available for cash dividend to holders of common shares	59.3	31.9
Dividend of € 0.90* per common share with a nominal value of € 0.25	59.3	31.9

* 2010:at the choice of the shareholders in cash or in stock.
2009:at the choice of the shareholders in cash or in stock.

The dividend proposal is stated in the Report of the Board of Management.

Events after balance sheet Date

On January 14th, 2011 CSM has announced that it has entered into a joint venture agreement with the Tunisian based company GIAS s.s., that has a leading position in Bakery Ingredients and Margarines in North Africa. Furthermore, this joint venture that will operate as CSM-GIAS gives CSM access to a distribution network of African countries and allows CSM to sell its full bakery product portfolio into this market. The transaction will not have a material effect on CSM's financials.

On February 1st, 2011 CSM has announced that it has acquired Classic Cakes Ltd. in the UK. Classic Cakes produces a high quality range of premium sweet bakery products, servicing the foodservice and retail markets. The company and its facilities are based in Daventry. Classic Cakes has an annual turnover of € 11.4 million and employs some 90 people. This transaction strengthens CSM's leadership position in the market segments that it has targeted for growth, particularly the retail and foodservice channnels. The transaction will not have a material effect on CSM's financials.

On February 4th and February 10th CSM has announced the close down of the manufacturing facilities of respectively La Mirada and Oak Creek in the US. These closures are part of CSM's affort to deliver on synergies within the newly formed company CSM Bakery Products, following the integration of Best Brands. The production of both facilities will be migrated to other US factories in the course of 2011.

Independent auditor's report
To: the Shareholder of CSM N.V.

Report on the financial statements

We have audited the accompanying financial statements 2010 CSM N.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated fi¬nancial statements comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The com¬pany financial statements comprise the company balance sheet as at December 31, 2010 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in ac¬cordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the report of the board of management in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presenta¬tion of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of CSM N.V. as at December 31, 2010 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of CSM N.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the report of the board of management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the report of the board of management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Rotterdam, February 22, 2011
Deloitte Accountants B.V.

G.M. Dekker

Brief Resumés of the Members of the Supervisory Board

P. Bouw (1941), Chairman

Nationality	Dutch
Previous position	President, KLM N.V.
Supervisory directorship	Nuon N.V.
Additional positions	Chairman Supervisory Board VU Windesheim/ VU Medisch Centrum
	Chairman Bank Council
	Board member of various Foundations
First appointed in	1999
Current term of office	2007 – 2011

M.P.M. de Raad (1945), Vice-Chairman

Nationality	Dutch
Previous positions	Member Board of Management Koninklijke Ahold N.V.
	Member Board of Management Metro AG
	Chairman Board SHV Makro N.V.
	Member Board SHV Holdings N.V.
Supervisory directorships	HAL Holding N.V.
	Metro AG Düsseldorf
	Vion Holding N.V.
	Vollenhoven Olie Groep B.V.
	TiasNimbas Business School, University of Tilburg
	Chairman Supervisory Board Jeroen Bosch Hospital
First appointed in	2004
Current term of office	2008 – 2012

R.H.P. Markham (1946)

Nationality	British
Previous positions	Executive Director and Chief Finance Officer Unilever N.V.
Supervisory directorships	Non-Executive Director of Legal and General Plc (UK)
	Non-Executive Director of United Parcel Services Inc. (UK)
	Non-Executive Director of Astra Zeneca Plc (UK)
	Non-Executive Director of Standard Chartered Plc (UK)
Additional positions	Member of the Board of the Financial Reporting Council (UK)
	Chairman of the Board of Moorfield Eye Hospital NHS Foundation Trust (UK)
First appointed in	2010
Current term of office	2010 – 2014

R. Pieterse (1942)

Nationality	Dutch
Previous position	Chairman Board of Management Wolters Kluwer N.V.
Supervisory directorships	Chairman Koninklijke Grolsch N.V.
	Chairman Mercurius Groep B.V.
	Non-executive director board SABMiller plc
Additional positions	Chairman Vereniging Effecten Uitgevende Ondernemingen (VEUO)
	Board member of various Foundations
First appointed in	2004
Current term of office	2008 – 2012

W. Spinner (1948)

Nationality	German
Previous position	Member Board of Management Bayer AG
Supervisory directorships	Member Altana AG, Wesel (Germany)
	Chairman ROESER GmbH Bochum (Germany)
First appointed in	2004
Current term of office	2007 – 2011

Brief Resumés of the Members of the Board of Management

per 31.12.2010

G.J. Hoetmer (1956), Chief Executive Officer

Nationality	Dutch
Previous position	Senior Vice President Supply Chain Unilever Foods, member of Unilever Foods Executive, Leader of Unilever's global overheads and organization restructuring.
Additional position(s)	Chairman Spieren voor Spieren Foundation
First appointed in	May 2005
Current term of office	2009 – 2013

N.J.M. Kramer (1959), Chief Financial Officer

Nationality	Dutch
Previous position	CFO and member of the Executive Board Wessanen NV
First appointed in	April 2006
Current term of office	2010 – 2014

Secretary to the Board of Management

J.W.E. van der Klaauw (1955)

Nationality	Dutch
Employed since	August 1986

Group Structure

As at 22 February 2011

CSM nv

CSM Bakery Supplies Europe	CSM Bakery Supplies North America	Purac

Main Product Groups

Bakery ingredients and products	Bakery ingredients and products	Lactic acid and lactic acid derivatives

Operating Companies

CSM Austria	BakeMark Ingredients Canada	Purac America
CSM Benelux	BakeMark USA	Purac Argentina
CSM China	Caravan Ingredients	Purac Asia Pacific
CSM Deutschland	CSM Bakery Products NA	Purac biochem
CSM France	CSM Bakery Supplies Latin America	Purac bioquímica
CSM Hellas	CSM Bakery Supplies Mexicana	Purac China
CSM Ibérica		Purac Deutschland
CSM International		Purac France
CSM Italia		Purac Hungary
CSM Magyarország		Purac Japan
CSM Nordic		Purac Korea
CSM Polska		Purac Mexico
CSM Romania		Purac Polska
CSM Russia		Purac Russia
CSM Tunisia		Purac sínteses
CSM Turkey		Purac Thailand
CSM UK		
Classic Cakes		
Kate’s Cakes		
MARGO CSM Schweiz		

Five Years in Figures

millions of euros	2010	2009	2008	2007	2006
Continuing operations *					
Net sales	2,990	2,556	2,599	2,486	2,421
EBITA excluding exceptional items/one-off costs	215	151	133	154	155
EBITA	194	151	113	65	124
Operating result	158	143	107	60	122
EBITDA	265	212	173	126	191
Result after taxes	99	87	90	56	64
Earnings per common share in euros [1]	1.44	1.25	1.32	0.82	0.90
Diluted earnings per common share in euros [1]	1.44	1.25	1.32	0.81	0.89
Cash flow from operating activities	189	277	99	143	96
Cash flow from operating activities per common share, in euros [1]**	2.80	4.15	1.48	2.15	1.36
Depreciation/amortization fixed assets	107	69	66	66	69
Capital expenditure on fixed assets	83	47	64	116	118
EBITA margin % [2]	6.5	5.9	4.4	2.6	5.1
Result after taxes / net sales %	3.3	3.4	3.5	2.3	2.6
ROCE % [3]	9.1	8.2	6.2	3.6	7.1
Number of employees at closing date	9,664	8,430	8,433	8,726	8,204
Total operations					
Income statement:					
Result after taxes	99	87	90	203	105
Balance sheet:					
Fixed assets	1,791	1,330	1,361	1,373	1,356
Current assets	718	554	662	638	789
Non-interest-bearing current liabilities	483	386	381	415	530
Net debt position [4]	631	328	528	456	592
Provisions	277	171	172	182	178
Equity	1,117	998	942	958	845
Key data per common share					
Number of issued common shares	65,998,134	64,977,416	62,031,279	66,331,279	72,831,132
Number of common shares with dividend rights	65,873,803	64,828,082	61,868,026	61,802,201	65,954,285
Weighted average number of outstanding common shares **	65,855,352	65,837,383	64,795,388	65,280,284	71,101,226
Price as at 31 December	26.19	18.38	11.50	23.10	29.17
Highest price in calendar year	26.27	18.68	25.90	29.72	29.57
Lowest price in calendar year	18.55	7.97	9.43	22.35	21.19
Market capitalization as at 31 December	1.725	1.192	711	1.428	1.924
Earnings in euros **	1.44	1.25	1.32	3.06	1.47
Diluted earnings in euros **	1.44	1.25	1.32	3.05	1.46

millions of euros	2010	2009	2008	2007	2006
Other key data					
Number of employees at closing date	9,664	8,430	8,433	8,726	8,497
Number of issued cumulative preference shares	2,983,794	2,983,794	2,983,794	2,983,794	2,983,794
Equity per share in euros [5]	16.22	14.71	14.52	14.78	12.81
Ratio' s					
Net debt position/EBITDA [6]	2.1	1.6	2.8	2.1	2.0
Interest cover [7]	9.7	8.0	7.1	8.5	7.4
Balance sheet total : equity	1:0.4	1:0.5	1:0.4	1:0.5	1:0.4
Net debt position : equity	1:1.8	1:3.0	1:1.8	1:2.1	1:1.4
Current assets : current liabilities	1:0.6	1:0.6	1:0.5	1:0.6	1:0.7

* The previous years are not restated for discontinued operations later on.

**Only the preceding year is restated for stock dividend.

[1] Per common share in euros after deduction of dividend on cumulative preference shares.

[2] EBITA margin % is EBITA divided by net sales x 100.

[3] ROCE % is EBITA for the year divided by the average capital employed x 100. The goodwill included in capital employed relates to management goodwill, being the goodwill capitalized and the goodwill directly to equity since 1978, the year when CSM started the diversification process.

[4] Net debt position comprises interest-bearing debts less cash and cash equivalents.

[5] Equity per share is equity divided by the number of shares with dividend rights.

[6] EBITDA is 'Earnings Before Interest, Taxes, Depreciation and Amortization' here including acquisition and divestment effects recalculated for the whole year and excluding exceptional items/one-off costs.

[7] Interest cover is EBITDA defined in note 6 divided by net interest income and charges.

Information on the CSM Share

Share Capital

CSM is listed on Euronext Amsterdam N.V.
As at 31 December 2010 65,998,134 ordinary shares of € 0.25 each and 2,983,794 financing preference of € 0.25 each had been issued, including 124,331 ordinary shares with CSM.

Substantial Holding and Shares with Special Rights as meant in Part 5.3.3 WFT, Part 1

Under the Listed Companies Disclosure Act of 2006, the following notifications of capital interest in CSM as at 31 December 2010 were reported:

- ASR Nederland N.V. 6.68%
- ING Groep N.V. 5.37%
- Lansdowne Partners Limited 8.47%

N.B.: As at 22 February 2011 CSM nv has a capital interest of 0.2%.

Other Information

	2010	2009	2008	2007	2006
Number of ordinary shares with dividend rights x 1,000 as at 31 December	65,874	64,828	61,868	61,802	65,954
Market capitalization in millions of euros as at 31 December	1,725	1,192	711	1,428	1,924
Highest share price	26.27	18.68	25.90	29.72	29.57
Lowest share price	18.55	7.97	9.43	22.35	21.19
Share price as at 31 December	26.19	18.38	11.50	23.10	29.17
Average daily turnover of (depositary receipts of) shares *	320,656	288,791	372,167	279,911	250,987

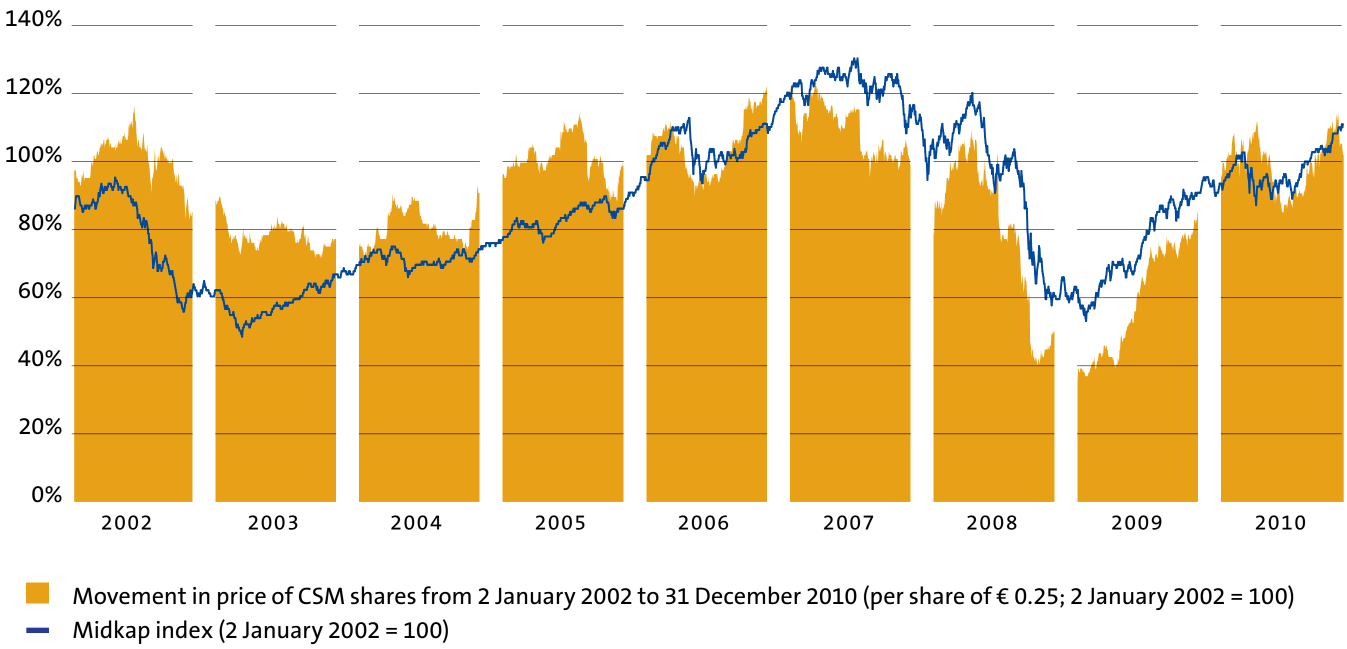
* Depositary receipts of shares have been converted to ordinary shares as at 7 May 2007.

Important Dates *

3 May 2011	General Shareholders' Meeting
5 May 2011	Ex date
9 May 2011	Record Date
26 May 2011	Dividend payable for 2009
27 April 2011	Publication of the interim management statement first quarter 2010
10 August 2011	Publication of half-year figures 2010
27 October 2011	Publication of the interim management statement third quarter 2010
22 February 2012	Publication of annual figures 2010
22 February 2012	Announcement of dividend proposal 2010
22 February 2012	Press conference on annual figures 2010
2 May 2012	General Shareholders' Meeting
4 May 2012	Ex date
8 May 2012	Record Date

* subject to change

Trend in the Share Price



Colophon

Design/artwork Monter, Amsterdam
Photography Sander Foederer, Den Haag
Printing drukkerij Tesink, Zutphen

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